

VISTA BANK (ROMANIA) SA

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021**

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
Vista Bank (Romania) SA

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements Vista Bank (România) S.A. and its subsidiary („the Group”), with registered office at 90-92 Emanoil Porumbaru St., District 1, Bucharest, Romania, identified by the unique tax registration code RO 10556861 which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.
2. The consolidated financial statements at December 31, 2021 are identified as follows:
 - Total equity RON 546,812,769
 - Net profit for the financial year RON 227,246,130
3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRSs”) and National Bank of Romania Order no. 27/2010 for the approval of Accounting regulations in accordance with International Financial Reporting Standards as adopted by the European Union, with subsequent amendments (“Order 27/2010”).

Basis for Opinion

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

Emphasis of Matter

5. As described in Note 2 to the accompanying consolidated financial statements, at December 31, 2021, Credit Agricole Bank Romania SA, the Group’s subsidiary was in process of preparing the merger with parent bank Vista Bank (Romania) SA. For such purpose, the Activity Plan for the 2022-2024 period prepared for the merger with Credit Agricole Bank Romania SA is pending approval by the National Bank of Romania. According to such plan, if the necessary approvals are obtained, on September 30, 2022 Credit Agricole Bank Romania SA will be absorbed by Vista Bank (Romania) SA, and, as of such date, the Bank will cease to exist as a separate entity. Our opinion is not modified in this respect.

Key Audit Matters

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

| <i>Nature of the area of focus</i> | <i>How our audit addressed the key audit matter</i> |
|--|---|
| Collective impairment of loans and advances to customers | |
| <p>Please refer to Note 3.1 and the accounting policies in Notes 2.10 and 3.1.1.a in the consolidated financial statements.</p> <p>According to IFRS 9, the Group registers credit losses by means of expected credit losses (ECL): throughout a period of up to 12 months for exposures for which credit risk has not increased significantly since origination, and throughout the lifetime of the loan for exposures that register a significant credit loss, as mentioned in the policy regarding the identification and measurement of impairment in Note 2.10 and in Note 3.1.1.a to the consolidated financial statements.</p> <p>At December 31, 2021, the key row in the consolidated financial statements of the Group, which was significantly affected further to the adoption of IFRS 9 is loans and advances granted to customers at consolidated level in amount of RON 3,935.5 million (net of the related impairment allowances in amount of RON 93.2 million). The Group exercises significant professional judgment, using complex models, numerous data and assumptions as to the time of registration and amount to be registered as credit impairment.</p> <p>Since loans and advances to customers make up a significant portion of the Group's assets, and due to the significance of the professional judgment applied by management in the classification of loans and receivables in various stages stipulated by IFRS 9 and in establishing the appropriate impairment level, this audit area is deemed a key audit matter.</p> <p>The key areas of the management's professional judgment included:</p> <ul style="list-style-type: none"> • use of historical data to determine risk parameters; • interpretation of the requirements for determining the impairment of receivables as per IFRS 9, which reflects in the calculation model of expected credit losses; • the assumptions used in the calculation models of expected credit losses for assessing the credit risk of exposure; • timely identification of exposures with significant increase of credit risk and deterioration of credit quality; • assessment of prospective information. | <p>Based on the risk assessment and knowledge of the industry, with the support of our experts in credit risk, we analysed the impairment of loans and advances to customers and assessed the methodology applied in determining impairment, as well as the key assumptions and source data used by management as per the description of the key audit matter.</p> <p>Our procedures consisted of:</p> <p>1) Testing the key controls regarding:</p> <ul style="list-style-type: none"> • ensuring the quality of the source data used in developing professional judgments and the ECL calculation model; • timely identification of impairment indicators, including the significant increase of credit risk; • analysis of the financial performance of debtors; • the governance processes implemented for the collective impairment models, input and adjustments for additional provisions, review of ECL. <p>2) Obtaining and analysing the information supporting the assumptions used in:</p> <ul style="list-style-type: none"> • developing the calculation models of the key risk parameters (12 months probability of default, lifetime probability of default and loss given default), including the procedures on the quality of source data; • developing the models regarding expected credit losses; • the development and adequacy of the staging and the criteria used to determine the significant increase of credit risk; • developing models that reflect the potential impact of the future economic conditions in the calculation of ECL. <p>For all the procedures above, we involved our own credit risk specialists, who have assessed how the ECL model was developed and the prospective models, in order to test whether it accurately reflects the Group's policies and methodologies.</p> <p>3) Verifying the proper implementation of the ECL calculation methodology into the IT systems, which included:</p> <ul style="list-style-type: none"> • testing of general IT controls regarding data sources and ECL calculations; • sample-based assessment of the quality of loans and staging classification; • sample-based testing of ECL calculations. <p>4) We have analysed whether the significant information on ECL regarding loans and advances to customers presented in the consolidated financial statements is adequate, as per the requirements of the applicable IFRS.</p> |

| <i>Nature of the area of focus</i> | <i>How our audit addressed the key audit matter</i> |
|---|--|
| <p>Interest and Fee Income Recognition</p> | |
| <p>Please refer to Notes 5 and 6 in the consolidated financial statements.</p> <p>For the year ended December 31, 2021, the interest income is in amount of RON 146,351.4 thousand, and fee and commission income is in amount of RON 12,889.7 thousand, the main source being loans to customers. These are the main contributors to the operating income of the Group affecting the Group's profitability.</p> <p>While interest income is accrued over the expected life of the financial instrument using the effective interest rate, the recognition of fee income depends on the nature of the fees as follows:</p> <ul style="list-style-type: none"> • fees that are directly attributable to the financial instrument are part of the effective interest rate and accrued over the expected life of such an instrument and are presented as interest income; • fees for services provided are recognized when service is provided and are presented as fee and commission income; • fees for the execution of an act are recognized when the act has been completed and are presented as fee and commission income. <p>Revenue recognition specifics, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT solutions for their recording, resulted in this matter being identified as a key audit matter.</p> | <p>We have assessed the design, implementation and operating effectiveness of key internal controls and focused on:</p> <ul style="list-style-type: none"> • interest/fee system inputs on customer loans and customers accounts; • recording/ updating of fees and interest rates in the system; • IT controls relating to access rights and change management of relevant automated controls with the assistance of our IT specialists. <p>We performed also the following procedures with regard to interest and fees income recognition:</p> <ul style="list-style-type: none"> • We evaluated the accounting treatment performed by the Group in respect of income from interest and fee charged to customers to determine whether the methodology complies with the requirements of the relevant accounting standard (IFRS 9 "Financial instruments"). We have focused our testing on challenging the correct classification of: <ul style="list-style-type: none"> • fees that are identified as directly attributable to the financial instrument and are part of the effective interest rate; • fees that are not identified as directly attributable to the financial instrument. • For a sample of loan agreements, we assessed the completeness and accuracy of data used for the calculation of interest and fee income. • We evaluated the mathematical formula used for accruing the relevant income over expected life of the loan. • We have assessed the interest and fee income by building our own expectation on the revenue and compared with the actual results of the Group. • We have assessed the presentation of interest and fee income in the consolidated financial statements in accordance with the requirements of IFRS. |

| <i>Nature of the area of focus</i> | <i>How our audit addressed the key audit matter</i> |
|--|--|
| <p>Acquisition of Credit Agricole Bank Romania SA</p> | |
| <p>Please refer to Notes 2.1 and 37 in the consolidated financial statements.</p> <p>According to Note 37, on September 16, 2021 Vista Bank (Romania) SA completed the purchase of 99.94% of the share capital of Credit Agricole Bank Romania SA from Credit Agricole SA and IUB Holding.</p> <p>At December 31, 2021, the consolidated financial statements include the identifiable assets acquired and the liabilities assumed in the acquisition of Credit Agricole Bank Romania SA. The business combination has generated an acquisition gain worth RON 250,007,844.</p> <p>The applicable provisions of IFRS 3 <i>Business combinations</i> impose a series of requirements to companies that acquire control in other businesses. The requirements include determining whether and when the control over the acquirees is obtained by the acquiror, the transferred consideration and the net identifiable assets acquired and also measuring the fair value of those net identifiable assets at acquisition date.</p> <p>The fair value estimate is complex and requires significant judgments in designing forecasts and core assumptions. As presented in Note 37, as regards the acquisition mentioned above, the fair value of the identifiable net assets acquired was estimated mainly through the following valuation methods:</p> <ul style="list-style-type: none"> - For loans and advances to customers: net present value of future cash flows, by discounting gross contractual cash flows at market return rates less expected credit losses throughout the lifetime of the loan; - For customer relations (identifiable intangible assets in a business combination): income approach, by reference to the amounts of attributable cash flows, net of the ordinary profitability for the other assets (non-current assets, net working capital and other identifiable and evaluated intangible assets) which contributed to the generation of those cash flows. <p>In addition, before recognising an acquisition gain, the buyer, among others, must reassess whether it has accurately identified all the assets acquired and liabilities assumed and to review the procedures used in order to measure the amounts to be recognised at the acquisition date for those identifiable net assets.</p> <p>As a result of the factors mentioned above, we considered that the business combination at issue and the accounting of the acquisition represent a key audit matter.</p> | <p>Our audit procedures were conducted by involving our own valuation specialists and included, inter alia:</p> <ul style="list-style-type: none"> • Assessment of the design and implementation of the selected internal controls, such as those regarding the determination of the consideration transferred, identification of assets acquired and liabilities assumed and estimate of the fair value of the net assets acquired. • Critical assessment of the Group’s conclusion regarding the acquisition date, by reviewing the purchase contract and the interviews with management. • Assessment of whether the Group has identified all the assets acquired and liabilities assumed, based on our understanding of the operations of the acquiree and analysis of the financial information thereof; • Critical assessment of the adequacy of the valuation methods and models applied in order to determine the fair value at the acquisition date of the assets acquired and liabilities assumed, by reference to the applicable valuation standards of the financial reporting standards; • As regards the valuation methods mentioned above, we have analysed the key assumptions regarding the significant fair value adjustments related to the following categories of assets: <ul style="list-style-type: none"> ○ For loans and advances to customers – the assumptions underlying the future forecasts of cash flows and discount rates, through the interviews had with the financial and risk personnel of the Bank and the external experts contracted by the Group and through the review of the publicly available market data; ○ For customer relations, the assumptions regarding the values of attributable cash flows attributable, net of ordinary profitability for the other assets (non-current assets, net working capital and other identifiable and evaluated intangible assets) which contributed to the generation of those cash flows, by reference to the internal records of the acquiree and the publicly available market data. <p>Assessment of the accuracy, completeness and relevance of the information presented in the consolidated financial statements regarding business combinations by comparison with the applicable requirements of the financial reporting standards.</p> |

Other information – Administrators’ Consolidated Report

7. The administrators are responsible for preparation and presentation of the other information. The other information comprises the Administrators’ consolidated report, but does not include the consolidated financial statements and our auditor’s report thereon.

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

In connection with our audit of the consolidated financial statements for the year ended December 31, 2021, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrator’s consolidated report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of National Bank of Romania Order no. 27/2010, articles 12-14 and articles 32-33.

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

- a) the information included in the Administrators’ consolidated report for the financial year for which the consolidated financial statements have been prepared is consistent, in all material respects, with these consolidated financial statements;
- b) the Administrators’ consolidated report has been prepared, in all material respects, in accordance with the provisions of the National Bank of Romania Order no. 27/2010, articles 12-14 and articles 32-33.

Based on our knowledge and understanding concerning the Group and its environment gained during the audit on the consolidated financial statements prepared as at December 31, 2021, we are required to report if we have identified a material misstatement of the Administrators’ consolidated report. We have nothing to report in this regard.

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

8. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union and Order 27/2010 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
10. Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

12. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient and adequate audit evidence regarding the financial information of the Group entities or business lines in order to express an opinion on the consolidated financial statements. We are responsible for the coordination, supervision and performance of the Group audit. We are solely responsible for our audit opinion.
13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

16. We were appointed by the General Meeting of Shareholders on May 7, 2021 to audit the consolidated financial statements of Vista Bank (Romania) SA for the financial year ended December 31, 2021. The uninterrupted total duration of our commitment is 6 years, covering the financial years ended December 31, 2016 and December 31, 2021.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Bank that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- We have not provided the non-audit services referred to in Article 5 (1) of EU Regulation No. 537 / 2014.

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

Irina Dobre, Audit Partner

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

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 3344

On behalf of:

DELOITTE AUDIT SRL

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

The Mark Building, 84-98 and 100-102 Calea Grivitei, 9th Floor, District 1
Bucharest, Romania
June 21, 2022

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VISTA BANK ROMANIA SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOT THE YEAR ENDED DECEMBER 31, 2021
(all amounts are expressed in RON, unless otherwise stated)

| | Note | December 31, 2021 | December 31, 2020 |
|---|-------|----------------------|----------------------|
| Cash and balances with Central Banks at amortised cost | 11,33 | 1,018,842,992 | 338,550,897 |
| Loans and advances to banks at amortised cost | 12,33 | 704,373,441 | 531,678,637 |
| Loans and advances to customers at amortised cost | 3 | 3,935,450,377 | 1,654,071,843 |
| Financial instruments at amortised cost | 13 | 782,346,718 | 453,353,058 |
| Financial assets at fair value through other comprehensive income | 14 | 261,803,078 | 172,415,643 |
| Financial assets at fair value through profit or loss | 15 | - | 2,482,735 |
| Derivative financial instruments | 26 | - | 50,739 |
| Repossessed assets (inventories) | 20 | 60,901,369 | 116,005,575 |
| Other financial assets | 21 | 12,341,911 | 10,097,373 |
| Other assets | 21 | 11,097,039 | 5,841,029 |
| Investment property | 19 | 94,014,518 | 98,946,605 |
| Current tax receivables | 27 | 871,140 | 773,707 |
| Property and equipment | 17 | 23,439,135 | 10,533,493 |
| Right-of-use assets | 18 | 49,679,214 | 39,532,289 |
| Intangible assets | 16 | 35,561,754 | 3,348,307 |
| Deferred tax assets | 27 | 18,761,782 | 11,083,045 |
| Total assets | | 7,009,484,468 | 3,448,764,975 |
| Deposits from banks | 22 | 46,804 | 29,053 |
| Deposits from customers | 23 | 6,254,994,060 | 3,046,320,934 |
| Loans from banks | 24 | 42,073,842 | - |
| Derivative financial instruments | 26 | 451,681 | - |
| Other financial liabilities | 29 | 10,779,821 | 12,524,941 |
| Other liabilities | 29 | 5,894,618 | 3,186,924 |
| Lease liabilities | 28 | 56,115,986 | 42,342,144 |
| Subordinated loans | 25 | 66,624,545 | 19,831,783 |
| Other provisions | 30 | 16,012,427 | 4,196,808 |
| Deferred tax liabilities | 27 | 9,677,915 | - |
| Total liabilities | | 6,462,671,699 | 3,128,432,587 |
| Equity | | | |
| Share capital | 31 | 504,754,052 | 504,754,052 |
| Reserves | 32 | 13,693,099 | 16,538,130 |
| Result for the period | | 227,246,130 | 472,824 |
| Retained earnings (loss) | | -198,880,512 | -201,432,618 |
| Equity attributable to Bank's shareholders | | 546,830,637 | 320,332,388 |
| Non-controlling interests | | -17,868 | - |
| Total equity | | 546,812,769 | 320,332,388 |
| Total equity and liabilities | | 7,009,484,468 | 3,448,764,975 |

The financial statements were approved in the General Meeting of Shareholders of May 13, 2022 and signed by:

Georgios Athanasopoulos
General Manager

Marilena Eparu
Financial Control & MIS Manager

The accompanying notes form an integral part of these financial statements.
Free translation from the original Romanian version.

VISTA BANK ROMANIA SA
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOT THE YEAR ENDED DECEMBER 31, 2021
(all amounts are expressed in RON, unless otherwise stated)

| | Note | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
|---|------|--|--|
| Interest income recognised using the effective interest rate | 5 | 146,351,402 | 95,137,332 |
| Interest expenses | 5 | -55,555,225 | -38,775,278 |
| Net interest income | | 90,796,177 | 56,362,054 |
| Fees and commission income | 6 | 12,889,699 | 5,796,001 |
| Fees and commission expenses | 6 | -3,315,660 | -1,332,968 |
| Net fees and commission income | | 9,574,039 | 4,463,033 |
| Net gains from foreign exchange differences | | 5,086,618 | 3,348,253 |
| Gains from acquisition | 37 | 250,007,844 | - |
| Other operating income | 7 | 13,863,133 | 9,738,075 |
| Other operating expenses | 8 | -117,830,044 | -77,933,009 |
| Net income/(expenses) with impairment of financial assets | 10 | -17,808,969 | 4,494,418 |
| Profit before tax | | 233,688,798 | 472,824 |
| (Expense)/Income from tax on profit | 9 | -6,442,668 | - |
| Net profit of the year | | 227,246,130 | 472,824 |
| Items that cannot be reclassified through other comprehensive income, net of tax | | | |
| Revaluation of property, plant and equipment | | - | 219,470 |
| Items that are or can be reclassified through other comprehensive income | | | |
| Differences from change in fair value of financial instruments at fair value through other comprehensive income, net of tax | | -2,812,980 | -1,373,653 |
| Total other comprehensive income | | | |
| Total comprehensive income for the financial year | | 224,433,150 | -681,359 |
| Net profit attributable to: | | 227,246,130 | 472,824 |
| Bank's owners | | 227,265,051 | 472,824 |
| Loss allocated to non-controlling interests | | -18,921 | - |
| Comprehensive income, of which: | | 224,433,150 | -681,359 |
| Bank's owners | | 224,452,247 | -681,359 |
| Loss allocated to non-controlling interests | | -19,097 | - |

The financial statements were approved in the General Meeting of Shareholders of May 13, 2022 and signed by:

Georgios Athanasopoulos
General Manager

Marilena Eparu
Financial Control & MIS Manager

The accompanying notes form an integral part of these financial statements.
Free translation from the original Romanian version.

VISTA BANK ROMANIA SA
CONSOLIDATED CASH FLOW STATEMENT
FOT THE YEAR ENDED DECEMBER 31, 2021
(all amounts are expressed in RON, unless otherwise stated)

| | Note | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
|--|-------|---|---|
| Profit before tax | | 233,688,798 | 472,824 |
| Adjustments for non-monetary items: | | | |
| Gains from acquisition of Credit Agricole Bank | 37 | -250,007,844 | - |
| Net (gains)/losses on impairment of loans and advances to customers | 10 | 17,808,969 | -4,494,416 |
| Income from depreciation | 8 | 17,016,503 | 11,350,382 |
| Interest expenses | 5 | 55,555,225 | 38,775,278 |
| Interest income | 5 | -146,351,402 | -95,137,332 |
| Income from dividends | 7 | -16,735 | -29,679 |
| Expenses with provisions for risks and charges | 8 | 7,737,710 | 1,088,056 |
| Other non-monetary adjustments | | -20,820,594 | 14,754,129 |
| Operating profit before changes in operating assets and liabilities | | -85,389,370 | -33,220,758 |
| (Increase) / Decrease in operating assets: | | | |
| (Increase)/Decrease in loans and advances to customers | | -370,151,492 | -384,072,116 |
| Decrease / (Increase) in loans and advances to banks | | -8,857,099 | 34,891,148 |
| Decrease / (Increase) in other assets | | 75,738,581 | - |
| Increase / (Decrease) in operating liabilities: | | | |
| Increase / (Decrease) in deposits from banks | | -161,856,465 | -73,445,026 |
| Increase in customer deposits | | 1,007,890,088 | 930,852,232 |
| Increase / (Decrease) in other liabilities | | -8,588,415 | 8,477,531 |
| Cash flow from operating activities before interest and tax | | 448,785,828 | 483,483,011 |
| Interest earned from loans and advances to customers | 5 | 112,720,586 | 75,563,859 |
| Interest paid on deposits | 5 | -48,353,970 | -31,317,827 |
| Income tax paid | 9 | -460,420 | -773,707 |
| Cash flow from operating activities | | 512,692,024 | 528,502,750 |
| Financing activities: | | | |
| Financing activities: | 37 | 631,065,635 | - |
| Acquisitions of financial assets carried at amortised cost | 13 | -911,777,596 | -258,730,481 |
| Buy-backs of financial assets carried at amortised cost | 13 | 559,800,000 | 125,160,701 |
| Acquisitions of financial assets at fair value through profit or loss | 14 | -247,314,003 | -222,416,277 |
| Sales and buy-backs of financial assets at fair value through other comprehensive income | 14 | 304,325,852 | 50,640,479 |
| Proceeds from sale of financial assets at fair value through profit or loss | 15 | 2,482,735 | - |
| Interest received from investing activities | 5 | 54,915,626 | 19,279,086 |
| Dividends received | 7 | 16,735 | 29,679 |
| Purchases of tangible and intangible assets | 16,17 | -11,059,740 | -4,898,331 |
| Sales of tangible and intangible assets | 16,17 | 11,877,360 | - |
| Income from lease of investment property | 7 | 749,367 | 554,043 |
| Income from sale of financial instruments | 7 | - | 2,552,252 |
| Cash flows used in investing activities | | 395,081,971 | -287,828,849 |

The accompanying notes form an integral part of these financial statements.
Free translation from the original Romanian version.

VISTA BANK ROMANIA SA
CONSOLIDATED CASH FLOW STATEMENT
FOT THE YEAR ENDED DECEMBER 31, 2021
(all amounts are expressed in RON, unless otherwise stated)

| | Note | Financial year ended December 31, 2021 | Financial year ended December 31, 2020 |
|---|------|---|---|
| Financing activities | | | |
| Proceeds from subordinated loans | | - | 21,956,621 |
| Repayment of bank loans | | -52,526,158 | - |
| Payment of lease liabilities | | -10,448,037 | -8,243,830 |
| Interest paid for subordinated loans | | -670,000 | -398,838 |
| Cash flows used in financing activities | | -63,644,195 | 14,111,629 |
| Net increase / (decrease) in cash and cash equivalents | | | |
| Cash and cash equivalents at the beginning of the financial year (gross amount) | 33 | 844,129,800 | 254,785,530 |
| | | 870,229,534 | 615,216,627 |
| Cash and cash equivalents at the end of the financial year (gross amount) | 33 | 1,714,359,334 | 870,229,534 |
| Impairment allowances | | -148,348 | -67,220 |

The financial statements were approved in the General Meeting of Shareholders of May 13, 2022 and signed by:

Georgios Athanasopoulos
General Manager

Marilena Eparu
Financial Control & MIS Manager

The accompanying notes form an integral part of these financial statements.
Free translation from the original Romanian version.

VISTA BANK ROMANIA SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOT THE YEAR ENDED DECEMBER 31, 2021
(all amounts are expressed in RON, unless otherwise stated)

| | Share capital | Reserves | Retained earnings (loss) | Total equity attributable to Bank's shareholders | Total equity attributable to non-controlling interests | Total |
|--|--------------------|-------------------|-----------------------------|---|---|--------------------|
| Balance as at January 1, 2021 | 504,754,052 | 16,538,130 | -200,959,794 | 320,332,388 | - | 320,332,388 |
| Profit for the year | - | - | 227,246,130 | 227,265,051 | -18,921 | 227,246,130 |
| Difference from change in fair value of financial assets at fair value through other comprehensive income, net of deferred tax | - | -2,812,980 | - | -2,812,804 | -176 | -2,812,980 |
| Total comprehensive income for the year | - | -2,812,980 | 227,246,130 | 224,452,247 | -19,097 | 224,433,150 |
| Acquisitions | - | - | - | - | 150 | 150 |
| Transfers to reserves | - | 814,995 | -814,995 | - | - | - |
| Reserves from revaluation of non-current assets | - | -847,046 | 847,046 | - | - | - |
| Other adjustments generated by the acquisition | - | - | 2,047,231 | 2,046,002 | 1,079 | 2,047,081 |
| Balance as at December 31, 2021 | 504,754,052 | 13,693,099 | 28,365,618 | 546,830,637 | -17,868 | 546,812,769 |

The financial statements were approved in the General Meeting of Shareholders of May 13, 2022 and signed by:

Georgios Athanasopoulos
General Manager

Marilena Eparu
Financial Control & MIS Manager

The accompanying notes form an integral part of these financial statements.
Free translation from the original Romanian version.

VISTA BANK ROMANIA SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOT THE YEAR ENDED DECEMBER 31, 2021
(all amounts are expressed in RON, unless otherwise stated)

| | Share capital | Reserves | Retained earnings (loss) | Total equity attributable to Bank's shareholders | Total equity attributable to non-controlling interests | Total |
|--|--------------------|-------------------|-----------------------------|---|---|--------------------|
| Balance as at January 1, 2020 | 504,754,052 | 15,097,843 | -198,959,976 | 320,891,919 | - | 320,891,919 |
| Profit for the year | - | - | 472,824 | 472,824 | - | 472,824 |
| Other comprehensive income | | | | | | |
| Difference from change in fair value of financial assets at fair value through other comprehensive income, net of deferred tax | - | 1,197,175 | -2,570,828 | -1,373,653 | - | -1,373,653 |
| Total comprehensive income for the year | - | 1,197,175 | -2,098,004 | -900,829 | - | -900,829 |
| Transfers to reserves | - | 23,642 | -23,642 | - | - | - |
| Reserves from revaluation of non-current assets | - | 219,470 | - | 219,470 | - | 219,470 |
| Other changes | - | - | 121,828 | 121,828 | - | 121,828 |
| Balance as at December 31, 2020 | 504,754,052 | 16,538,130 | -200,959,794 | 320,332,388 | - | 320,332,388 |

The financial statements were approved in the General Meeting of Shareholders of May 13, 2022 and signed by:

Georgios Athanasopoulos
General Manager

Marilena Eparu
Financial Control & MIS Manager

The accompanying notes form an integral part of these financial statements.
Free translation from the original Romanian version.

VISTA BANK ROMANIA SA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOT THE YEAR ENDED DECEMBER 31, 2021
(all amounts are expressed in RON, unless otherwise stated)

1. THE GROUP AND ITS OPERATIONS

Vista Bank Romania SA is a joint-stock company registered in Romania, licensed and supervised by the National Bank of Romania to conduct banking activities.

Vista Bank is a Romanian bank, with its registered office in 90-92 Emanoil Porumbaru St, Bucharest, District 1, registered with O.R.C.T.B. (Trade Registry Office attached to the Bucharest Tribunal) with no. J40/4436/1998, and in the Bank Registry under no. RB-PJR-40-044/18.02.1999. It has Sole Registration Number RO 10556861, and bank account no. 371133700 RON opened with National Bank of Romania Central Office.

At December 31, 2021, Vista Bank operates through 31 branches and its main office located in Romania, and has 312 employees.

The credit institution is present on the Romanian banking market for more than 20 years. Founded in 1998 by a mixed company of BNP Paribas and Dresdner Bank as BNP – Dresdner Bank Romania, the Bank was purchased in 2000 by Egnatia Bank and renamed Egnatia Bank Romania in 2001. The name of the bank was changed again in 2008 into Marfin Bank (Romania) following a triple merger in Greece among Marfin Bank, Egnatia Bank and Laiki Bank.

In July 2018, the Bank was purchased by Mr. Ioannis Vardinogiannis through Barniveld Enterprises Ltd. Mr. Ioannis Vardinogiannis is a member of the family that controls one of the largest industrial conglomerates in South-East Europe, with global operations in energy, oil refineries, electricity generation and distribution, sea transport, financial services, mass-media and entertainment. Marfin Bank Romania, part of the Vardinogiannis group, changed its name to Vista Bank Romania in 2019.

The Group's **registered office** is:

Vista Bank Romania SA
90-92 Emanoil Porumbaru St
Bucharest, District 1
Romania

The Vista Bank Group (the "Group") consists of Vista Bank Romania SA, as a parent company (the "Bank") and its subsidiary at December 31, 2021, Credit Agricole Bank Romania SA ("Credit Agricole").

The subsidiary of the Group at December 31, 2021 is Credit Agricole (December 31, 2020: no subsidiary), further to the acquisition of 99.69% in the share capital of Credit Agricole Bank Romania SA on September 16, 2021, when the Bank acquired control.

Credit Agricole Bank Romania SA

Credit Agricole Bank Romania SA is a bank based in Romania, registered with the Trade Register under no. J40/3797/1996 and in the Bank Register under no. RB – PJR-40-033/1999.

The Bank's registered office is located in Bucharest, 19 Berzei St., District 1. Credit Agricole Bank Romania SA is authorised by the National Bank of Romania to conduct banking activities. The main object of activity of the Bank is the provision of banking services to its natural and legal person customers.

Such activities include customer deposits, domestic and international payments, transactions in foreign currency, financing of working capital, medium-term facilities, bank guarantees, letters of credit and financing of micro-enterprises and small enterprises operating in Romania etc.

In 2014, IUB Holding SA bought 35 shares from Credit Agricole Bulgaria, thus reaching an ownership of 99.71%, while 400 shares owned by the 2 minority shareholders John S, Andropoulos (200 shares) and Athena Hellenic Engineering Industrial and Touristic (200 shares) were bought by Credit Agricole SA, which reached an ownership of 0.29%.

On January 4, 2021 the sale of Credit Agricole Romania SA to Vista Bank România SA was announced, and on September 16, 2021 after obtaining the approvals for the transaction, the shares were sold to the new shareholders, so that Barniveld Enterprises Limited owns 0.05% of the shares and Vista Bank Romania SA owns 99.95% of the shares.

At December 31, 2021, Credit Agricole operates through 14 branches and its head office located in Romania and has 248 employees.

On December 31, 2021 the structure of the Group's **Board of Directors** was as follows:

Chairman:

Free translation from the original Romanian version.

VISTA BANK ROMANIA SA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOT THE YEAR ENDED DECEMBER 31, 2021
(all amounts are expressed in RON, unless otherwise stated)

- Mr. Stavros Lekkakos

Members:

- Mr. Georgios Athanasopoulos
- Mr. Theodor Cornel Stanescu
- Ms. Pavlina Tavridaki
- Mr. Theodoros Eftys
- Mr. Parvu Catalin Vasile
- Mr. Volonasis Ilias
- Mr. Konstantaras Panagiotis

The majority shareholder of the Group is Barniveld Enterprises Limited. The registered office address is 58 Arch. Makarios III, Iris Tower, etaj 8, 1075.

The members of the Management Committee of Credit Agricole Romania SA in 2021 and in 2020 were as follows:

| <u>Position</u> | 2021 | 2020 |
|--------------------------------|-------------------------|------------------------|
| Chief Executive Officer | Stanescu Theodor Cornel | |
| Chief Executive Officer | | Beiso Luc Louis Michel |
| Deputy Chief Executive Officer | Bocan Elena | Bocan Elena |
| Deputy Chief Executive Officer | | Iliescu Bogdan |

The Board of Directors formulates policies for the operation of the bank and monitors their implementation. The Bank is managed by a Board of Directors formed of 5 members.

The members of the Board of Directors of Credit Agricole Romania SA at December 31, 2021 and December 31, 2020 is the following:

| <u>Position</u> | 2021 | 2020 |
|-----------------|-------------------------|-------------------------------|
| Chairman | Lekkakos Stavros | |
| Chairman | | Guilhem Nouvel – Alaux |
| Vice-Chairman | | Beiso Luc Louis Michel |
| Member | Georgios Athanasopoulos | |
| Member | Stanescu Theodor Cornel | |
| Member | Eftys Theodoros | |
| Member | Parvu Catalin Vasile | |
| Member | | Marchand Gerard Marcel Lucien |
| Member | | Maire Veronique |

VISTA BANK ROMANIA SA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOT THE YEAR ENDED DECEMBER 31, 2021
(all amounts are expressed in RON, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for consolidation

The consolidated financial statements of the Group have been prepared in accordance with National Bank of Romania Order no. 27/2010 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to credit institutions with subsequent amendments and additions ("Order 27/2010") and with the International Financial Reporting Standards and the interpretations adopted by the International Accounting Standards Board ("IASB") as they were adopted by the European Union ("IFRS EU"). Both Vista Bank and Credit Agricole apply the IFRS standards. The main accounting methods and policies applied in the preparation of these financial statements are presented below (Note 2 letters e) to g)) and have been consistently applied for all the periods disclosed, both at Group level, and at entity level.

The accounting records of the Group are kept in Romanian lei (RON), in compliance with the accounting laws in Romania, as well as the banking regulations issued by the National Bank of Romania.

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

The estimates and assumptions related to the same are based on historical data and other factors thought as indicative under the circumstances, and their result form the basis of judgments used for determining the book value of assets and liabilities for which there are no other available sources. The actual results may differ from the estimated values.

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

Information related to these estimates used in appliance of the accounting policies that carry a significant effect upon the financial statements, as well as the estimates implying a significant degree of uncertainty, are presented in Note 4.

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

The main accounting policies adopted for the preparation of these financial statements are presented below.

The consolidated financial statements include the financial statements of Vista Bank SA and its subsidiary, Credit Agricole SA for the year ended December 31, 2021 and the comparative financial statements of Vista Bank SA.

The Group has prepared the first set of consolidated financial statements at December 31, 2021 following the acquisition of Credit Agricole Romania SA on September 16, 2021.

The financial statements of the subsidiary were prepared for the same reporting period as the Bank, using the same accounting policies.

On September 16, 2021 Vista Bank acquired an investment in the equity of Credit Agricole of 99.94% (Note 37).

The acquisition process of Credit Agricole Bank Romania SA became effective on September 16, 2021 after obtaining the necessary approvals, date at which the transfer of control was also made. Vista Bank Romania SA initiated the process of merger by absorption which, at the date of these financial statements is pending approval from the NBR and is set to be effective on September 30, 2022.

On December 31, 2021, Credit Agricole Bank Romania SA was in the process of preparing the merger with parent bank Vista Bank Romania SA. For this purpose, it submitted for approval to the National Bank of Romania the Activity Plan for 2022- 2024 prepared for the approval of the merger between Vista Bank (Romania) SA and Credit Agricole Bank Romania SA. According to the plan, Vista Bank estimates that, if the necessary approvals are obtained, on September 30, 2022, Credit Agricole Bank Romania SA will merge with Vista Bank (Romania) SA, after which date, the Bank will cease to exist as a separate entity.

Until the merger process is completed, legal-wise, Credit Agricole Bank Romania SA continues to operate as a self-standing legal entity.

VISTA BANK ROMANIA SA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOT THE YEAR ENDED DECEMBER 31, 2021
(all amounts are expressed in RON, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis for consolidation (continued)

The Group applies the provisions of IFRS 10 Consolidated financial statements. Therefore, the subsidiary is included in the consolidated as of the date of transfer of control to the Group, i.e. the acquisition date September 16, 2021.

Consequently, the consolidated financial statements at December 31, 2021 contain the results of the operations of Vista Bank for the 12-month period ended December 31, 2021 and the profit and loss and cash flows of Credit Agricole Bank for the 3-month period ended December 31, 2021.

In the consolidated financial statements prepared after the taking of control of Credit Agricole, Vista Bank applies the provisions of IFRS 3 "Business combinations", which contains the principles to be applied by the buyer when recognising and measuring the identifiable assets acquired and the liabilities assumed as part of a business combination:

i) The recognition principle – the identifiable assets acquired and liabilities assumed are recognised separately from goodwill at acquisition date.

ii) The measurement principle - the identifiable assets acquired and liabilities assumed as part of a business combination are carried at their fair value at the acquisition date.

iii) Vista Bank registers the acquisition of Credit Agricole in the consolidated financial statements by applying the acquisition method.

Therefore:

1. The acquisition was made based on the following principles:

- The subsidiary' assets and liabilities have been recognized at fair value in accordance with IFRS 3;
- The identifiable intangible assets obtained have been recognized at fair value in accordance with IFRS 3, separately from the gain on the acquisition of the subsidiary resulting at the acquisition date.
- The gain on the acquisition of the subsidiary resulting from the acquisition has been calculated in accordance with IFRS 3.
- Deferred tax assets and / or liabilities have been recognized, considering the impact of fair value adjustments and recognized intangible assets.
- The tax benefits that resulted from the carried forward tax losses of the subsidiary and that were not previously recognized by the subsidiary have been recognized by the Bank, which has future taxable profits, for which the unrecognized tax benefit may apply.
- Intra-group balances and transactions and the resulting unrealized profits have been eliminated in full.
- Non-controlling interests were determined as a proportionate share of the fair value of the net assets of Credit Agricole held by minority shareholders.
- The pre-acquisition reserves or the carried forward result of Credit Agricole were not recognized separately, these being included in the gain resulting from the acquisition of Credit Agricole.

2. The consolidation is based on the following principles:

- The Bank's and its subsidiary's assets and liabilities are aggregated in the consolidated financial statements as follows: 100% of the Bank's assets and liabilities measured at book value and 100% of the assets and liabilities of Credit Agricole measured at book value, also considering the adjustments for the amortisation of fair value, which were determined upon acquisition, in accordance with IFRS 3;
- Intangible assets are recognized in the consolidated financial statements at cost, and are amortized over their estimated useful lives, as described in point 2.12.
- Deferred tax assets and / or liabilities are recognized in the consolidated financial statements, considering the impact of fair value adjustments and recognized intangible assets. In addition, tax benefits arising from deferred tax losses of the subsidiary that were not previously recognized by the subsidiary are recognized in the consolidated financial statements if the Bank has future taxable profits, for which the unrecognized tax benefit may apply.
- Intra-group balances and transactions and the resulting unrealized profits are eliminated in full.
- Non-controlling interest is determined as the proportional share of the book value of the net assets of Credit Agricole held by minority shareholders.
- Credit Agricole's pre-acquisition reserves or carried forward result are not consolidated; retained earnings and consolidated reserves comprise only retained earnings and Vista Bank's reserves and Credit Agricole's gains and retained earnings and post-acquisition reserves

VISTA BANK ROMANIA SA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOT THE YEAR ENDED DECEMBER 31, 2021
(all amounts are expressed in RON, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Functional and presentation currency

The Group's/Bank's functional currency is the currency of the economic environment in which it operates. The consolidated financial statements are presented in Romanian lei ("RON"), Group's/Bank's functional and presentation currency, rounded at the closest decimal, except as otherwise mentioned.

2.3 Going concern

The financial statements of the Group have been prepared in accordance with the activity continuity principle, which implies activity pursue on the part of the Group in the foreseeable future.

External context

2020-2021 was a difficult period for the world economies because it was marked by the economic crisis caused by the effects of the COVID-19 pandemic.

All throughout Europe, governments implemented substantial fiscal packages to support households and companies, coming with job retention programs. At the same time, central banks undertook to offer substantial monetary facilities both through conventional and unconventional means to support the credit flow and to prevent disturbances on the financial market. The macro-prudential measures taken have also facilitated the absorption of the impact of the crisis on banks and debtors alike.

Still, towards the end of 2021, the cases of Covid-19 grew as a result of a new variant that emerged and the low rate of vaccination especially in emerging countries. In addition, most prices in the energy sector and the disruptions of production chains have created new pressure on the economies, which were already affected by the pandemic.

Given the successive emergence of Covid-19 waves, in 2021, the European Central Bank maintained a series of measures to make sure that banks under its direct supervision may still fulfil their role in financing the real economy, given the economic effects of Covid-19.

At national level, the National Bank of Romania has continued its policy started in 2020, maintaining a series of measures meant to mitigate the adverse effects of the crisis generated by the pandemic on Romanian households and companies.

Thus, the NBR further reduced the monetary policy interest to 1.25% as of January 18, 2021 and maintained at this low level up towards the end of the year, when once the impact of Covid-19 lessened significantly, the global and national economies started facing high inflation rates.

In the same period, the NBR lowered the deposit facility rate to 0.75%, and the lending (Lombard) facility rate to 1.75%.

The effect of such measures was a reduction of interest rates on the monetary market and therefore, through the transmission mechanism, a reduction of interest on loans granted to companies and households, favouring economic recovery. The NBR continued to properly manage liquidities in the market, by providing liquidity to credit institutions via repo transactions, if needed, and by purchasing RON-denominated government securities on the secondary market to ensure the smooth financing of real economy and the public sector. The minimum reserve requirements for foreign exchange liabilities remained at 5% and at 8% for liabilities in RON.

VISTA BANK ROMANIA SA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOT THE YEAR ENDED DECEMBER 31, 2021
(all amounts are expressed in RON, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Going concern (continued)

With the decrease of the last pandemic wave, and in the context of rising inflation, the NBR began to gradually increase the monetary policy interest rate. Thus, by the end of 2021, this was 1.75% with a corridor for the facility, extended to +/- 0.75%.

During 2021, the RON / USD and RON / EUR exchange rates continued to fluctuate considerably, in the face of uncertainty on the international financial markets, global economic developments and signals of prolonged central banks' tight monetary policy.

Thus, the RON / EUR exchange rate registered a constant increase during 2021, registering a value of 4.9481 at the end of 2021, compared to 4.8694 at the end of 2020.

Regarding the Romanian banking system, in 2021 the deposits of the real sector consolidated their dominant position in the liabilities of credit institutions and represent approximately two thirds of the value of the aggregate balance sheet of the banking sector.

The liquidity related to the Romanian banking sector maintained its prudent position, the credit institutions having a consistent stock of liquid assets able to manage liquidity shocks and to contribute to the reduction of risks from the real sector.

In terms of liquidity indicators, Romanian banks have managed to keep them well above the specific requirements in force throughout the period since the beginning of the COVID-19 epidemic.

The IRCC or the Consumer Credit Reference Index has replaced the ROBOR in calculating the interest rate for variable interest loans. Since its introduction, the IRCC has steadily declined to 1.17 at the end of the third quarter of 2021.

Internal context

Vista Bank is a universal bank, of low size and complexity, ranking the 17th bank at December 31, 2021 in terms of assets (0.70% of the total banking assets of the Romanian banking system).

In addition to the external context, one must also consider the internal factors related to the size and performance of Vista Bank:

- The total value of assets increased by 29% at December 31, 2021 compared to December 31, 2020, namely from RON 3,448.76 million to RON 4,455.09 million;
- As regards the evolution of liabilities, they increased especially due to the increase of customer deposits (by 31%, namely RON 943.4 million);
- The final result for 2021 is a profit of RON 9.19 million, compared to RON 0.47 million in December 2020.

During December 2020 – December 2021, the own funds of the credit institution remained relatively constant, while the rate of total own funds decreased against the background of increasing assets, namely from 20.47% to 17.25%.

As regards the quality of assets, the rate of non-performing exposures (NPE) decreased significantly, below the average of the banking system at December 31, 2021 (2.10% v. 3.35%).

As regards processes and their quality, it is worth mentioning that they were not affected by the COVID-19 pandemic, and the telework did not have adverse effects on communication inside the organisation or on the quality of work.

Conclusion

The main conclusion of these external and internal evolutions is that Vista Bank is a solid bank, which has the capacity to manage work processes and to adapt to market changes, which holds a base of stable customers. Given the elements mentioned above, the pandemic crisis offered the Bank the opportunity and the context to extend its business, by diversifying the portfolio of clients and products, reflected in the acquisition of Crédit Agricole Romania.

VISTA BANK ROMANIA SA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOT THE YEAR ENDED DECEMBER 31, 2021
(all amounts are expressed in RON, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measures taken by the Bank in the context of the Covid-19 pandemic

The main measures taken by Vista Bank in the context of Covid-19 are described below:

- All going concern management scenarios have been fully implemented (all critical processes with BCM alternatives are now in place, with a special focus on work from home for most headquarters employees), and employee protective materials are available on large-scale, weekly sanitation takes place in all branches and headquarters with special antiviral materials;
- The bank continued to be concerned with the customer experience, ensuring the continuity of basic services in real time, with prompt intervention, constant communication with customers and accelerated the digitization process;
- Close monitoring of the evolution of liquidity and solvency and isolation of elements with high volatility potential;
- Active monitoring of market evolution and liquidity, as well as customer behaviour;
- In addition to public moratorium measures, the Bank has decided to support its clients through other dedicated loan forbearances, in accordance with the specific needs of clients.

Financial impact of the pandemic on the Bank's financial and prudential position

Due to the resilient activity and the results obtained in the last years, the Bank managed to maintain a good position even in this context, with adequate levels of capital and liquidity. The prudential indicators of the Bank were within the regulated limits. Even in the pandemic context, the Bank registered an increase on all levels of activity, both in terms of the bank's assets and liabilities (customer loans, securities, customer deposits), and in the structure of the profit and loss account.

In order to quantify a potential maximum impact determined by the increase of credit risk, the Bank performed stress tests on credit risk. The scenarios in the document entitled "**Macro-financial scenario for the 2021 EU wide banking sector stress test**" were used to apply stress tests.

This paper outlines the basic and adverse macro-financial scenarios that banks need to use in the EU-wide 2021 stress test exercise coordinated by the European Banking Authority (EBA). The purpose of these tests is to assess the resilience of financial institutions to adverse financial and economic developments, as well as to contribute to the overall assessment of systemic risk in the EU financial system. The adverse scenario sets out ways for key economic and financial variables in a hypothetical adverse situation triggered by the materialisation of the risks to which the EU banking system is exposed. A stress test is a scenario-based analysis that measures how the banking sector would evolve under hypothetical adverse economic developments. Consequently, the scenario should not be considered a forecast of the most likely negative shocks to the financial system.

Medium-term vulnerabilities arising from the COVID-19 pandemic dominate the scenario.

The data used in stress tests are:

| ROMANIA | Adverse evolution (%) |
|---|------------------------------|
| | 2022 |
| GDP (for stressed PD curves) | -0.4 |
| Price of residential properties (for stressed LGDs) | -2.5 |
| Price of commercial properties/land (for stressed LGDs) | -6.7 |

VISTA BANK ROMANIA SA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOT THE YEAR ENDED DECEMBER 31, 2021
(all amounts are expressed in RON, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the classification into stages, the hypothesis of stress tests was that the probability of an exposure passing from one stage to another is closely related to the change in the current economic position and the forecasted macroeconomic variables for ROMANIA, respectively GDP. Therefore, the stage is closely related to the change of the default probability from one period to another. A one-year stage transition matrix was calculated with transition frequencies totalling up to 100% for each stage for all portfolios. Stage 3 is considered an absorption stage, therefore the probability of remaining in stage 3 is always 100%.

The impact was calculated without / by considering the estimated recoveries and write-offs of non-performing loans, the results being presented below:

| | Exposure in EUR 31.12.2021 | ECL EUR 31.12.2021 | Exposure in EUR Y1 | ECL EUR Y1 without considering the estimated recoveries and write-offs of non- performing loans | ECL EUR Y1 by taking into account the estimated recoveries and write-offs of non- performing loans | Potential impact 1 | Potential impact 2 |
|--------------|----------------------------------|-----------------------|-----------------------|---|--|-----------------------|-----------------------|
| | 1 | 2 | 3 | 4 | 5 | 6=4-2 | 7=5-2 |
| stage 1 | 738,952,527 | 8,716,929 | 737,452,428 | 7,982,675 | 7,982,675 | -734,254 | -734,254 |
| stage 2 | 52,824,845 | 1,748,465 | 42,555,347 | 1,398,983 | 1,398,982 | -349,482 | -349,482 |
| stage 3 | 16,098,946 | 8,378,586 | 22,548,847 | 12,996,262 | 11,242,687 | 4,617,676 | 2,864,101 |
| POCI | 6,313,426 | - | 6,313,426 | - | - | - | - |
| TOTAL | 814,189,744 | 18,843,980 | 808,870,048 | 22,377,920 | 20,624,344 | 3,533,940 | 1,780,365 |

During January 2022 – April 2022, approximately EUR 637k in non-performing loans were recovered and write-offs worth EUR 153k were made.

The Bank has a reasonable estimate of the impact of Covid-19 on its future financial position and has conducted an analysis in this regard. The Bank considers that the evaluation of the business continuity principle is adequate and there is no risk to continue the activity in the next 12 months.

Liquidity and solvency position

The Bank regularly assesses the impact of Covid-19 in its activity, risk profile and prudential and performance indicators. In this sense, the Bank evaluates its performance based on stress testing scenarios on key performance and prudence indicators, strict monitoring of position and liquidity indicators (mainly liquidity coverage ratio and immediate liquidity ratio), monitoring the evolution of the interest rates of government bond due to the high level of market volatility and its impact on the capital base and monitoring the simulations of solvency ratios. The results of the stress tests are comfortable both in terms of solvency and in terms of liquidity. The Bank expects to maintain a solid position compared to the regulated minimum levels.

Liquidity

In 2021, the following actions were taken:

- Strict monitoring of the evolution of volumes (loans, deposits, unused credit facilities);
- Strict monitoring of liquidity ratios with main emphasis on active observation of market evolution and customer behaviour and simulation of various scenarios;
- Managing financing initiatives to meet the liquidity needs of affected customers;
- Maintaining a sufficient stock of liquid assets to compensate for possible cash outflows in the event of a crisis.

Liquidity indicators comfortably exceed the minimum regulatory requirements, and the Bank estimates that they will remain above 100% in the future.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Solvency

The Bank has adopted a number of measures to conserve capital due to the impact of the pandemic, as follows:

- strict monitoring of the capital position and isolation of potential elements with high volatility;
- periodic simulations by using stress testing methodologies regarding the increase of the exchange rate, the increase of the interest rate and the increase of the non-repayment probabilities.

Liquidity and solvency position

The Group regularly assesses the impact of Covid-19 in its activity, risk profile and prudential and performance indicators. In this sense, the Group evaluates its performance based on stress testing scenarios on key performance and prudence indicators, strict monitoring of position and liquidity indicators (mainly liquidity coverage ratio and immediate liquidity ratio), monitoring the evolution of the interest rates of government bond due to the high level of market volatility and its impact on the capital base and monitoring the simulations of solvency ratios. The results of the stress tests are comfortable both in terms of solvency and in terms of liquidity. The Bank expects to maintain a solid position compared to the regulated minimum levels.

Liquidity

In 2021, the following actions were taken:

- Strict monitoring of the evolution of volumes (loans, deposits, unused credit facilities);
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Liquidity indicators comfortably exceed the minimum regulatory requirements, and the Group estimates that they will remain above 100% in the future.

Solvency

The Group has adopted several measures to conserve capital due to the impact of the pandemic, as follows:

- strict monitoring of the capital position and isolation of potential elements with high volatility;
- periodic simulations by using stress testing methodologies regarding the increase of the exchange rate, the increase of the interest rate and the increase of the non-repayment probabilities

i) Group's position in Romania

According to the Decree issued by the Central Bank of Cyprus, published in the Official Gazette of the Republic of Cyprus no. 4645 of March 29th, 2013, Laiki Bank transferred to the Bank of Cyprus the financing granted to the Bank. As a result, the Bank could no longer rely on financial support from the parent bank, hence, it has been searching for a potential investor that would take over the majority shares.

In 2018, major changes occurred in the bank's shareholding, as the ownership of the former shareholder of the bank, i.e., Cyprus Popular Bank Public Co Ltd Cyprus (99.535052%) was taken over by Barniveld Enterprises Limited. Thus, by letter no. FG 235/12.03.2018, the National Bank of Romania communicated that it did not oppose the plans of Barniveld Enterprises Limited to hold a direct qualified ownership of 99.535052% of the subscribed and paid in share capital of Vista Bank (Romania) SA, or the plans of Gem Force Investments Limited and Mr. Ioannis Vardinogiannis to hold indirect qualified ownership of 99.535052% of the subscribed and paid in share capital of the credit institution.

Also in 2018, the share capital was increased by EUR 30 million through the conversion of the subordinated loans in amount of EUR 30 million classified as Tier 2 equity, according to the Decision of the General Meeting of Shareholders of 28.08.2018. Barniveld Enterprises Limited took over from Bank of Cyprus the subordinated loans in amount of EUR 30 million (at nominal value) in the process of authorization of the new shareholder, and full payment was made from the personal funds of Barniveld Enterprises Limited on 30.08.2018.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On January 4, 2021 the sale of Credit Agricole Romania SA to Vista Bank România SA was announced, and on September 16, 2021 after obtaining the approvals for the transaction from the National Bank of Romania and the Competition Council, the shares were sold and control was passed to the new shareholders, as follows: Barniveld Enterprises Limited owns 0.05% of the shares and Vista Bank Romania SA owns 99.95% of the shares.

In the present context, the Group aimed to maintain adequate levels of liquidity and capital adequacy.

The Group's main ratios registered adequate levels as follows:

| Ratios/ Reporting data | Dec-21 | Dec-20 |
|--|-------------|-------------|
| | RON | RON |
| Own funds | | |
| Own funds Tier 1 | 498,117,767 | 307,688,154 |
| Own funds Tier 2 | 63,974,469 | 19,830,000 |
| Total own funds | 562,092,236 | 327,518,154 |
| Capital adequacy ratios | | |
| Capital adequacy ratio Tier 1 | 15.92% | 19.23% |
| Total capital adequacy ratio | 17.97% | 20.47% |
| Debt-to-Equity ratio | 6.91% | 8.78% |
| Liquidity ratios | | |
| Liquidity ratio | n/a | 2.94 |
| Quick ratio | 42.80% | 47.82% |
| Liquidity coverage ratio (LCR) | 186.82% | 247.63% |
| Profitability ratios | | |
| Return on Assets (ROA) | 3.24% | 0.01% |
| Return on Equity (ROE) | 41.56% | 0.15% |
| Total expenses to total revenues | 45.43% | 90.70% |
| Ratios on the quality of the assets | | |
| Non-performing loans ratio | 1.95% | 4.60% |
| Impaired receivables/Total credits | 2.75% | 6.84% |
| Other ratios | | |
| Granted loans/attracted deposits | 62.92% | 54.30% |
| Total debt/Total equity | 11.82 | 9.77 |

As of September 1, 2014, the Group calculates its own funds according to Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and NBR Regulation no. 5/20.12.2013 on prudential requirements for credit institutions.

In terms of capital management, the Bank assesses capital adequacy for risks in accordance with the "Policy on the Internal Capital Adequacy Assessment", NBR regulations and CRD IV regulations package respectively.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The National Bank of Romania, as national regulatory and supervisory authority of the banking system, monitors the capital requirements of the Group within the limits imposed by EU Regulation no. 575/2013 on prudential requirements for credit institutions and investment firms which provide:

- a basic capital adequacy ratio Tier 1 of 4.5%;
- a capital adequacy ratio Tier 1 of 6%;
- a total capital adequacy ratio of 8%.

By Order 33/26.03.2021, the National Bank of Romania imposed minimum capital adequacy ratios compared to the standard regulatory limits, as follows:

- a basic capital adequacy ratio Tier 1 of 6.54%;
- a capital adequacy ratio Tier 1 of 8.72%;
- a total capital adequacy ratio of 11.63%.

By Order 52/21.03.2022, the National Bank of Romania imposed minimum capital adequacy ratios compared to the standard regulatory limits, as follows:

- a basic capital adequacy ratio Tier 1 of 6.75%;
- a capital adequacy ratio Tier 1 of 9.00%;
- a total capital adequacy ratio of 12.00%.

Moreover, as of January 1, 2016 the provisions of Order No. 12/2015 of the National Bank of Romania on the capital conservation buffer and the anti-cyclic capital buffer are applied so that credit institutions must meet the requirements of maintaining a capital buffer equal to a certain percentage of the total value of exposure to risk as follows: 0.625% applicable in 2016, 1.250% applicable in 2017, 1.875% applicable in 2018 and 2.5% applicable in 2019 until now.

In this context, as outlined at article 355 of the Guidelines on Common Procedures and Methodologies for the Supervisory Review and Evaluation Process (SREP) of Credit Institutions issued by the European Banking Authority, the Overall Capital Requirement (OCR) consists of the TSCR requirement, the buffer requirements set out in the Capital Requirements Directive and the additional own funds requirements to cover macro-prudential risks.

Also, according to the provisions of Order no. 4 / 09.05.2018 of the National Bank of Romania, starting 30 June 2018, credit institutions must meet the requirements for maintaining a systemic risk capital buffer in accordance with the methodology set out in the annex to the Order (2% in the case of Vista Bank Romania SA), which was reduced to 1% as of July 2021.

Consequently, the overall capital requirement for Total Tier 1 equity (Tier 1 ORC) is composed of the TSCR requirement for the Tier 1 equity ratio and the capital buffer requirements (capital buffer applicable in 2020 at a rate of 2.5%, or capital buffer for 1% systemic risk).

The Group registered a profit of RON 228,334,962 for the financial year ended on December 31, 2021, reaching an accumulated accounting loss of RON 198,880,512.

On September 26, 2018 the new shareholder increased the share capital by EUR 30 million through the conversion of subordinated loans of the same value taken over from Bank of Cyprus and on September 25, 2019 and October 16, 2019 the share capital was further increased by EUR 10 million.

Thus, according to Company Law no/ 31/1990, as republished, at December 31, 2021, the Group's net assets, calculated as the difference between total assets and total liabilities of the Group is more than half of the share capital.

In addition, the Group's management believes that they shall be able to take appropriate measures to enable maintaining capital and liquidity at appropriate levels to continue its activity in the foreseeable future.

Therefore, based on the above, the Management believes that the use of the activity continuity principle in preparing the financial statements is appropriate.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Standards and amendments effective in the current period

In 2021, the Group applied all interpretations of the new standards revised or issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRS IC) of the IASB, adopted by the EU, which are relevant to the work done by it.

b) Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases” - Interest Rate Benchmark Reform — Phase 2** adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 16 “Leases” - Covid-19-Related Rent Concessions beyond 30 June 2021** adopted by the EU on 30 August 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021),
- **Amendments to IFRS 4 Insurance Contracts “Extension of the Temporary Exemption from Applying IFRS 9”** adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

The adoption of these amendments to the existing standards has not led to any material changes in the Group’s financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Standards and amendments to the existing standards issued by IASB and adopted by the EU, but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **Amendments to IAS 16 “Property, Plant and Equipment”** - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 “Business Combinations”** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **IFRS 17 “Insurance Contracts”** including amendments to IFRS 17 adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated).

d) New standards and amendments to the existing standards issued by IASB, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following new standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at the publication of these financial statements:

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 “Income Taxes”** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 17 “Insurance contracts”** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) New standards and amendments to the existing standards issued by IASB, but not yet adopted by the EU (continued)

The Group has decided not to adopt such standards in advance.

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the separate financial statements of the Group in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements, if applied as at the balance sheet date.

3. Accounting for the effects of hyperinflation

Prior to January 1, 2004, the adjustments and reclassifications of the statutory accounting records for compliance with the International Financial Reporting Standards included restatement of balances and transactions in order to reflect the purchasing power of the national currency, in accordance with IAS 29 ("Financial Reporting Standards in Hyperinflationary Economies). IAS 29 require that financial statements prepared in the currency of a hyperinflationary economy be displayed in the currency rate at the balance sheet date. On January 1, 2004, the Group did not apply the provisions of IAS 29, as in the Romanian economic environment the hyperinflation features disappeared. The effects of hyperinflation in the Bank's share capital is presented in Note 31. The restatement was based on the conversion factor: Consumer Price Index (CPI) in Romania published by the National Statistics Commission.

4. Foreign currency

Transactions denominated in foreign currencies are translated into RON at the official rate of exchange of the transaction date. Monetary assets and liabilities in foreign currencies at the balance sheet date are denominated in the functional currency at the exchange rate of the day.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are recorded in the functional currency at the exchange rate at the date the fair value was determined.

Revaluation differences are presented in the income statement, except for differences arising from the revaluation of financial assets at fair value through other comprehensive income, which are included in the statement of comprehensive income.

The exchange rates for the main foreign currencies were:

| Currency | December 31, 2021 | December 31, 2020 |
|-----------------|------------------------------|------------------------------|
| Euro (EUR) | 1: RON 4.9481 | 1: RON 4.8694 |
| US Dollar (USD) | 1: RON 4.3707 | 1: RON 3.9660 |

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Financial assets and liabilities

Financial assets and liabilities are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Recognized financial assets and liabilities are initially measured at fair value. Trading costs directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and liabilities at FVTPL) are added to or deducted from, the fair value of the financial assets or liabilities, as the case may be, at initial recognition. Trading costs directly attributable to the acquisition of financial assets or liabilities to FVTPL are recognized immediately in the income statement.

2.4.1. Financial assets

The evaluation of the business model is one of the two stages in the classification of financial assets.

The Group's business model reflects the way it manages its financial assets to generate cash flows; the business model determines whether cash flows will result from the collection of contractual cash flows, from the sale of financial assets or from both.

The Group sets its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not evaluated by instrument, but at a higher level of aggregate portfolios and is based on observable factors such as:

- The way in which the performance of the business model and of the financial assets held within that business model are evaluated and reported to the key personnel of the entity;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which these risks are managed;
- How portfolio managers are compensated (for example, whether the compensation is based on the fair value of the assets managed or the cash flows collected);
- Frequency, value and expected sales schedule are also important aspects of the Group's valuation.

The evaluation of the business model is based on reasonably expected scenarios, without considering the "worst case" scenario or the "stress scenario". If cash flows after initial recognition are made in a manner different from the Group's initial expectations, the Group does not change the classification of financial assets remaining in this business model, but incorporates such information when valuing new products or new financial assets acquired.

To this end, the Group has developed systems and processes to analyse the portfolio of debt securities and loans in force and to assess whether the characteristics of contractual cash flows allow for valuation at amortized cost (held-to-collect portfolio) or at fair value with effect on comprehensive income (held-to-collect and sell portfolio). The analysis in question was performed both by contract and by defining specific clusters based on the characteristics of the transactions and using a specific tool ("SPPI Tool") to analyse the characteristics of the contract in relation to the requirements of IFRS 9.

The Group classifies financial assets according to the Group's business model and the characteristics of the contractual cash flows of the financial asset. A business model reflects how the Group manages its financial assets to achieve its performance objectives

There are three business models:

Collection of contractual cash flows

This model includes financial assets that are held for the purpose of collecting cash flows, through the collection of contractual payments over the life of the instrument (includes assets such as loans, government securities and bonds that are not held for trading).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If these assets also meet the criterion of cash flows representing solely principal and interest (SPPI test), they can be classified at amortized cost and are included in the periodic calculation of adjustments for expected losses. There is no express requirement to keep these assets until maturity, sales can be made if they are infrequent (even if they have a significant value) or have an insignificant value both individually and in the aggregate (even if they are frequent) or when the risk profile of an instrument increases and is no longer in line with the Group's investment policy. An increase in the frequency or value of sales over a period of time is not necessarily inconsistent with an objective of holding financial assets to collect contractual cash flows, if the Group can explain the reasons for those sales and demonstrate why those sales do not reflect a change in the business model.

Collection of contractual cash flows and sale of financial assets

In this model, financial assets are managed both to obtain cash flows by collecting contractual payments and by selling them to improve the liquidity position or to optimize the portfolio return. Assets in this business model are measured at fair value through other comprehensive income. They can be government bonds, corporate bonds.

Other business models

Are the models that do not meet the criteria of the two models mentioned above, such as those in which the assets are managed to obtain cash flows from their sale (from trading) or those in which the management of assets is based on the fair value of assets acquired for trading (bonds or shares) and which are measured through profit or loss. This model involves managing the portfolio through frequent purchases and sales to maximize profits. The Group recognizes all financial assets and liabilities at the date of trading. This is the date on which the Group undertakes to buy or sell a financial asset.

As a second stage of the process of classification of financial assets, the Group evaluates the contractual financing conditions to identify whether they result in "solely payments of principal and interest at the value of the outstanding principal" - the SPPI test.

The principal is defined as the "fair value of the financial asset at initial recognition" and may change over the life of the financial asset (for example, if there are reimbursements of principal or amortisation of the premium/discount). As regards "interest", the most significant elements are the time value of money and credit risk.

To conduct the SPPI evaluation, the Group appreciates and considers relevant factors, such as the currency in which the financial asset is expressed and the period for which the interest rate is set. On the other hand, the contractual terms that introduce a larger than the „de minimis“ exposure to risks and the volatility of contractual cash flows, which are not related to an underlying loan agreement, do not give rise to contractual cash flows representing solely payments of principal and interest out of the amount remaining unchanged. In such cases, the financial assets shall be measured at FVPL.

If the impact is "de minimis", the test is deemed passed.

Financial assets measured at fair value through other comprehensive income (FVOCI)

After initial recognition, financial assets are measured at fair value, including directly attributable trading costs. These are subsequently measured at fair value, and changes in fair value are recognized in a separate item from shareholders' equity. These financial assets are also subject to the measurement of a provision for expected credit losses, in the same approach as for debt instruments recognized at amortized cost. In addition, interest is recognized in the income statement using the effective interest method determined at the beginning of the contract.

- **Debt instruments**

These financial assets are held in a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets, and the contractual terms of the financial asset give rise, on certain dates, to cash flows that are solely payments of principal and interest on the value of the principal due, that is, they meet the conditions of the "SPPI test".

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

• **Equity instruments**

The Group may make an irrevocable choice, at instrument level, to present in other comprehensive income the subsequent changes in the fair value of an investment in an equity instrument that is not held for trading. In this case, gains and losses remain measured at fair value through other income, without recycling in profit or loss.

Financial assets at amortised cost (AC)

• **Debt instruments**

A financial asset must be measured at amortized cost if the following conditions are met: the financial asset is held in a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows, and the contractual terms of the financial asset give rise, on certain dates, to cash flows that are solely payments of principal and interest on the value of principal due, i.e. they meet the SPPI condition.

Financial assets at fair value through profit or loss (FVTPL)

• **Derivative financial instruments**

In accordance with IFRS 9, the derivative financial instruments are measured at fair value through profit or loss.

• **Equity instruments**

In accordance with IFRS 9, the Group will measure the equity instruments from held for trading to fair value through profit or loss, for which the option of fair value through other comprehensive income is not applied.

• **Debt instruments**

In accordance with IFRS 9, the Group will mandatorily measure at fair value through profit or loss the equity instruments that are not classified as held for trading, held for trading and sale or which did not pass the SPPI test.

Financial assets – derecognition

The Group derecognises a portfolio of financial assets, a financial asset, or a portion of a financial asset (herein after called “financial asset”) only when one of the following conditions is met:

- The contractual rights over cash flows expire;
- Transfers the financial asset and the transfer qualifies for derecognition;
- Voluntarily waives its rights over the financial asset due to the fact that the asset is considered irrecoverable or in order to grant a concession to the debtor;
- Significant change in a financial asset that results in the liquidation of the existing financial asset and the recognition of a new financial asset.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial assets and liabilities (continued)

In certain circumstances, the Group renegotiates or otherwise modifies the contractual cash flows of loans granted to customers. In this case, the Bank assesses whether the new terms are substantially different from the original terms. The Group does this by considering both quantitative factors, as well as qualitative changes that substantially change the size or nature of the creditor's risks associated with the pre-existing credit agreement. If the new terms are substantially different, the Group waives the original financial assets and recognizes a "new" financial asset. The new financial asset is initially recognized at fair value, and the subsequent classification and measurement are reassessed considering the new business model and the contractual characteristics of cash flows. The renegotiation date is therefore considered to be the date of initial recognition for the calculation of impairment. All financial assets that are impaired at the date of initial recognition (first origination or a new origination due to significant changes) are classified as purchased or originated credit-impaired financial assets (POCI).

When evaluating new conditions to determine if they are significantly changed, the Group considers whether the change is made to increase the recovery of the pre-existing loan. Renegotiating or changing the contractual cash flow of an existing financial asset may result in the waiver of the financial asset and the recognition of a new financial asset if those changes in the financial asset are significant. Changes made to increase the cash flows received and which are not considered significant changes in the contractual characteristics do not generate derecognition.

When assessing whether to derecognise a customer's loan, the Bank considers the following factors, among others:

A. Criteria for forbore exposures:

Although, in general, the modification for distressed assets is granted in order to recover as much as possible from the initial financial asset, there is a situation in which a forbearance operation substantially modifies the financial asset and the modified assets are substantially different in terms of economic and credit risk:

- Novation - change of contractual counterparty (debtor)
- Change of exposure currency
- Consolidations (from several facilities to 1)
- Spin-offs (from 1 to more).

The derecognition criteria for the modification of the non-forborne exposure will include the criteria for the distressed financial asset presented above and the situations in which the renegotiation of the contractual terms represents in fact a new lending relationship, namely:

- Insertion of a non-SPPI clause in an SPPI contract or removal from the contract of all non-SPPI clauses, so that the new contract form is SPPI
- Change after commercial renegotiation: a change in NPV above a 10% materiality threshold
- Product change
- Maturity changes of more than 50% and more than 1 year
- Extension of approved credit facilities based on a substantial analysis that may lead to rejection of the extension if the debtor's score / rating is below the threshold / limit

2.4.2. Financial liabilities

The Group has financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those designated at fair value through profit or loss) and financial liabilities at amortized cost. Financial liabilities are derecognised when they are extinguished – i.e. when the obligation is deleted, cancelled or when they expire.

a) Financial liabilities at fair value through profit or loss

This category comprises two sub-groups: financial liabilities held for trading and those designated at fair value through profit or loss. Financial liabilities are classified in this category if they are obtained primarily for the purpose of selling in the near future or if so, designated by the management. Currently, the Group does not have financial liabilities at fair value through profit or loss. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Other liabilities at amortized cost

The financial liabilities not at fair value through profit or loss, or those that are not classified in this category are measured at amortized cost. Financial liabilities at amortized cost are deposits from other banks or from customers, debt securities in question for which the fair value and subordinated debt option is not applied.

A financial debt is cancelled when the debt obligation is paid, cancelled or expires. If an existing financial debt is replaced by another of the same creditor, in substantially different terms, or the conditions of an existing debt are substantially altered (modification after the commercial renegotiation of the NPV above a 10% materiality threshold), such exchange or modification is treated as a recognition of the original debt and the recognition of a new liability and the difference between the carrying amounts are recognized in the income statement.

2.5 Principles of fair value measurement

The fair values of quoted investments in active markets are based on bid price in the case of bonds and on the average price in the case of derivatives. If the market of a financial asset is not active (unlisted securities and derivatives), the Group establishes the fair value by using valuation techniques and models developed internally. These include the use of recent transactions with objective price and discounted cash flow analysis.

2.6 Derivatives

Derivatives are classified as financial assets or liabilities held for trading and are initially recognized at fair value. After initial recognition, they are measured at market values without any deduction related to the costs of the sale.

Derivative financial instruments include foreign exchange swap contracts.

Gains or losses from the revaluation of derivatives are carried to income and expense accounts for derivative operations, corresponding to the type of instruments.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted prices in active markets, including recent market transactions, as well as based on evaluation techniques including discounted cash flow models. All derivatives are recorded as assets when fair value is positive and as liabilities when fair value is negative.

2.7 Interest income and expense

Interest income and expenses are recorded in the profit or loss for all instruments measured at amortized cost using the effective interest method. Interest income includes coupons related fixed income investment securities, discounts and premiums earned from treasury certificates.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial obligation and allocation of income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. In calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, payment options beforehand) but there are not considered future credit losses. The calculation includes all fees and amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and other premiums or discounts.

Effective interest is applied to the gross carrying amount of Stage 1 or 2 assets and all financial liabilities. For Stage 3 or POCI financial assets, the effective interest rate applies to the net carrying amount.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Income from fees and commissions

Income and expenses related to fees and commissions that are an integral part of the effective interest rate for a financial asset or liability are included in the measurement of the effective interest rate.

Income from fees and commissions and other operating income are recognized in the income statement as the Bank fulfills the performance obligation included in the contract, according to the rules of IFRS 15 Revenues from contracts with customers. In particular:

- If the performance obligation is fulfilled at a certain time ("point in time"), the related income is recognized in the profit and loss account when the service is provided;
- If the performance obligation is fulfilled in time, the related income is recognized in the profit and loss account to reflect the progress of fulfilling such an obligation.

Income from fees and commissions mainly refers to means of payment (checks, cards, promissory notes, etc.), interbank transactions (commissions on account transactions), receipts and payments (current accounts, business banking, safe deposit boxes, others), loan commitments and letters of guarantee issued.

Fees for managing accounts are charged to the client's account on a monthly basis. Commissions based on transactions (foreign exchange, foreign exchange transactions and account overdrafts) are collected in the client's account at the time the transaction takes place. Service fees are charged monthly and are based on fixed rates periodically reviewed by the Bank. Revenues from services attached to accounts and related fees are recognized in time as the services are provided. Income from transactions are recognized at the time the transaction takes place.

If the time of collection is not aligned with the way in which the performance obligation is fulfilled, the Bank accounts for a contractual asset or a contractual liability for the part of the income accumulated during the period or which is to be deferred in the following periods. The amount of income related to income from fees and commissions is measured based on contractual provisions. If the contractually stipulated amount is subject, in whole or in part, to variability, an income must be recorded based on the most probable amount that the Bank expects to receive.

"Accrued income" includes contractual assets recognized in accordance with IFRS 15. In this context, the accrued income represents the part of the performance obligation already fulfilled through the services provided by the Bank and which will be settled in future periods in accordance with the contractual provisions.

"Deferred income" includes contractual liabilities recognized in accordance with IFRS 15. Deferred income represents the part of the performance obligations that has not yet been fulfilled by the services provided by the Bank, but already settled in the period or in the previous periods. Most of this amount relates to performance obligations that are expected to be met until the reporting date at the end of the following year.

2.9 Contracts of sale with repurchase clause

Securities sold under contracts of sale with repurchase clause ("repos") are classified in the financial statements as financial instruments at amortised cost and the counterparty obligation is included in amounts due to customers and banks.

The difference between the sale and repurchase price is considered as interest and recognized over the life of the contracts of sale with repurchase clause, using the effective yield method.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of financial assets

The Group assesses expected credit losses („ECL”) prospectively and recognises ECL impairment allowances for the following financial instruments measured at FVTPL:

- loans and advances to banks;
- loans and advances to customers;
- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued and loan commitments issued.

No impairment losses are recognized on equity investments.

The ECL provision is based on expected credit losses to occur over the life of the asset (lifetime expected credit loss), unless there has been a significant increase in credit risk since origination, in which case, the provision is based on the 12-month ECL. The ECL is calculated from the time the loan is granted.

The 12-month ECL is the portion of the lifetime ECL that results from the default events of a financial instrument that are possible within 12 months of the reporting date. The financial instruments for which the 12-month ECL is recognized are called "Stage 1 Financial Instruments". Stage 1 financial instruments have not experienced a significant increase in credit risk since initial recognition and are not credit impaired.

Lifetime ECLs are ECLs that result from all possible default events over the expected life of the financial instrument or the maximum contractual exposure period. Financial instruments for which the ECL is recognized for life, but which are not credit impaired, are called "Stage 2 financial instruments". The financial instruments included in Stage 2 are instrument that have recorded a significant increase in credit risk since initial recognition but are not credit impaired.

Financial instruments for which ECLs are recognized for life and which are credit impaired are referred to as "Stage 3 financial instruments".

The expected credit loss may be calculated individually or collectively in accordance with IFRS 9. The Bank's model for calculating expected credit losses is:

- Individual evaluation for all Stage 3 customers
- Collective assessment for Stage 2 or Stage 1 customers
- Customers operating in the real estate market or are significantly exposed to the real estate market are analysed separately

The Group has established criteria for conducting a monthly assessment of the significant increase in credit risk since initial recognition, taking into account both relative and absolute thresholds (see note 3.1.1 a).

The recognition of the expected loss over the life of the collective financial assets takes into account comprehensive information on credit risk. Comprehensive credit risk information includes relevant historical and current data, including prospective macroeconomic information to estimate a result close to the recognition of the expected loss over the life of individual financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of financial assets (continued)

In order to determine the significant increase in credit risk and the recognition of an expected credit loss on a collective basis, the Group groups financial instruments on the basis of the common characteristics of credit risk, to facilitate the early identification of a significant increase in credit risk. Portfolio granularity analysis for segmentation purposes is the first step of collective analysis and is based on the analysis of default rates at sub-segments compared to higher segments.

Forborne financial assets

If the terms of a financial asset are renegotiated or changed or an existing financial asset is replaced with a new one due to the borrower's financial difficulties, then an assessment is made to determine whether the financial asset should be cancelled and the ECL is valued as it follows:

- If the planned restructuring does not lead to the cancellation of the existing asset, then the expected cash flows from the modified financial asset are included in the calculation of the cash deficit from the existing asset
- If the expected restructuring will lead to the 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 derecognition. This amount is included in the calculation of the cash deficit from the existing financial asset, which is revised from the expected date of derecognition to the reporting date, using the initial effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether the financial assets recorded at amortized cost, the financial assets recorded at FVOCI and the finance lease receivables are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events have occurred that have an adverse impact on the estimated future cash flows of the financial asset.

The Group has implemented the definition of „default” in accordance with the criteria set by EBA. All curves of probability of default used as input data in the ECL calculation were calibrated by retroactively applying the EBA definition, to ensure consistency of default at the time of calibration.

Written-off loans

The Group removes the financial assets from the balance sheet, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable chance of recovery. Indicators that there is no reasonable chance of recovery include (i) the cessation of enforcement and (ii) if the Group's method of recovery is foreclosure and the value of the security is such that there is no reasonable chance of full recovery.

The Group may write off financial assets that are still subject to foreclosure. The Group continues the attempts to recover the amounts that are legally due to it in full, but which were written off from the balance sheet partially due to the lack of a reasonable chance of full recovery.

In terms of amounts, they are fully derecognised from off-balance sheet (both ECL and gross exposure). In almost all cases, these amounts are fully provisioned at the time of write-off of the balance sheet.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Guarantees recovered

Guarantees recovered represent non-financial assets recovered by the Bank from customers for overdue account. Assets are initially recognized at fair value at the time of recognition in the balance sheet and are included in property and equipment, other financial assets or stocks in other non-financial assets, depending on their nature and the Bank's intention regarding the use of these assets. These assets are subsequently revalued and accounted for in accordance with the accounting policies for these categories of assets.

2.12 Intangible assets

Software licenses acquired are capitalized at acquisition costs and value of installing programs. These costs are amortized based on the estimated useful lives, which is normally three years. For client relations, the Group has estimated a 15-year amortization period, using the straight-line method.

Costs associated with developing or maintaining computer applications are recognized as an expense as incurred. Costs that are directly attributable to the production of identifiable and unique software applications under the control of the Group, and which will probably generate economic benefits over costs of production for more than one year, are recognized as intangible assets. Direct costs include costs with personnel dealing with the development of computer applications.

Computer software development expenditure recognized as assets are amortized using the straight-line method over their useful life which is generally three years.

2.13 Buildings and equipment

The cost of property, plant and equipment is recognized as a receivable when and only when: (a) it is probable that future economic benefits associated with the item will flow to the Group; and (b) the cost of the item can be measured reliably. Construction and other property, plant and equipment are valued at cost less accumulated depreciation and any impairment loss.

Repairs and maintenance expenses are recorded when incurred. The cost of replacing major parts or components of property and equipment is capitalized and the replaced part is scrapped.

Gains and losses on disposals determined by comparing proceeds to the carrying amount are recognized in profit or loss.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Buildings and equipment (continued)

Depreciation

Land is not impaired and assets in progress are not amortised until used. Amortization of other buildings and equipment is calculated using the straight-line method to allocate the cost of their residual value over their estimated period.

| | Useful life in years | |
|-------------------------------|-----------------------------|-------------|
| | 2021 | 2020 |
| Buildings | 50 | 50 |
| Furniture | 15 | 15 |
| Means of transport | 5 | 5 |
| Measuring and control devices | 4 | 4 |

The residual value of an asset is the estimated amount that the Group will get at its disposal after priority deducting the estimated costs of disposal if that asset already had the necessary life and was already in the estimated useful life end. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical period.

Assets' residual values and useful lives are reviewed and adjusted, where appropriate, at each balance sheet date.

The carrying amounts of property, plant and equipment are revised for impairment at each date in the statement of financial position or whenever events or changes in circumstances indicate that the carrying amount cannot be recovered.

If the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, then the former is reduced to the recoverable amount.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from use or disposal. Any gain or loss on the derecognition of the asset (calculated as the difference between the net proceeds from the disposal and the carrying amount of the asset) is included in the income statement in the year in which the asset is derecognised.

2.14 Impairment of non-financial assets

Assets that have an indefinite useful life are not amortized and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The impairment loss is the difference between the carrying amount and the recoverable amount of the asset. Recoverable amount is the greater of the asset's fair value minus costs to sell and value in use. In calculating this impairment, assets are grouped at the lowest levels for which there are identifiable cash inflows independent (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 Leases

Regarding the accounting treatment applied by the lessee, IFRS 16 provides, for all types of leasing, the recognition of an asset, representing the right to use the underlying asset, at the same time as the recognition of a liability for future payments resulting from the lease.

Upon initial recognition, the asset is measured at the amount of the lease liability plus payments made prior to the commencement of the lease, plus initial direct costs, less rental incentives received and, possibly, plus the costs of bringing the asset to its original condition. After initial recognition, the right of use will be measured based on the rules on assets governed by IAS 16, or IAS 40 and therefore, applying the cost-based model, less accumulated impairment and any accumulated impairment losses. The right to use the assets is depreciated during the lease.

The lease liability is initially measured at the present value of the lease payments payable during the lease, discounted at the default rate in the lease, if this can be easily determined. If this rate cannot be easily determined, the lessee will use the incremental loan rate.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Leases (continued)

The Group has decided, as permitted by the standard, not to apply the provisions of IFRS 16 for leases related to intangible assets, for short-term leases, with a term of less than 1 year and those with a low asset value (less than 5,000 EUR).

As a result, the standard will apply to leases of tangible assets, other than short-term and / or for which the underlying asset has low value, such as property / office space, machinery, office equipment and other assets.

For short-term leases or for leases for which the underlying asset has a low value, lease payments are recognized as straight-line expenses during the lease.

Right-of-use assets

The Group recognizes right-of-use assets on the date of commencement of the lease (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any revaluation of lease liabilities. The cost of the right-of-use asset includes the amount of recognized rental liabilities, the initial direct costs incurred and lease payments made on or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the term of the lease. The right-of-use assets are presented in Note 18, but also in a separate line in the balance sheet, called *Right-of-use assets*.

The group has recognised right-of-use assets resulting from leases for cars and the lease of commercial spaces.

Lease liabilities

At the beginning of the lease, the Group recognizes the lease liabilities measured at the current value of the lease payments to be made during the lease. Liabilities related to lease operations are presented in Note 28 and in a separate line in the balance sheet, called *Lease liabilities*.

In accordance with IFRS 16, a contract is considered a lease if it transfers control rights to use an identified asset for a given period in exchange for consideration. Control is considered to exist if the customer has:

- the right to obtain substantially all the economic benefits generated using an identified asset; and
- the right to direct the use of such asset.

The definition of the lease and the related instructions set out in IFRS 16 apply to all leases entered or amended on or after January 1, 2019.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Leases (continued)

The Group recognizes the amortization of the right-of-use assets and the interests related to the lease liabilities in the profit and loss account.

The amounts paid are composed of principal (presented in cash flows as financing activities) and interest (presented in cash flows as operating activities).

The main methodological aspects applied by the Group:

- cash guarantees concluded for some leases are not included in the right-to-use.
- the right-to-use is calculated in local currency, while the lease liability is in the contractual currency.
- the discount factor used for foreign currency contracts consists in the quotations of the Romanian government bonds issued whenever new contracts are concluded (the maturities of the Romanian government bonds will be in line with the maturities of the leases).
- the exchange rate initially used for the conversion of the right-to-use is the exchange rate issued by the NBR whenever new contracts are concluded
- the depreciation of the right-to-use is straight line
- all leases with a term of less than 1 year or with low values are recorded separately directly in rental costs
- addressing the economic content compared to the legal one in case of clauses regarding the term of the lease contracts (contractual clause - "unilateral termination by one of the parties, with six months' notice")

Each contract has an article on the termination of the lease, which stipulates the following: the lease may be terminated in the following cases:

- expiration of the lease
- mutual agreement of the parties
- non-compliance by a party with the obligations assumed
- termination by either party, subject to six months' notice

The Group closely examines the termination clauses and potential penalties, as appropriate, in determining the contractual period considered for each lease. Based on the history of all leases for branches and the fact that there were no cases of early termination of contracts and also based on the Bank's current strategy on leased premises and the Group's operations, the Group takes into account the current contractual period of the leases, even in cases where the above clauses are set out in the contracts, as the Group is reasonably confident that the terms will be met.

The Group operates as a lessee in leases for cars and the renting of spaces.

As of December 31, 2021, Vista has a number of 37 leases for rental spaces, of which: 31 are concluded for renting the spaces necessary for the activity of the Bank branches and 1 for the headquarters, 1 for the use of the Bank's CEO, 1 for the alternative disaster recovery headquarters and 3 for the rental of spaces related to ATMs, as well as 50 contracts related to cars used by department managers, branch managers and Bank management.

Of the 37 contracts for the rented spaces, two had a lease period of less than 12 months, for which reason it was excluded from the calculation of the right-to-use. Most leases are in EUR and only 3 are in RON and are usually drawn up for a maximum period of 10 years. The lease liability is registered in the contractual currency.

2.16 Cash and cash equivalents

For preparation of a cash flow statement using the indirect method, cash and cash equivalents include balances with a maturity of less than three months from the date of purchase i.e. cash; to unrestricted balances at central banks, including minimum reserve requirements; treasury and other eligible certificates; loans and advances to banks as well as short-term bonds.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Provisions

Provisions are recognized when the Group has a legal or constructive obligation arising from past events, when the settlement of the obligation is required an outflow of resources embodying economic benefits and when a reliable estimate can be made regarding the value of bonds. Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the whole category of obligations. Provisions are recognized even if the likelihood related to any item included in the same class of obligations may be small. Provisions are measured at the current value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.18 Financial collateral contracts

Financial guarantee contracts are contracts that require the issuer to make specific payments to reimburse the beneficiary a loss suffered by it due to the fact that a particular borrower has not made payments on the due date in accordance with the terms of the debt instrument.

These financial guarantees are granted to banks, financial institutions and other bodies on behalf of customers to guarantee loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized in the financial statements at fair value on the date granted. After the initial recognition, the Group's obligations under such guarantees are measured at the higher of the initial measurement, less amortization calculated recognized in the income statement and the expected credit loss provision.

The Group, in the normal course of business, enters into other commitments, including credit commitments and letters of credit. Unpaid loan commitments and letters of credit are commitments based on which, during the engagement, the Group is obliged to grant a loan on pre-arranged terms to the client. Similar to the financial guarantee contracts, these contracts fall within the scope of the requirements on expected credit losses. The nominal contractual value of financial guarantees, letters of credit and unpaid loan commitments, where the loan agreed to be granted complies with market conditions, is not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding expected credit loss are presented in note 32.

2.19 Employee benefits

Short-term employee benefits include salaries, compensation and social security contributions. Short-term employee benefits are recognized as an expense when the services are provided.

The Group, in the normal course of business, makes payments to the Romanian state pension funds for its employees in Romania, for pension, health and unemployment. All employees of the Group are included in the state pension system. The legally required contributions paid by the Group cease if the employees terminate their employment contracts with the Group, as the Group's obligation to pay the benefits obtained by these employees in previous years no longer exists.

The Group does not operate any other pension scheme and, therefore, has no further obligations regarding pensions. The Group has no other obligation to provide funds to current or former employees for their services.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Income tax

a) Current income tax

The Group records its net income tax expense on financial statements in accordance with accounting regulations and tax legislation in Romania. Romanian tax legislation is based on a financial year ended December 31. For recording both current tax and deferred tax for the year ended, the Group calculated the annual tax expense based on Romanian tax legislation in force at the balance sheet date.

b) Deferred income tax

Differences between financial reporting under International Financial Reporting Standards and the Romanian tax regulations lead to differences between the carrying amount of certain assets and liabilities and debt.

Deferred tax asset item is recognized to the extent that it is probable that future taxable profit will be available so that the temporary differences could be utilized.

Deferred tax is provided using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and calculating their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been implemented or substantially implemented at the balance sheet date and are expected to be applied when the deferred tax recovered is realized or the deferred tax obligation is settled.

2.21 Repossessed assets (inventories)

Repossessed assets are items recorded in the balance sheet in accordance with IAS 2: Inventories.

IAS 2 requires that assets that are considered inventories be recorded and measured in the accounts at the lower of cost and net realizable value. In order to determine the NRV, the Group evaluates the assets repossessed annually on the basis of a report prepared by an authorized valuer.

The gain or loss on derecognition of a repossessed asset is determined as the difference between the net proceeds from the disposal, if any, and the carrying amount of the item. The consideration included in such a gain or loss is determined in accordance with the requirements for determining the transaction price, in accordance with IFRS 15.

Taking into account the specific nature of the financial institution, the gain or loss on the derecognition of a repossessed asset is presented in other operating income or other operating expenses.

2.22 Investment property

If a property currently recognized as an asset with an accounting treatment in accordance with IAS 2 (Inventories) is subject to a lease that will generate cash flows (future rewards), then it will be reclassified as investment property with a different accounting treatment, in accordance with IAS 40 (Investment Property).

These investments are properties owned to obtain rental income. Real estate investments are initially valued at cost, including transaction costs. After initial recognition, investment property is measured at fair value. Gains or losses on changes in the fair value of investment property are included in the income statement for the period in which they arise. Such properties will be recorded, according to the management's decision, at fair value, determined at the balance sheet date by an authorized independent valuer, based on a valuation report that considers the latest prices obtained for similar properties located in the same area, in arm's length transactions.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an arm's length transaction between market participants at the valuation date.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Investment property (continued)

By applying the fair value model, investment properties will be valued annually or whenever necessary, in accordance with the regulations in force, based on a valuation report prepared by an authorized independent valuer.

The market present value may lead to the calculation of adjustments that will affect the profit and loss account.

The administrative costs related to the reclassified property are the same: local taxes, valuation costs, repair costs, etc.

2.23 Comparatives

Where necessary, the comparative amounts were adjusted and reclassified to reflect the presentation changes from the current period in accordance with NBR Order no. 27/2010 approving the Accounting regulations compliant with International Financial Reporting Standards applicable to credit institutions as revised ("Order 27/2010") and with International Financial Reporting Standards as they were adopted by the European Union ("IFRS") and with the interpretations adopted by the International Accounting Standards Board ("IASB"), base on which the separate financial statements at December 31, 2021 were adopted.

The comparative annual financial statements were modified in accordance with the presentation method of the current year, so that in the consolidated cash flow statement, in the *Cash flows from investing activities* line, acquisitions and sales of financial assets are presented separately as per IAS 7.

| Consolidated cash flow statement | Restated at December 31, 2020 | Reclassifications | Reported at December 31, 2020 |
|--|-------------------------------------|-------------------|----------------------------------|
| (Increase)/Decrease of financial assets at amortised cost | - | 133,569,780 | -133,569,780 |
| Acquisitions of financial assets carried at amortised cost | -258,730,481 | 258,730,481 | - |
| Buy-backs of financial assets carried at amortised cost | 125,160,701 | -125,160,701 | - |
| (Increase)/Decrease of financial assets at fair value through other comprehensive income | | | -171,775,798 |
| Acquisitions of financial assets at fair value through other comprehensive income | -222,416,277 | 222,416,277 | - |
| Sales and buy-backs of financial assets at fair value through other comprehensive income | 50,640,479 | -50,640,479 | - |

3 FINANCIAL RISK MANAGEMENT

Financial risk management is intertwined with the activities of the Bank. Management, to maintain stability and business continuity, gives a high priority to the objective of implementation and continuous improvement of an effective risk management framework to minimize the possible negative impact on the financial results of the Bank.

The Board of Directors of the Bank is responsible for establishing and monitoring risk management framework. At the level of the Board of Directors of the Bank has been established a Risk Audit and Management Committee to coordinate and address all risks in advance; This Committee is responsible for implementing and monitoring policies and principles related to financial risk management. Risk Audit and Management Committee meets quarterly and reports its activities to the Board of Directors.

Both principles and existing risk management policies have been developed to identify early risk analysis undertaken by the Bank, setting limits and appropriate control systems as well as systematic risk monitoring and ensuring compliance with established limits.

The Bank annually reviews the adequacy and effectiveness of the risk management framework to ensure that it keeps pace with market dynamics, changes in banking products offered, and the best international practices.

The Risk Management Department operates as an independent unit, assigned with executive responsibility for the planning and implementing risk management.

The Bank systematically monitors risks mentioned resulted from use of financial instruments: credit risk, market risk, liquidity risk, and operational risk.

3.6 Credit risk

Banking and Bank profits are closely related to credit risk taken. Credit risk is the risk of a financial loss for the Bank that occurs when borrowers are unable to meet their contractual/ transactional obligations. Credit risk is considered the most important for the Bank, and its effective monitoring and management are top priorities for management. The Group's overall exposure to credit risk mainly results from the approved credit limits and corporate loans and retail financing, investment and trading activities of the Bank's trading activities in derivatives markets, and the settlement of financial instruments. The level of risk associated with any credit exposure depends on various factors, including the general and prevailing market conditions, the financial condition of borrowers, the amount, type and duration of exposure and the presence of any guarantees.

Implementing a credit policy which presents the principles of credit risk management, ensures an effective and uniform credit risk monitoring. The Bank applies a uniform policy and practice on credit assessment procedures, approval, renewal and monitoring. All credit limits are reviewed at least once a year and approval powers are based on class size and total exposure to credit risk assumed by the Bank for each debtor or group of debtors that are in contact (one primary debtor). The Board of Directors of the Bank has assigned executive responsibility for credit risk management to the Risk Management Committee. The objective of the Committee is to evaluate and recommend credit limits to the Board of Directors and to monitor the proper application and policy management functionality for credit risk.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.6.1 Credit risk assessment

Reliable assessment of credit risk is a major priority of the management framework of the Bank's credit risk. The continuous development of infrastructure, systems and methodologies aimed at quantifying and assessing credit risk is essential in order to provide timely and effective support to management and business units in relation to decision-making, policy formulation and supervision requirements compliance.

a) Loans and advances

In measuring credit risk of loans and advances granted by the Bank to a counterparty: (i) the client's creditworthiness and the probability of default is systematically evaluated, (ii) the Bank's current exposure to credit risk resulting from impaired loans is monitored and (iii) recoverability rate on defaulted obligations is estimated based on guarantees and securities. The three parameters for measuring credit risk are incorporated into the daily operations of the Bank.

Systematic evaluation of the creditworthiness of customers and the likelihood of default.

The Bank evaluates the creditworthiness of its borrowers through the application of appropriate models for classification of loans through special features. These models have been developed internally and meet financial and statistical analysis specialist advice given by those responsible. Whenever possible, these models are tested through a comparative analysis based on external information available.

According to the Bank's policy, each borrower is evaluated when the credit limit is determined initially and thereafter, they are reevaluated at least once a year. Assessments are also updated where updated information that can have a significant impact on the level of credit risk is available. The Bank regularly tests the predictive ability of creditworthiness evolution and valuation models used for both corporate and for retail loans, thus ensuring the potential to accurately describe any credit risk and enabling timely implementation of measures address the problems that arise.

Corporate loans

Regarding corporate loans, the loan classification model applied depends on the financial standing of the Client, payment delays and existence of judicial proceedings. The system applied is a classification system developed internally.

The debtors of corporate clients are classified into 5 categories, which correspond to different levels of credit risk and are related to different classifications with regard to the probability of default, allowing the determination of expected loss.

Retail loans (retail banking)

Regarding loans to individuals (retail), the Bank focuses on the application of modern methods of assessing credit risk and fraud prevention, using also the scoring models customized for the retail loan portfolio profile. Thus, the approval is only possible if the score calculated for the applicant exceeds a certain threshold, to ensure compliance of the retail loan portfolio with the risk strategy and the bank's profile. Specific score is calculated based on a set of features. The final classification into 5 categories is given by the financial standing of the Client.

1. Monitoring Bank current exposure to credit risk

The Bank monitors credit risk exposure for its loans and advances to customers based on their notional amount.

2. Possible recovery based on existing collateral, securities and associated guarantees

During the establishment/revision of credit limits, the Group considers the type of collateral for exposure.

The Group assesses loss for the financial instrument at an amount equal to 12-month expected credit loss (Stage 1) if, as at the reporting date, the credit risk of a financial instrument has not increased significantly as of initial recognition.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk assessment (continued)

a) Loans and advances (continued)

2. Possible recovery based on existing collateral, securities and associated guarantees (continued)

If, on the reporting date, the credit risk of a financial instrument has increased significantly since initial recognition, then the Bank will assess the loss for such financial instrument at an equal value to TTC expected credit losses (stage 2).

For exposures to non-financial individual and legal entity clients, the Group uses for classification in the following stages indicators that reveal a significant increase in credit risk:

Quantitative indicators:

3.6.1.1 payment delays – more than 30 days overdue from reporting date;

3.6.1.2 risk class – downgrading by at least one risk class as at the reporting date compared to origination;

Qualitative indicators:

3.6.1.3 restructured exposure during the trial period (forborne);

3.6.1.4 the worsening of the prospects for the sector or industries where the debtor operates;

3.6.1.5 the depreciation of future cash flows without affecting the payment capacity for the upcoming period (without a restructuring as immediate measure);

3.6.1.6 the decision of the Bank's management to enhance the monitoring of a debtor or a group of debtors;

3.6.1.7 increase of the interest margin as a measure for the increase of credit risk associated with the debtor.

For exposures to banks and public administrations, the Group uses for staging the following indicators that show a significant increase of credit risk.

- Payment delays – more than 2 business days at the reporting date; and/or
- ECAI ratings - reduction by at least two levels in ECAI ratings, recorded at the reporting date compared to the origination date, for ratings that were initially above BB + / Ba1 and reduction by at least one level in ECAI ratings, recorded at the reporting date compared to the origination date, for ratings that were initially below BB + / Ba1. If several ECAI ratings are available for the same counterparty, the lowest rating of the two highest ratings is considered.

For classification in Stage 3, reference is made to Guide EBA / GL / 2016/07 on the application of the definition of default under Article 178 of Regulation (EU) no. 575/2013.

The Group applies the definition of default at debtor level, both for non-retail customers and for retail customers. The same definition of default is used for all types of exposures.

Default exposures are exposures that meet at least one of the following criteria:

- a. overdue payments upon establishment of default
- b. indicators of payment improbability.

The criterion of overdue payments upon establishment of default takes into account:

- a) the overdue loan obligation and the materiality threshold;
- b) counting the overdue days;
- c) suspension of the counting of overdue days;
- d) technical overdue;

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3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

The Group considers that the debtor is in a state of default when at least one of the following indications of the improbability of payment is identified:

- a) cessation of accounting;
- b) specific adjustments for credit risk (expected losses from stage 3 loans);
- c) sale of the credit obligation;
- d) emergency restructuring;
- e) bankruptcy;
- f) other indications of default:
 - i) customers in forced execution;
 - ii) customers with at least one non-performing facility (categories 2, 3 and 4 in the DATABANK classification for forborne exposures);
 - iii) clients who sent the Bank a request for datio in solutum.

Also, for the stage 3 allocation, the Bank analyses the significant individual exposures for which default events have occurred.

The Group has defined the following events that determine non-performance:

- The debtor operates in the real estate sector;
- The debtor invokes significant financial difficulties;
- Overdue payments longer than 60 days for corporate clients and greater than 30 days for retail clients;
- At least one of the facilities granted to the Debtor has been the subject of a replacement operation in the last 12 months;
- The financial performance of the debtor is E, except for the clients classified in this category due to the non-presentation of the last financial statements, but which were previously classified in a better category;
- Existence of indications regarding the probability of bankruptcy or other form of reorganization of the borrower, in the case of legal entities.

Even if at least one of the triggers of default mentioned above occurred, the Bank assesses separately the exposure of each debtor as to whether there is objective evidence of non-performance.

ECLs are calculated using the EADs obtained based on the exposure schedule. Therefore, the highest available frequency must be applied in the computation, such as monthly PD. We assume that the default occurs at the beginning of the period: for each intra-year cash flows the formula considers the exposures at the beginning of the period and the EIR discount rate EIR must be used as of the second period.

As regards the portfolio purchased from Credit Agricole, Stage 3 exposures at acquisition date were classified as POCl, and the rest were included in Stage 1. At December 31, 2021, the Group revaluated the portfolio acquired and initially classified as Stage 1 and reclassified exposures in Stages 1, 2 and 3 according to the parameters used by Vista.

At acquisition date, the value of the exposure at consolidated level for loans acquired from Credit Agricole was presented net of ECL calculated by Credit Agricole at acquisition date and the value adjustments determined using the PPA ("Purchase Price Allocation") analysis. At December 31, 2021, the value of the portfolio acquired was updated by the then contractual value, net of ECL calculated by Credit Agricole at acquisition date and the value adjustments determined using the PPA ("Purchase Price Allocation") analysis, the latter being amortised since the acquisition until December 31, 2021.

To determine the ECL for the portfolio acquired, the Vista methodology was applied, except for the LGD related to the unsecured AGRI portfolio, for which an LGD of 78.32 was used compared to the LGD of 77.34 applied to unsecured corporate loans, as per the Vista methodology.

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3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

As regards the probability of default (PD), for exposures to banks and public administrations (sovereign), the Group uses a simplified approach based on foreign credit ratings. For exposures to banks and public administrations, the Group uses the fitted PD associated to the rating of the 10-year sovereign/corporate migration matrix. For exposures to banks and public administrations, the PD is calculated using an exponential function based on the rating awarded by the three agencies, separately for the sovereign PD and the corporate PD. Also, a maximum PD between sovereign and corporate is considered when determining the corporate PD.

For exposures towards the NBR an almost nil PD is considered. If there are more ECAI ratings available for the same counterparty, the lowest rating of the highest two ratings is used. If the issuer is not a rated entity, then the rating related to the country of incorporation (origin) is used. Also, no counterparty is assumed to have a higher rating than the rating of the country of incorporation (origin).

For non-financial clients, the Group uses the conditional probability of default (CPD). The CPD is a measure for the probability that a default occurs throughout a certain period of time, provided it survives up to such date: 12 months from the following reporting date for Stage 1 exposures and throughout the cycle for Stage 2 exposures.

CPDs have been estimated based on portfolios aggregated on client types and on product types.

The Group has adopted the EBA / GL / 2017/16 approach in establishing independent defaults which provides that "in respect of recognized defaults in respect of a single transaction, where the period between the return of the exposure to a state other than the default and the subsequent classification as a default is less than nine months, institutions shall treat that exposure as if it had been permanently in default since the default occurred." Therefore, the Group applied this approach to all exposures.

Currently, the Group calculates monthly migration matrices using historical data for four segments (due to insufficient data). Using this approach, the transition matrix represents the monthly empirical transition frequencies. Usually, a transition matrix is estimated with data from several periods.

Therefore, all matrices are estimated at the debtor level, including the corporate portfolio for which there are insufficient relevant data for portfolio default rates. The matrices are calculated for a period equal to 36 months until the reporting date. To obtain a lifetime PD curve, the matrices are further multiplied until the desired maturity. We define marginal PD as the (unconditional) probability that a default will occur exactly in a given period (t), calculated as a marginal difference in the cumulative probability estimates.

When this approach was introduced, the monthly transition matrices were calculated annually from May 2017 to May 2020 for the corporate portfolio (aggregate) and for three retail portfolios for which sufficient relevant data were found.

In order to make an early adjustment of the lifetime repayment probabilities, historical default rates were estimated separately (one for retail and one for corporate) from one quarter to another (on an annual basis). The resulting time series had abnormal peaks unrelated to the macroeconomic environment. The equation is used to calculate the forecast PDs of the portfolio. The concept of macroeconomic scaling factors ("MEF") is introduced, which represents the expected increase in the PD in the forecast period compared to the average default rates achieved.

Using Cumulative PD and Marginal PD, conditional PD (CPD) corresponding to the non-ample probability in the period t was calculated, with no implicit value between t_0 and the beginning of t period.

In accordance with IFRS 9, in some circumstances, an entity does not have reasonable and sustainable information that is available without undue cost or effort to measure estimated lifetime loss on an individual basis. In this case, the expected loss on lifetime loans is recognized on a collective basis that considers comprehensive credit risk information. This comprehensive credit risk information should include not only past information but also all relevant credit information, including future macroeconomic information, to approximate the outcome of the recognition of expected lifetime Losses when a significant increase of credit risk from initial recognition at individual level.

In order to integrate future information into the probability of default, the most relevant variable is the quarterly (annual) GDP growth rate. Data from various public databases, private banks, and content aggregators, such as Bloomberg, were used.

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3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

The weights assigned to the scenarios are as follows: 70% the basic scenario, 20% the optimistic scenario and 10% the pessimistic scenario and the projections used are those presented below:

| Year/Scenario | Basis | Pessimistic | Optimistic |
|----------------------|--------------|--------------------|-------------------|
| 2020 | -4.84% | -7.00% | -3.00% |
| 2021 | 4.00% | 1.60% | 7.00% |
| 2022 | 2.55% | 2.10% | 3.00% |

Loss given default (LGD) is a factor that determines the gravity of a probability of default. Practically, LGD is the amount of the total exposure that the Bank expects not to recover in case of a loan impairment.

For banks and public administrations, the recovery rates are historical averages of security prices in case of default, as published by Moody's: 38% for high default risk exposures (non-investment grade) (below Baa3, BBB-, according to the hierarchy of rating agencies) and 44% for low default risk exposures (investment grade). Therefore, for non-investment grade exposures, a 62% LGD ratio is applied (100% -38%), and for investment grade exposures, a 56% LGD ratio is applied (100% - 44%) except if other adjustments are individually required.

For non-financial clients, to calculate the LGD, the Bank uses the unsecured portion of the specific portfolio, based on the present value of future cash flows from securities (PVC), by using the proper adjustment ratios. The Bank decided to use the recovery rate from securities because the significant portion of default exposures was recovered by enforcing the securities (enforcement procedures and bankruptcy).

LGD is calculated separately for individuals and legal entities depending on the risk class and the type of facility (revolving/non-revolving) and securities (secured/non-secured).

b) Securities

For measuring and assessing the credit risk arising from debt securities and other certificates, external evaluations from rating agencies like Moody's, Standard & Poor's or other similar organizations are used. The value of the Bank's credit risk exposure caused by debt instruments and other certificates is assessed based on the market value of exposures and/or balance sheet or off-balance sheet positions.

The Bank applies credit limits in order to manage and control its exposure to credit risk. Credit limits define the maximum acceptable risk for each counterparty, by product, by sector and by country. In addition, limits are set and applied to exposures regarding financial institutions. Total exposure of the Bank to credit risk of borrowers, including financial institutions, is controlled by applying sub-limits and off-balance sheet exposures, as well as daily positions of the portfolio of financial instruments such as foreign exchange forward contracts.

To determine client limits, the Bank considers any warranty that reduces risk. The Bank classifies credit risk based on the type of the associated collateral and the opportunity of their liquidation. Maximum credit limits which may be approved for each risk class are determined by the Bank. Within the Bank, a loan is not approved by a single person, as the procedure generally requires the approval of at least three authorized persons, except for the consumer loans and credit cards. The authorities responsible for the approval of loans are assigned based on the level of risk exposure and their role in contributing to the quality of the Bank's total loan portfolio is particularly significant.

Credit limits are established with an effective duration of up to twelve months and are subject to annual or even frequent reviews. The responsible authorities may, under special conditions, set a period shorter than twelve months. Outstanding balances and their corresponding limits are monitored daily and any excess limit is reported in a timely manner and resolved accordingly.

The following paragraphs describes the techniques applied by the Bank to control and reduce credit risk.

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3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

c) Guarantees

The Bank obtains guarantees for loans to customers, thus minimizing the overall risk of credit and ensuring timely repayment of debts. To this end, the Bank has established categories of acceptable collaterals and incorporated them in its credit policy, the main types being:

- mortgage on cash deposits;
- bank guarantee letters;
- mortgage on financial instruments such as stocks or shares listed on the Stock Exchange;
- mortgages on real estate;
- mortgage on real estate; or
- assignment of receivables resulting from promissory notes, checks and invoices.

Credit linked guarantees are initially measured during the credit approval process, based on their present value or fair value, and reassessed at regular intervals. Generally, a warranty for exposure to financial institutions is not required, except where it relates to sales contracts with repurchase clause ("repos") or similar activities. The Bank generally does not require collateral for investments in debt instruments.

d) Derivatives

The Group systematically monitors and controls the exposure and duration of its net position opened in derivatives markets. Credit exposures from derivatives markets positions are part of the overall credit limits set for any counterparty and are taken into account during the approval process.

Guarantees or other securities are not generally obtained for exposures to derivatives, unless the Bank requires the application of a safety margin from the counterparty.

Credit risk arises also from the settlement of transactions and derivative products. The Bank has established and systematically monitors daily limits of settlement for transactions with derivative products, which are included in the overall credit limit of any counterparties.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

e) Loan commitments

The primary purpose of these instruments is to ensure that funds are available to customers on request. Guarantees and standby letters of credit - which represent irrevocable commitments that the Bank will make payments if the customer cannot meet its obligations to third parties - carry the same credit risk as loans. Commercial and documentary letters of credit - which are written undertakings by the Bank on behalf of a customer authorizing a third party to collect rates by the Bank to an amount specified according to specific terms and conditions - are guaranteed by the shipped goods to which they relate and, therefore, present less risk than a direct loan.

Commitments related to credit extension represent unused credit limits parties under form of loans, guarantees or letters of credit. Concerning the credit risk of extended credit commitments, the Bank is exposed to a potential loss in an amount equal to the total amount of unused commitments.

3.1.2 The maximum exposure to credit risk before considering collateral or other credit increases

The Bank's maximum exposure to credit risk is reflected in the carrying amount of financial assets as reported in the statement of the financial position. In respect to letters of guarantee issued by the Bank and the credit commitments, the maximum exposure to credit risk is represented by the value of these commitments (Note 32). Credit risk is mitigated by existing guarantees.

The table below shows the maximum exposure to credit risk of the Bank as of December 31, 2021 and December 31, 2020, loans to customers, as reported in the statement of financial position.

The Group also monitors credit risk by fields of activity. The analysis of concentration of credit risk by fields of activity at the reporting date is presented below (net amounts of allowances for impairment):

| | Gross exposure | Provision | Net exposure |
|--|------------------------------|------------------------------|------------------------------|
| | December 31, 2021 | December 31, 2021 | December 31, 2021 |
| Total retail loans | 1,178,152,104 | -8,540,521 | 1,169,611,583 |
| Credit cards | 1,730,962 | -32,681 | 1,698,281 |
| Consumer loans / personal loans and overdrafts | 169,218,786 | -5,543,616 | 163,675,170 |
| Mortgage / Real estate loans | 1,007,202,356 | -2,964,224 | 1,004,238,132 |
| Total corporate loans | 2,850,540,168 | -84,701,374 | 2,765,838,794 |
| Total SMEs | 2,620,771,154 | -79,551,330 | 2,541,219,824 |
| Commerce | 563,231,816 | -14,990,454 | 548,241,362 |
| Industry | 266,789,485 | -10,162,349 | 256,627,136 |
| Construction and real estate | 463,450,064 | -27,270,472 | 436,179,592 |
| Agriculture | 792,150,953 | -13,445,479 | 778,705,474 |
| Lease | 59,928,956 | -1,511,291 | 58,417,665 |
| Shipping | 241,445,390 | -6,478,356 | 234,967,034 |
| Others | 233,774,491 | -5,692,929 | 228,081,562 |
| Total corporate | 229,769,014 | -5,150,044 | 224,618,970 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

| | | | |
|---|----------------------|--------------------|----------------------|
| Commerce | 55,755,389 | -467,341 | 55,288,048 |
| Industry | 171,488,803 | -4,599,632 | 166,889,171 |
| Construction and real estate | - | - | - |
| Agriculture | - | - | - |
| Lease | 2,182,779 | -64,668 | 2,118,111 |
| Shipping | 43,388 | -15,983 | 27,405 |
| Others | 298,655 | -2,420 | 296,235 |
| Total loans and advances to customers* | 4,028,692,272 | -93,241,895 | 3,935,450,377 |

* The values of loans acquired from Credit Agricole Romania include the value adjustments determined using the PPA („Purchase Price Allocation”) analysis, amortized at December 31, 2021. The value of amortizations between the acquisition date and December 31, 2021 is of RON -2,865,739.

| | Gross exposure | Provision | Net exposure |
|--|-----------------------|---------------------|----------------------|
| | December 31, | December 31, | December 31, |
| | 2020 | 2020 | 2020 |
| Total retail loans | 513,924,340 | -10,272,551 | 503,651,789 |
| Credit cards | 1,890,198 | -38,118 | 1,852,080 |
| Consumer loans / personal loans and overdrafts | 226,110,988 | -7,723,997 | 218,386,991 |
| Mortgage / Real estate loans | 285,923,154 | -2,510,436 | 283,412,718 |
| Total corporate loans | 1,219,713,373 | -69,293,319 | 1,150,420,054 |
| Total SMEs | 1,010,351,373 | -64,737,507 | 945,613,866 |
| Commerce | 282,820,053 | -6,755,940 | 276,064,113 |
| Industry | 80,222,271 | -11,395,079 | 68,827,192 |
| Construction and real estate | 277,918,032 | -25,121,937 | 252,796,095 |
| Agriculture | 33,381,650 | -500,566 | 32,881,084 |
| Lease | 31,518,198 | -441,220 | 31,076,978 |
| Shipping | 132,129,839 | -3,378,697 | 128,751,142 |
| Others | 172,361,330 | -17,144,068 | 155,217,262 |
| Total corporate | 209,362,000 | -4,555,812 | 204,806,188 |
| Commerce | 52,317,596 | -1,254,112 | 51,063,484 |
| Industry | 134,603,570 | -2,649,326 | 131,954,244 |
| Construction and real estate | 3,698,420 | -55,081 | 3,643,339 |
| Agriculture | - | - | - |
| Lease | 2,491,163 | -77,565 | 2,413,598 |
| Shipping | 27,110 | -10,013 | 17,097 |
| Others | 16,224,141 | -509,715 | 15,714,426 |
| Total loans and advances to customers | 1,733,637,713 | -79,565,870 | 1,654,071,843 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

Information about guarantees as at December 31, 2021

| | Secured loans and advances | Unsecured loans and advances | Total loans and advances |
|---|-------------------------------|---------------------------------|-----------------------------|
| Total retail loans | 1,051,076,653 | 127,075,450 | 1,178,152,104 |
| Credit cards | 198,200 | 1,532,762 | 1,730,961 |
| Consumer loans / personal loans and overdrafts | 122,646,019 | 46,572,767 | 169,218,786 |
| Mortgage / Real estate loans | 928,232,434 | 78,969,921 | 1,007,202,356 |
| Total corporate loans | 1,231,434,074 | 1,619,106,094 | 2,850,540,168 |
| Total SMEs | 1,158,255,720 | 1,462,515,434 | 2,620,771,154 |
| Commerce | 255,609,701 | 307,622,115 | 563,231,816 |
| Industry | 102,435,977 | 164,353,508 | 266,789,485 |
| Construction and real estate | 393,185,271 | 70,264,793 | 463,450,064 |
| Agriculture | 325,042,032 | 467,108,921 | 792,150,953 |
| Leasing | 3,838,989 | 56,089,967 | 59,928,956 |
| Shipping | - | 241,445,390 | 241,445,390 |
| Others | 78,143,750 | 155,630,740 | 233,774,490 |
| Total corporate | 73,178,354 | 156,590,660 | 229,769,014 |
| Commerce | 31,741,653 | 24,013,736 | 55,755,389 |
| Industry | 41,094,658 | 130,394,145 | 171,488,803 |
| Construction and real estate | - | - | - |
| Agriculture | - | - | - |
| Leasing | - | 2,182,779 | 2,182,779 |
| Shipping | 43,388 | - | 43,388 |
| Others | 298,655 | - | 298,655 |
| Total loans and advances to customers | 2,282,510,727 | 1,746,181,544 | 4,028,692,272 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

Information about guarantees as at December 31, 2020

| | Secured loans and advances | Unsecured loans and advances | Total loans and advances |
|---|-------------------------------|---------------------------------|-----------------------------|
| Total retail loans | 432,156,312 | 81,768,028 | 513,924,340 |
| Credit cards | 137,251 | 1,752,947 | 1,890,198 |
| Consumer loans / personal loans and overdrafts | 178,478,500 | 47,632,488 | 226,110,988 |
| Mortgage / Real estate loans | 253,540,561 | 32,382,593 | 285,923,154 |
| Total corporate loans | 592,248,351 | 627,465,023 | 1,219,713,373 |
| Total SMEs | 532,397,485 | 477,953,888 | 1,010,351,373 |
| Commerce | 165,929,660 | 116,890,393 | 282,820,053 |
| Industry | 51,854,100 | 28,368,171 | 80,222,271 |
| Construction and real estate | 213,225,948 | 64,692,083 | 277,918,032 |
| Agriculture | 10,712,241 | 22,669,409 | 33,381,650 |
| Leasing | 6,767,652 | 24,750,547 | 31,518,198 |
| Shipping | 7,733,700 | 124,396,139 | 132,129,839 |
| Others | 76,174,184 | 96,187,146 | 172,361,330 |
| Total corporate | 59,850,865 | 149,511,135 | 209,362,000 |
| Commerce | 21,348,084 | 30,969,512 | 52,317,596 |
| Industry | 23,697,810 | 110,905,759 | 134,603,570 |
| Construction and real estate | 1,383,351 | 2,315,070 | 3,698,420 |
| Agriculture | - | - | - |
| Leasing | - | 2,491,163 | 2,491,163 |
| Shipping | 27,110 | - | 27,110 |
| Others | 13,394,510 | 2,829,631 | 16,224,141 |
| Total loans and advances to customers | 1,024,404,662 | 709,233,051 | 1,733,637,713 |

The fair value of the security takes into account only real guarantees such as pledges over cash deposits, letters of bank guarantee, mortgages over real estates and pledge over movable assets. The above-mentioned information represent the minimum value between the net carrying amount of the loan balance and the value of the guarantee; the remaining uncovered part is presented in the column of unsecured loans and advances.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

Presentation of loans and advances to customers by class and category:

Loans and advances to customers performing and not past due are loans and advances to customers classified to Stages 1 and 2, which have no days past due and are not impaired.

Loans and advances to customers performing and past due are loans and advances to customers classified to Stages 1 and 2, which have days past due and are not impaired.

Performing loans and advances to customers are loans and advances to customers classified to Stage 3, which have indicators of non-performance.

The employment of claims (principal, attached receivables and amounts amortized) on each position is performed at the level of credit facility for exposures classified to Stages 1 and 2 and in terms of total exposure per customer for customers classified to Stage 3, both for borrowers individuals and legal entities.

As at December 31, 2021:

| | Loans and advances performing and not past due | | Loans and advances performing and past due | | Performing loans and advances | | Total |
|--|--|------------------|--|-------------------|-------------------------------|------------------|----------------------|
| | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 3 | POCI | |
| Total retail loans | 1,096,261,537 | 4,790,812 | 39,316,969 | 11,797,182 | 19,045,539 | 6,940,065 | 1,178,152,104 |
| Credit cards | 1,444,361 | 32,169 | 226,641 | 4,541 | 23,250 | - | 1,730,962 |
| Consumer loans / personal loans and overdrafts | 135,879,399 | 2,172,033 | 9,827,638 | 4,923,354 | 13,699,718 | 2,716,644 | 169,218,786 |
| Mortgage / Real estate loans | 476,277,102 | 2,586,610 | 13,955,957 | 3,483,141 | 5,322,571 | 4,223,421 | 1,007,202,356 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

| | Loans and advances performing and not past due | | Loans and advances performing and past due | | Performing loans and advances | | Total |
|--|--|--------------------|--|-------------------|-------------------------------|-------------------|----------------------|
| | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 3 | POCI | |
| Total corporate loans | 2,390,603,728 | 223,354,586 | 130,228,767 | 21,440,033 | 60,613,655 | 24,299,400 | 2,850,540,168 |
| SMEs | 2,215,705,717 | 186,827,662 | 113,889,278 | 21,440,033 | 60,613,655 | 22,294,808 | 2,620,771,154 |
| Commerce | 453,712,521 | 63,531,886 | 38,194,486 | 269,233 | 7,366,174 | 157,516 | 563,231,816 |
| Industry | 227,639,002 | 19,134,642 | 10,845,237 | - | 6,197,304 | 2,973,300 | 266,789,485 |
| Construction and real estate | 268,797,477 | 78,157,908 | 58,889,113 | 4,063,367 | 43,712,758 | 9,829,441 | 463,450,064 |
| Agriculture | 776,567,966 | - | 4,542,771 | 183,175 | 1,672,933 | 9,184,108 | 792,150,953 |
| Leasing | 59,928,956 | - | - | - | - | - | 59,928,956 |
| Shipping | 241,445,390 | - | - | - | - | - | 241,445,390 |
| Others | 187,614,406 | 26,003,226 | 1,417,671 | 16,924,258 | 1,664,486 | 150,443 | 233,774,490 |
| Corporate | 174,898,009 | 36,526,924 | 16,339,489 | - | - | 2,004,592 | 229,769,014 |
| Commerce | 41,918,338 | - | 11,832,459 | - | - | 2,004,592 | 55,755,389 |
| Industry | 130,454,849 | 36,526,924 | 4,507,030 | - | - | - | 171,488,803 |
| Constructions and real estate | - | - | - | - | - | - | - |
| Agriculture | - | - | - | - | - | - | - |
| Leasing | 2,182,779 | - | - | - | - | - | 2,182,779 |
| Shipping | 43,388 | - | - | - | - | - | 43,388 |
| Others | 298,655 | - | - | - | - | - | 298,655 |
| Total loans and advances to customers | 3,486,865,264 | 228,145,398 | 169,545,736 | 33,237,215 | 79,659,194 | 31,239,465 | 4,028,692,272 |
| Expected loss | -42,040,495 | - 7,808,562 | - 1,091,742 | -843,015 | -41,458,081 | - | -93,241,895 |
| Total loans and advances to customers | 3,444,824,769 | 220,336,836 | 168,453,994 | 32,394,200 | 38,201,113 | 31,239,465 | 3,935,450,377 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

Presentation of loans and advances to customers by class and category as at December 31, 2020:

| | Loans and advances performing and not past due | | Loans and advances performing and past due | | Performing loans and advances | Total |
|--|--|--------------------|--|-------------------|-------------------------------|----------------------|
| | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 3 | |
| Total retail loans | 448,943,457 | 14,964,352 | 20,587,736 | 8,401,830 | 21,026,965 | 513,924,340 |
| Credit cards | 1,649,168 | 3,993 | 196,823 | 11,772 | 28,442 | 1,890,198 |
| Consumer loans / personal loans and overdrafts | 185,302,184 | 10,587,179 | 10,900,246 | 3,442,089 | 15,879,290 | 226,110,988 |
| Mortgage / Real estate loans | 261,992,105 | 4,373,180 | 9,490,667 | 4,947,969 | 5,119,233 | 285,923,154 |
| Total corporate loans | 889,343,033 | 145,554,122 | 46,955,762 | 40,283,865 | 97,576,591 | 1,219,713,373 |
| SMEs | 711,686,287 | 134,207,586 | 44,565,954 | 24,912,925 | 94,978,621 | 1,010,351,373 |
| Commerce | 216,320,419 | 25,378,680 | 25,011,065 | 2,251,086 | 13,858,803 | 282,820,053 |
| Industry | 43,740,482 | 15,917,118 | 1,516,508 | - | 19,048,163 | 80,222,271 |
| Construction and real estate | 173,649,651 | 36,981,140 | 6,249,881 | 14,905,391 | 46,131,969 | 277,918,032 |
| Agriculture | 17,450,261 | 3,794,031 | 10,531,996 | 1,605,362 | - | 33,381,650 |
| Leasing | 31,518,198 | - | - | - | - | 31,518,198 |
| Shipping | 132,129,839 | - | - | - | - | 132,129,839 |
| Others | 96,877,437 | 52,136,617 | 1,256,504 | 6,151,086 | 15,939,686 | 172,361,330 |
| Corporate | 177,656,746 | 11,346,536 | 2,389,808 | 15,370,940 | 2,597,970 | 209,362,000 |
| Commerce | 48,411,569 | 1,308,057 | - | - | 2,597,970 | 52,317,596 |
| Industry | 123,028,484 | 9,185,278 | 2,389,808 | - | - | 134,603,570 |
| Constructions and real estate | 3,698,420 | - | - | - | - | 3,698,420 |
| Agriculture | - | - | - | - | - | - |
| Leasing | 2,491,163 | - | - | - | - | 2,491,163 |

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| | | | | | | |
|--|----------------------|--------------------|-------------------|-------------------|--------------------|----------------------|
| Shipping | 27,110 | - | - | - | - | 27,110 |
| Others | - | 853,201 | - | 15,370,940 | - | 16,224,141 |
| Total loans and advances to customers | 1,338,286,490 | 160,518,474 | 67,543,498 | 48,685,695 | 118,603,556 | 1,733,637,713 |
| Expected loss | -13,906,800 | -4,383,167 | -586,272 | -1,382,106 | -59,307,525 | -79,565,870 |
| Total loans and advances to customers | 1,324,379,690 | 156,135,307 | 66,957,226 | 47,303,589 | 59,296,031 | 1,654,071,843 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances

a) Not past due performing loans and advances:

The loans and advances to customers are presented below in relation to the quality of the credit risk.

December 31, 2020

| | Retail loans | | | Corporate loans | | Total loans/ advances to customers |
|--------------------------|------------------|--------------------------------|-----------------------------------|------------------------------------|--------------------------------|--|
| | Credit cards | Consumer/ Personal loans | Mortgage/ Real estate loans | Small/ medium-sized entities | Large corporate entities | |
| Low risk | 1,360,847 | 124,854,702 | 826,597,575 | 1,320,287,555 | 139,623,986 | 2,412,724,665 |
| Medium risk | 83,514 | 10,583,748 | 130,125,758 | 839,396,350 | 35,230,635 | 1,015,420,005 |
| High risk | - | 440,949 | 2,214,444 | 56,021,813 | 43,388 | 58,720,594 |
| Total Stage 1 | 1,444,361 | 135,879,399 | 958,937,777 | 2,215,705,718 | 174,898,009 | 3,486,865,264 |
| Expected loss Stage 1 | - 7,609 | - 937,740 | - 1,097,272 | - 37,307,737 | - 2,690,137 | - 42,040,495 |
| Total net Stage 1 | 1,436,753 | 134,941,659 | 957,840,505 | 2,178,397,981 | 172,207,872 | 3,444,824,769 |
| Stage 2 | | | | | | |
| Low risk | 27,712 | 1,370,437 | 1,427,533 | - | - | 2,825,682 |
| Medium risk | 4,457 | 801,597 | 1,159,077 | 186,718,734 | 36,526,924 | 225,210,788 |
| High risk | - | - | - | 108,928 | - | 108,928 |
| Total Stage 2 | 32,169 | 2,172,034 | 2,586,610 | 186,827,662 | 36,526,924 | 228,145,398 |
| Expected loss Stage 2 | - 903 | - 24,741 | - 28,543 | - 5,388,467 | - 2,365,908 | - 7,808,562 |
| Total net Stage 2 | 31,266 | 2,147,292 | 2,558,067 | 181,439,195 | 34,161,016 | 220,336,836 |
| Total gross | 1,476,530 | 138,051,432 | 961,524,388 | 2,402,533,380 | 211,424,932 | 3,715,010,662 |

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| | | | | | | |
|---------------------|------------------|--------------------|--------------------|----------------------|--------------------|----------------------|
| Total expected loss | - 8,512 | - 962,481 | - 1,125,815 | - 42,696,204 | - 5,056,045 | - 49,849,057 |
| Total net | 1,468,018 | 137,088,951 | 960,398,572 | 2,359,837,176 | 206,368,888 | 3,665,161,605 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

a) Not past due performing loans and advances (continued)

December 31, 2020

| | Retail loans | | | Corporate loans | | Total loans/ advances to customers |
|--------------------------|------------------|--------------------------------|-----------------------------------|---------------------------------|--------------------------------|--|
| | Credit cards | Consumer/ Personal loans | Mortgage/ Real estate loans | Small/ medium-sized entities | Large corporate entities | |
| Low risk | 1,592,408 | 158,750,570 | 252,134,269 | 373,509,763 | 89,979,460 | 875,966,470 |
| Medium risk | 56,760 | 26,551,614 | 9,857,836 | 338,168,882 | 87,650,175 | 462,285,267 |
| High risk | - | - | - | 7,643 | 27,110 | 34,753 |
| Total Stage 1 | 1,649,168 | 185,302,184 | 261,992,105 | 711,686,288 | 177,656,745 | 1,338,286,490 |
| Expected loss Stage 1 | -7,166 | -465,977 | -303,998 | -9,487,859 | -3,641,800 | -13,906,800 |
| Total net Stage 1 | 1,642,002 | 184,836,207 | 261,688,107 | 702,198,429 | 174,014,945 | 1,324,379,690 |
| Stage 2 | | | | | | |
| Low risk | - | 9,340,526 | 3,133,418 | 487,083 | - | 12,961,027 |
| Medium risk | 3,993 | 1,246,653 | 1,239,762 | 133,469,255 | 11,346,536 | 147,306,199 |
| High risk | - | - | - | 251,248 | - | 251,248 |
| Total Stage 2 | 3,993 | 10,587,179 | 4,373,180 | 134,207,586 | 11,346,536 | 160,518,474 |
| Expected loss Stage 2 | -370 | -126,149 | -64,435 | -3,828,649 | -363,564 | -4,383,167 |
| Total net Stage 2 | 3,623 | 10,461,030 | 4,308,745 | 130,378,937 | 10,982,972 | 156,135,307 |
| Total gross | 1,653,161 | 195,889,363 | 266,365,285 | 845,893,874 | 189,003,281 | 1,498,804,964 |
| | -7,536 | -592,126 | -368,433 | -13,316,508 | -4,005,364 | -18,289,967 |

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Total expected loss

Total net

1,645,625

195,297,237

265,996,852

832,577,366

184,997,917

1,480,514,997

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

The criteria used for the above grades are the following:

| | |
|-------------|---|
| Low risk | Current loans classified as "Standard" |
| Medium risk | Current loans classified as "Under observation" and "Substandard" |
| High risk | Current loans classified as "Doubtful" and "Loss" |

b) Past due performing loans and advances

December 31, 2021

| Portfolio | Stage 1 | | | Stage 2 | | | | | | | Fair value of guarantee |
|--|---------------------------|-------------------|-----------------------|---------------------------|--------------------------------|--------------------------------|-------------------|-----------------------|-------------------|-----------------|-------------------------|
| | Outstanding up to 30 days | Total Stage 1 | Expected loss Stage 1 | Outstanding up to 30 days | Outstanding between 31-60 days | Outstanding between 61-90 days | Total Stage 2 | Expected loss Stage 2 | Total | Expected loss | |
| Total retail loans | 39,316,969 | 39,316,969 | -165,032 | 4,862,988 | 6,716,751 | 217,443 | 11,797,182 | -171,796 | 51,114,151 | -336,828 | 43,176,065 |
| Credit cards | 226,641 | 226,641 | -818 | - | 4,542 | - | 4,542 | -104 | 231,183 | -922 | 50,013 |
| Consumer loans / personal loans and overdrafts | 9,827,638 | 9,827,638 | -83,482 | 3,578,751 | 1,127,159 | 217,443 | 4,923,353 | -71,342 | 14,750,991 | -154,824 | 10,516,729 |
| Mortgage / Real Estate loans | 29,262,690 | 29,262,690 | -80,732 | 1,284,237 | 5,585,050 | - | 6,869,287 | -100,350 | 36,131,977 | -181,082 | 32,609,323 |
| Expected credit loss retail | -165,032 | -165,032 | - | -54,232 | -108,983 | -8,581 | -171,796 | - | -336,828 | - | - |
| Total retail loans, net | 39,151,937 | 39,151,937 | - | 4,808,756 | 6,607,767 | 208,862 | 11,625,386 | - | 50,777,323 | - | - |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

b) Past due performing loans and advances (continued)

| Portfolio | Stage 1 | | | Stage 2 | | | | | | | Fair value of guarantee |
|------------------------------|---------------------------|--------------------|-----------------------|---------------------------|--------------------------------|--------------------------------|-------------------|-----------------------|--------------------|-------------------|-------------------------|
| | Outstanding up to 30 days | Total Stage 1 | Expected loss Stage 1 | Outstanding up to 30 days | Outstanding between 31-60 days | Outstanding between 61-90 days | Total Stage 2 | Expected loss Stage 2 | Total | Expected loss | |
| Total corporate loans | 130,228,767 | 130,228,767 | -926,710 | 21,256,858 | 183,175 | - | 21,440,033 | -671,219 | 151,668,800 | -1,597,929 | 110,159,874 |
| SMEs | 113,889,278 | 113,889,278 | -832,711 | 21,256,858 | 183,175 | - | 21,440,033 | -671,219 | 135,329,311 | -1,503,930 | 106,526,191 |
| Commerce | 38,194,486 | 38,194,486 | -381,911 | 269,233 | - | - | 269,233 | -1,261 | 38,463,719 | -383,172 | 21,704,373 |
| Industry | 10,845,237 | 10,845,237 | -98,489 | - | - | - | - | - | 10,845,237 | -98,489 | 6,622,560 |
| Construction and real estate | 58,889,113 | 58,889,113 | -289,307 | 4,063,367 | - | - | 4,063,367 | -68,284 | 62,952,480 | -357,591 | 60,001,406 |
| Agriculture | 4,542,771 | 4,542,771 | -45,898 | - | 183,175 | - | 183,175 | -47,458 | 4,725,946 | -93,356 | 4,039,432 |
| Leasing | - | - | - | - | - | - | - | - | - | - | - |
| Shipping | - | - | - | - | - | - | - | - | - | - | - |
| Others | 1,417,671 | 1,417,671 | -17,106 | 16,924,258 | - | - | 16,924,258 | -554,216 | 18,341,929 | -571,322 | 14,158,420 |
| Corporate | 16,339,489 | 16,339,489 | -93,999 | - | - | - | - | - | 16,339,489 | -93,999 | 3,633,683 |
| Commerce | 11,832,459 | 11,832,459 | -49,319 | - | - | - | - | - | 11,832,459 | -49,319 | 1,533,683 |
| Industry | 4,507,030 | 4,507,030 | -44,680 | - | - | - | - | - | 4,507,030 | -44,680 | 2,100,000 |
| Construction and real estate | - | - | - | - | - | - | - | - | - | - | - |
| Agriculture | - | - | - | - | - | - | - | - | - | - | - |
| Shipping | - | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - | - |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

b) Past due performing loans and advances (continued)

December 31, 2021

| Portfolio | Stage 1 | | | Stage 2 | | | | | | | Fair value of guarantee |
|---|---------------------------|--------------------|-----------------------|---------------------------|--------------------------------|--------------------------------|-------------------|-----------------------|--------------------|-------------------|-------------------------|
| | Outstanding up to 30 days | Total Stage 1 | Expected loss Stage 1 | Outstanding up to 30 days | Outstanding between 31-60 days | Outstanding between 61-90 days | Total Stage 2 | Expected loss Stage 2 | Total | Expected loss | |
| Expected loss on corporate loans | -926,710 | -926,710 | - | -623,761 | -47,458 | - | -671,219 | - | -1,597,929 | - | - |
| Total net corporate loans | 129,302,057 | 129,302,057 | - | 20,633,097 | 135,717 | - | 20,768,814 | - | 150,070,871 | - | - |
| Total loans and advances to customers | 169,545,736 | 169,545,736 | -1,091,742 | 26,119,846 | 6,899,926 | 217,443 | 33,237,214 | -843,015 | 202,782,951 | -1,934,757 | 153,335,939 |
| Expected loss for loans and advances to customers | -1,091,742 | -1,091,742 | - | -677,993 | -156,441 | -8,581 | -843,015 | - | -1,934,756 | - | - |
| Total net loans and advances to customers | 168,453,994 | 168,453,994 | - | 25,441,853 | 6,743,485 | 208,862 | 32,394,200 | - | 200,848,194 | - | - |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

b) Past due performing loans and advances (continued)

December 31, 2020

| Portfolio | Stage 1 | | | Stage 2 | | | | | | | Fair value of guarantee |
|--|---------------------------|-------------------|-----------------------|---------------------------|--------------------------------|--------------------------------|------------------|-----------------------|-------------------|-----------------|-------------------------|
| | Outstanding up to 30 days | Total Stage 1 | Expected loss Stage 1 | Outstanding up to 30 days | Outstanding between 31-60 days | Outstanding between 61-90 days | Total Stage 2 | Expected loss Stage 2 | Total | Expected loss | |
| Total retail loans | 20,587,736 | 20,587,736 | -41,311 | 2,959,757 | 4,665,081 | 776,992 | 8,401,830 | -125,479 | 28,989,566 | -166,790 | 24,213,379 |
| Credit cards | 196,823 | 196,823 | -1,405 | - | 11,772 | - | 11,772 | -735 | 208,595 | -2,140 | 23,086 |
| Consumer loans / personal loans and overdrafts | 10,900,246 | 10,900,246 | -26,045 | 1,262,453 | 1,797,747 | 381,889 | 3,442,089 | -45,945 | 14,342,335 | -71,990 | 12,124,586 |
| Mortgage / Real Estate loans | 9,490,667 | 9,490,667 | -13,861 | 1,697,304 | 2,855,562 | 395,103 | 4,947,969 | -78,799 | 14,438,636 | -92,660 | 12,065,707 |
| Expected credit loss retail | -41,311 | -41,311 | | -40,141 | -76,761 | -8,578 | -125,480 | | -166,791 | | |
| Total retail loans, net | 20,546,425 | 20,546,425 | | 2,919,616 | 4,588,320 | 768,414 | 8,276,350 | | 28,822,775 | | |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

b) Past due performing loans and advances (continued)

| Portfolio | Stage 1 | | | Stage 2 | | | | | | | Fair value of guarantee |
|------------------------------|---------------------------|-------------------|-----------------------|---------------------------|--------------------------------|--------------------------------|-------------------|-----------------------|-------------------|-------------------|-------------------------|
| | Outstanding up to 30 days | Total Stage 1 | Expected loss Stage 1 | Outstanding up to 30 days | Outstanding between 31-60 days | Outstanding between 61-90 days | Total Stage 2 | Expected loss Stage 2 | Total | Expected loss | |
| Total corporate loans | 46,955,762 | 46,955,762 | -544,961 | 27,670,645 | 2,895,318 | 9,717,902 | 40,283,865 | -1,256,627 | 87,239,627 | -1,801,588 | 54,544,003 |
| SMEs | 44,565,954 | 44,565,954 | -518,898 | 23,436,171 | 1,476,754 | - | 24,912,925 | -771,471 | 69,478,879 | -1,290,369 | 40,656,082 |
| Commerce | 25,011,065 | 25,011,065 | -277,486 | 774,333 | 1,476,754 | - | 2,251,087 | -47,202 | 27,262,152 | -324,688 | 14,187,408 |
| Industry | 1,516,508 | 1,516,508 | -11,490 | - | - | - | - | - | 1,516,508 | -11,490 | 815,337 |
| Construction and real estate | 6,249,881 | 6,249,881 | -52,008 | 14,905,390 | - | - | 14,905,390 | -444,419 | 21,155,271 | -496,427 | 20,669,303 |
| Agriculture | 10,531,996 | 10,531,996 | -160,300 | 1,605,362 | - | - | 1,605,362 | -45,567 | 12,137,358 | -205,867 | 1,585,695 |
| Leasing | - | - | - | - | - | - | - | - | - | - | - |
| Shipping | - | - | - | - | - | - | - | - | - | - | - |
| Others | 1,256,504 | 1,256,504 | -17,614 | 6,151,086 | - | - | 6,151,086 | -234,283 | 7,407,590 | -251,897 | 3,398,339 |
| Corporate | 2,389,808 | 2,389,808 | -26,063 | 4,234,474 | 1,418,564 | 9,717,902 | 15,370,940 | -485,156 | 17,760,748 | -511,219 | 13,887,921 |
| Commerce | - | - | - | - | - | - | - | - | - | - | - |
| Industry | 2,389,808 | 2,389,808 | -26,063 | - | - | - | - | - | 2,389,808 | -26,063 | 1,279,406 |
| Construction and real estate | - | - | - | - | - | - | - | - | - | - | - |
| Agriculture | - | - | - | - | - | - | - | - | - | - | - |
| Shipping | - | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | 4,234,474 | 1,418,564 | 9,717,902 | 15,370,940 | -485,156 | 15,370,940 | -485,156 | 12,608,515 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

b) Past due performing loans and advances (continued)

| Portfolio | Stage 1 | | | Stage 2 | | | | | | | Fair value of guarantee |
|---|---------------------------|-------------------|-----------------------|---------------------------|--------------------------------|--------------------------------|-------------------|-----------------------|--------------------|-------------------|-------------------------|
| | Outstanding up to 30 days | Total Stage 1 | Expected loss Stage 1 | Outstanding up to 30 days | Outstanding between 31-60 days | Outstanding between 61-90 days | Total Stage 2 | Expected loss Stage 2 | Total | Expected loss | |
| Expected loss on corporate loans | -544,961 | -544,961 | - | -875,744 | -55,543 | -325,341 | -1,256,627 | - | -1,801,588 | - | - |
| Total net corporate loans | 46,410,801 | 46,410,801 | - | 26,794,901 | 2,839,775 | 9,392,561 | 39,027,238 | - | 85,438,039 | - | - |
| Total loans and advances to customers | 67,543,498 | 67,543,498 | -586,272 | 30,630,402 | 7,560,399 | 10,494,894 | 48,685,695 | -1,382,106 | 116,229,193 | -1,968,378 | 78,757,382 |
| Expected loss for loans and advances to customers | -586,272 | -586,272 | - | -915,884 | -132,303 | -333,919 | -1,382,106 | - | -1,968,378 | - | - |
| Total net loans and advances to customers | 66,957,226 | 66,957,226 | - | 29,714,518 | 7,428,096 | 10,160,975 | 47,303,589 | - | 114,260,815 | - | - |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances

The non-performing loans category includes all the exposures classified to Stage 3. For classification in Stage 3, reference is made to Guide EBA / GL / 2016/07 on the application of the definition of default under Article 178 of Regulation (EU) no. 575/2013.

The Group applies the definition of default at debtor level, both for non-retail customers and for retail customers. The same definition of default is used for all types of exposures.

Default exposures are exposures that meet at least one of the following criteria:

- a) overdue payments upon establishment of default
- b) indicators of payment improbability.

The criterion of overdue payments upon establishment of default takes into account:

- a) the overdue loan obligation and the materiality threshold;
- b) counting the overdue days;
- c) suspension of the counting of overdue days;
- a) technical overdue;

As regards the criterion of overdue, set as of December 31, 2020, the Group takes into consideration the following materiality levels of the liabilities from overdue loans set by the NBR:

➤ For retail exposures:

- a) the level of the relative component of materiality is 1%;
- b) the level of the absolute component of materiality is RON 150

➤ For exposures other than retail:

- a) the level of the relative component of materiality is 1%;
- b) the level of the absolute component of materiality is RON 1,000.

The debtor is considered to be in default when both the limit expressed as an absolute component of materiality and the limit expressed as a relative component of materiality are exceeded for more than 90 consecutive days.

When the criterion of materiality is no longer met, the debtor remains in check status for a period of 3 months (90 days);

If during the check period, the materiality levels are not exceeded for more than 30 consecutive days, after the expiration of this period, the debtor will leave the state of default / non-performance. If during the check period the materiality levels are exceeded for more than 30 consecutive days, it is expected to return below these levels to start a new check period of 3 months (90 days). If the materiality levels continue to be exceeded for a period longer than 90 consecutive days, the client remains in a state of default / non-performance.

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3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2021

| Portfolio | Not overdue | Outstanding up to 30 days | Outstanding between 31-60 days | Outstanding between 61-90 days | Outstanding between 91-180 days | Outstanding between 181-360 days | Outstanding after 360 days | POCI | Total | Expected loss | Fair value of guarantee |
|--|------------------|---------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|--|----------------------------------|------------------|-------------------|------------------|----------------------------|
| Total retail loans | 1,841,731 | 3,437,427 | 3,537,393 | 3,409,033 | 3,571,360 | 261,170 | 2,987,425 | 6,940,065 | 25,985,604 | 6,106,885 | 19,882,331 |
| Credit cards | 3,554 | - | - | - | 2,403 | 2,063 | 15,230 | - | 23,250 | 23,249 | - |
| Consumer loans / personal loans and overdrafts | 1,097,342 | 2,787,522 | 2,090,698 | 2,647,181 | 2,514,313 | 162,498 | 2,400,164 | 2,716,644 | 16,416,362 | 4,426,309 | 12,034,735 |
| Mortgage / Real estate loans | 740,835 | 649,905 | 1,446,695 | 761,852 | 1,054,644 | 96,609 | 572,031 | 4,223,421 | 9,545,992 | 1,657,327 | 7,847,597 |
| Expected loss for retail loans | - | 277,385 | 503,481 | 769,287 | 1,242,143 | 950,282 | - | 105,283 | 2,259,024 | - | 6,106,885 |
| Total net retail loans | 1,564,346 | 2,933,946 | 2,768,106 | 2,166,890 | 2,621,078 | 155,887 | 728,401 | 6,940,065 | 19,878,719 | | |

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3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances (continued)

| Portfolio | Not overdue | Outstanding up to 30 days | Outstanding between 31-60 days | Outstanding between 61-90 days | Outstanding between 91-180 days | Outstanding between 181-360 days | Outstanding after 360 days | POCI | Total | Expected loss | Fair value of guarantee |
|------------------------------|------------------|---------------------------|--------------------------------|--------------------------------|---------------------------------|----------------------------------|----------------------------|-------------------|-------------------|--------------------|-------------------------|
| Total corporate loans | 2.894.992 | 1.888.522 | 6.320.963 | 968.047 | - | 352.861 | 48.188.270 | 24.299.400 | 84.913.055 | - | 48.049.645 |
| SMEs | 2,894,992 | 1,888,522 | 6,320,963 | 968,047 | - | 352,861 | 48,188,270 | 22,294,808 | 82,908,463 | -35,351,196 | 46,045,053 |
| Commerce | 813,875 | - | 5,730,871 | - | - | 352,861 | 468,567 | 157,516 | 7,523,690 | -4,811,370 | 2,719,396 |
| Industry | 1,166,638 | - | - | - | - | - | 5,030,666 | 2,973,300 | 9,170,604 | -4,792,386 | 3,220,882 |
| Construction and real estate | 213,000 | 810,721 | - | - | - | - | 42,689,037 | 9,829,441 | 53,542,199 | -23,968,736 | 29,588,195 |
| Agriculture | 696,888 | 557,897 | 418,148 | - | - | - | - | 9,184,108 | 10,857,041 | -797,375 | 9,674,290 |
| Other | 4,591 | 519,904 | 171,944 | 968,047 | - | - | - | 150,443 | 1,814,929 | -981,329 | 842,290 |
| Corporate | - | - | - | - | - | - | - | 2,004,592 | 2,004,592 | - | 2,004,592 |
| Commerce | - | - | - | - | - | - | - | 2,004,592 | 2,004,592 | - | 2,004,592 |
| Industry | - | - | - | - | - | - | - | - | - | - | - |
| Construction and real estate | - | - | - | - | - | - | - | - | - | - | - |
| Agriculture | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - |

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3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

| Portfolio | Not overdue | Outstanding up to 30 days | Outstanding between 31-60 days | Outstanding between 61-90 days | Outstanding between 91-180 days | Outstanding between 181-360 days | Outstanding after 360 days | POCI | Total | Expected loss | Fair value of guarantee |
|---|------------------|---------------------------|--------------------------------|--------------------------------|---------------------------------|----------------------------------|----------------------------|-------------------|--------------------|-------------------|-------------------------|
| Expected loss for corporate loans | - 666,269 | 576,233 | 4,053,960 | 968,047 | - | - 352,861 | 28,733,826 | - | 35,351,196 | | |
| Total net corporate loans | 2,228,723 | 1,312,289 | 2,267,003 | - | - | - | 19,454,444 | 24,299,400 | 49,561,859 | | |
| Total loans and advances to customers | 4,736,723 | 5,325,949 | 9,858,356 | 4,377,080 | 3,571,360 | 614,031 | 51,175,695 | 31,239,465 | 110,898,659 | 41,458,082 | 67,931,976 |
| Expected loss for loans and advances to costumers | - 943,654 | 1,079,714 | 4,823,247 | 2,210,190 | 950,282 | - 458,144 | 30,992,850 | - | 41,458,081 | | |
| Total net loans and advances to customers | 3,793,069 | 4,246,235 | 5,035,109 | 2,166,890 | 2,621,078 | 155,887 | 22,182,845 | 31,239,465 | 69,440,578 | | |

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3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2020

| Portfolio | Not overdue | Outstanding up to 30 days | Outstanding between 31-60 days | Outstanding between 61-90 days | Outstanding between 91-180 days | Outstanding between 181-360 days | Outstanding after 360 days | Total | Expected loss | Fair value of guarantee |
|--|-------------------|---------------------------|--------------------------------|--------------------------------|---------------------------------|----------------------------------|----------------------------|-------------------|-------------------|-------------------------|
| Total retail loans | 4,309,395 | 3,490,539 | 2,443,759 | 2,954,747 | 575,594 | 1,258,939 | 5,993,992 | 21,026,965 | -9,137,666 | 11,955,153 |
| Credit cards | 6,664 | - | - | - | 3,850 | 3,293 | 14,635 | 28,442 | -28,442 | - |
| Consumer loans / personal loans and overdrafts | 3,291,821 | 2,723,120 | 2,037,060 | 2,139,486 | 571,744 | 885,360 | 4,230,699 | 15,879,290 | -7,059,881 | 8,872,193 |
| Mortgage / Real estate loans | 1,010,910 | 767,419 | 406,699 | 815,261 | - | 370,286 | 1,748,658 | 5,119,233 | -2,049,343 | 3,082,960 |
| Expected loss for retail loans | -1,382,035 | -811,155 | -622,008 | -1,326,459 | -96,976 | -354,344 | -4,544,687 | -9,137,665 | - | - |
| Total net retail loans | 2,927,360 | 2,679,384 | 1,821,751 | 1,628,288 | 478,618 | 904,595 | 1,449,305 | 11,889,301 | - | - |

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3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

| Portfolio | Not overdue | Outstanding up to 30 days | Outstanding between 31-60 days | Outstanding between 61-90 days | Outstanding between 91-180 days | Outstanding between 181-360 days | Outstanding after 360 days | Total | Expected loss | Fair value of guarantee |
|------------------------------|------------------|---------------------------|--------------------------------|--------------------------------|---------------------------------|----------------------------------|----------------------------|-------------------|--------------------|-------------------------|
| Total corporate loans | 4,109,526 | 1,393,096 | 3,820,523 | - | - | - | 88,253,447 | 97,576,591 | -50,169,859 | 47,510,289 |
| SMEs | 4,109,526 | 1,393,096 | 3,820,523 | - | - | - | 85,655,477 | 94,978,621 | -50,130,630 | 44,912,319 |
| Commerce | 909,509 | - | 728,087 | - | - | - | 12,221,208 | 13,858,804 | -3,284,582 | 10,591,760 |
| Industry | 1,396,432 | - | - | - | - | - | 17,651,731 | 19,048,163 | -10,619,155 | 8,450,753 |
| Construction and real estate | 441,805 | 395,973 | 3,087,506 | - | - | - | 42,206,685 | 46,131,969 | -22,260,575 | 23,881,733 |
| Agriculture | - | - | - | - | - | - | - | - | - | - |
| Other | 1,361,780 | 997,123 | 4,930 | - | - | - | 13,575,853 | 15,939,686 | -13,966,318 | 1,988,073 |
| Corporate | - | - | - | - | - | - | 2,597,970 | 2,597,970 | -39,229 | 2,597,970 |
| Commerce | - | - | - | - | - | - | 2,597,970 | 2,597,970 | -39,229 | 2,597,970 |
| Industry | - | - | - | - | - | - | - | - | - | - |
| Construction and real estate | - | - | - | - | - | - | - | - | - | - |
| Agriculture | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |

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3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

| Portfolio | Not overdue | Outstanding up to 30 days | Outstanding between 31-60 days | Outstanding between 61-90 days | Outstanding between 91-180 days | Outstanding between 181-360 days | Outstanding after 360 days | Total | Expected loss | Fair value of guarantee |
|--|------------------|------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|--|----------------------------------|--------------------|--------------------|----------------------------|
| Expected loss for corporate loans | -1,219,887 | -299,959 | -983,233 | - | - | - | -47,666,781 | -50,169,860 | | |
| Total net corporate loans | 2,889,639 | 1,093,137 | 2,837,290 | - | - | - | 40,586,666 | 47,406,731 | | |
| Total loans and advances to customers | 8,418,921 | 4,883,635 | 6,264,282 | 2,954,747 | 575,594 | 1,258,939 | 94,247,439 | 118,603,556 | -59,307,525 | 59,465,442 |
| Expected loss for loans and advances to customers | -2,601,923 | -1,111,114 | -1,605,241 | -1,326,459 | -96,976 | -354,344 | -52,211,468 | -59,307,525 | | |
| Total net loans and advances to customers | 5,816,999 | 3,772,521 | 4,659,041 | 1,628,288 | 478,618 | 904,595 | 42,035,971 | 59,296,031 | | |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

The effect of the guarantees on December 31, 2021 is as follows:

The financial effect of the guarantees is highlighted by the presentation of the guarantees values separately for (i) those assets for which the guaranties overcome or have the same value with the gross accounting asset (collateral loans) and (ii) those assets for which the guarantees have a value lower than the net accounting asset value (Undersecured loans).

| | Under-secured loans | | Collateral loans | |
|--|---------------------------------|--------------------------|---------------------------------|--------------------------|
| | Gross balance sheet exposure | Fair value guarantees | Gross balance sheet exposure | Fair value guarantees |
| Total retail loans | 547,539,574 | 420,464,122 | 630,612,530 | 1,043,887,535 |
| Credit cards | 1,612,763 | 80,000 | 118,199 | 1,035,482 |
| Consumer loans / personal loans and overdrafts | 88,825,828 | 42,253,060 | 80,392,958 | 165,251,798 |
| Mortgage / Real estate loans | 457,100,983 | 378,131,062 | 550,101,373 | 877,600,255 |
| Total corporate loans | 2,256,841,735 | 637,735,642 | 593,698,433 | 921,663,578 |
| Total SMEs | 2,041,162,252 | 578,646,819 | 579,608,902 | 893,068,943 |
| Commerce | 460,522,390 | 152,900,275 | 102,709,426 | 150,132,054 |
| Industry | 210,865,384 | 46,511,877 | 55,924,101 | 100,951,086 |
| | | | | 416,499,364 |
| Construction and real estate | 173,325,413 | 103,060,620 | 290,124,651 | |
| Agriculture | 686,258,854 | 219,149,933 | 105,892,099 | 159,331,932 |
| Leasing | 59,557,698 | 3,467,731 | 371,258 | 2,191,246 |
| Shipping | 241,445,390 | - | - | - |
| Other | 209,187,123 | 53,556,383 | 24,587,367 | 63,963,261 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

| | Under-secured loans | | Collateral loans | |
|--|------------------------------|-----------------------|------------------------------|-----------------------|
| | Gross balance sheet exposure | Fair value guarantees | Gross balance sheet exposure | Fair value guarantees |
| Total corporate | 215,679,483 | 59,088,823 | 14,089,531 | 28,594,635 |
| Commerce | 43,448,471 | 19,434,735 | 12,306,918 | 21,493,961 |
| Industry | 170,048,233 | 39,654,088 | 1,440,570 | 6,290,893 |
| Construction and real estate | - | - | - | - |
| Agriculture | - | - | - | - |
| Leasing | 2,182,779 | - | - | - |
| Shipping | - | - | 43,388 | 499,511 |
| Other | - | - | 298,655 | 310,270 |
| Total loans and advances to customers | 2,804,381,309 | 1,058,199,764 | 1,224,310,963 | 1,965,551,113 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

The effect of the guarantees on December 31, 2020 is as follows:

| | Under-secured loans | | Collateral loans | |
|--|---------------------------------|--------------------------|---------------------------------|--------------------------|
| | Gross balance sheet exposure | Fair value guarantees | Gross balance sheet exposure | Fair value guarantees |
| Total retail loans | 296,357,808 | 214,589,780 | 217,566,532 | 345,098,029 |
| Credit cards | 1,763,947 | 11,000 | 126,251 | 933,540 |
| Consumer loans / personal loans and overdrafts | 153,909,542 | 106,277,054 | 72,201,446 | 125,391,307 |
| Mortgage / Real estate loans | 140,684,319 | 108,301,726 | 145,238,835 | 218,773,182 |
| Total corporate loans | 934,698,369 | 307,233,349 | 285,015,004 | 442,261,018 |
| Total SMEs | 742,812,060 | 264,858,174 | 267,539,313 | 404,685,900 |
| Commerce | 220,799,172 | 103,908,780 | 62,020,881 | 78,451,844 |
| Industry | 50,016,328 | 21,648,157 | 30,205,943 | 44,083,115 |
| Construction and real estate | 163,209,601 | 98,517,518 | 114,708,431 | 197,952,623 |
| Agriculture | 25,855,369 | 3,185,960 | 7,526,281 | 8,244,457 |
| Leasing | 30,258,071 | 5,507,525 | 1,260,127 | 2,142,840 |
| Shipping | 132,129,839 | 7,733,700 | - | - |
| Other | 120,543,680 | 24,356,534 | 51,817,650 | 73,811,021 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

| | Under-secured loans | | Collateral loans | |
|--|-------------------------------------|------------------------------|-------------------------------------|------------------------------|
| | Gross balance sheet exposure | Fair value guarantees | Gross balance sheet exposure | Fair value guarantees |
| Total corporate | 191,886,309 | 42,375,175 | 17,475,691 | 37,575,118 |
| Commerce | 49,719,626 | 18,750,114 | 2,597,970 | 13,573,966 |
| Industry | 122,419,052 | 11,513,292 | 12,184,518 | 16,605,211 |
| Construction and real estate | 3,698,420 | 1,383,352 | - | - |
| Agriculture | - | - | - | - |
| Leasing | 2,491,163 | - | - | - |
| Shipping | - | - | 27,110 | 491,565 |
| Other | 13,558,048 | 10,728,417 | 2,666,093 | 6,904,376 |
| Total loans and advances to customers | 1,231,056,177 | 521,823,129 | 502,581,536 | 787,359,047 |

The fair value of the real estate and collateral securities (equipment or stocks) at the end of the reporting period was estimated by increasing the amount determined by the evaluation department of the Bank, with adjustment elements depending on the security type, date of the last security evaluation, the legal condition of the customers, the place of the security, execution costs and the appraisal duration.

Starting May 2014, the Bank offsets loans to customers by directly reducing non-recoverable loans fully covered by depreciation adjustments, for which the Bank no longer has reasonable expectations regarding the generation of future cash flows from the respective loans, including the flows that could be obtained in the legal execution procedures. The Bank's management does not consider that these receivables meet the criteria for derecognition in the Bank's accounts.

At 31 December 2021, the amount of off-balance-sheet loans at gross value is RON 510,594,516 (2020: RON 499,043,782).

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

The material changes in the value of financial assets that affected the value of expected loss during the period under review are presented in the table below:

December 31, 2021

| Expected loss for loans and advances to customers | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
|---|---------------------------------|---------------------------------|---------------------------------|-------------------|
| Expected loss as at January 1, 2020 | 14,493,072 | 5,765,273 | 59,307,525 | 79,565,870 |
| Changes in expected loss | | | | |
| - Transfer to Stage 1 | 755,828 | -353,975 | -401,853 | - |
| - Transfer to Stage 2 | -501,196 | 1,064,258 | -563,062 | - |
| - Transfer to Stage 3 | -14,480 | -37,658 | 52,138 | - |
| - Increases due to changes in credit risk* | 6,226,996 | 6,536,675 | 12,683,543 | 25,447,214 |
| - Decreases due to changes in credit risk** | -10,301,222 | -7,274,955 | -18,636,563 | -36,212,740 |
| - Write-offs | - | - | -15,617,252 | -15,617,252 |
| Expected loss for new financial assets | 9,025,719 | 2,764,611 | 326,414 | 12,116,744 |
| Expected loss for derecognised financial assets*** | - | - | -1,618,826 | -1,618,826 |
| Expected loss for newly-acquired financial assets**** | 22,811,195 | 129,412 | 5,091,059 | 28,031,666 |
| FX differences | 636,325 | 57,936 | 834,958 | 1,529,219 |
| Expected loss as at December 31, 2020 | 43,132,237 | 8,651,577 | 41,458,081 | 93,241,895 |
| of which, unwinding | - | - | 4,019,480 | 4,019,480 |
| Expected loss as at December 31, 2020 net of unwinding | 43,132,237 | 8,651,577 | 37,438,601 | 89,222,415 |

*including increases for loans repaid during the year

**including repayments of loans closed during the year

***Loans fully written-off of the Bank's balance sheet related to non-recoverable claims which the Group considers that they meet the criteria to be derecognised.

****The values presented were determined using the Vista Bank Romania methodology for the acquired portfolio.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2020

| Expected loss for loans and advances to customers | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
|---|---------------------------------|---------------------------------|---------------------------------|-------------------|
| Expected loss as at January 1, 2020 | 8,865,795 | 2,421,274 | 51,735,896 | 63,022,965 |
| Changes in expected loss | | | | |
| - Transfer to Stage 1 | 1,072,444 | -665,744 | -406,700 | - |
| - Transfer to Stage 2 | -573,162 | 2,175,506 | -1,602,344 | - |
| - Transfer to Stage 3 | -5,200 | -287,362 | 292,562 | - |
| - Increases due to changes in credit risk* | 6,599,459 | 9,647,558 | 19,515,769 | 35,762,786 |
| - Decreases due to changes in credit risk** | -8,236,287 | -8,552,845 | -10,424,791 | -27,213,923 |
| - Write-offs | - | - | -613,495 | -613,495 |
| Expected loss for new financial assets | 6,926,387 | 995,859 | 77,880 | 8,000,126 |
| Expected loss for derecognised financial assets | - | - | - | - |
| FX differences | -156,228 | 31,026 | 732,749 | 607,547 |
| Expected loss as at December 31, 2020 | 14,493,072 | 5,765,273 | 59,307,525 | 79,565,870 |
| of which, unwinding | - | - | 14,828,807 | 14,828,807 |
| Expected loss as at December 31, 2020 net of unwinding | 14,493,072 | 5,765,273 | 44,478,718 | 64,737,063 |

*including increases for loans repaid during the year

**including repayments of loans closed during the year

Free translation from the original Romanian version.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2021

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|------------------|------------------|---------------|------------------|
| Expected loss for off-balance sheet loans and advances to customers | | | | Total |
| Expected loss as at January 1, 2021 | 1,060,561 | 533,489 | 25,776 | 1,619,826 |
| Changes in expected loss | | | | |
| - Transfer to Stage 1 | 4,501 | -4,501 | - | - |
| - Transfer to Stage 2 | -78,328 | 78,328 | - | - |
| - Transfer to Stage 3 | -36 | -190 | 226 | - |
| - Increases due to changes in credit risk* | 367,795 | 1,006,764 | 24,591 | 1,399,150 |
| - Decreases due to changes in credit risk** | -1,776,086 | -793,361 | -15,843 | -2,585,290 |
| Expected loss for new financial assets | 5,530,040 | 18,292 | 50,767 | 5,599,099 |
| Expected loss for newly-acquired financial assets*** | 2,570,517 | 263,901 | - | 2,834,418 |
| FX differences | 7,468 | 3,155 | - | 10,623 |
| Expected loss as at December 31, 2021 | 7,686,432 | 1,105,877 | 85,517 | 8,877,826 |

*including increases for existing exposures

**including off-balance sheet exposures turned to balance sheet exposures or closed/matured exposures

*** The values presented were determined using the Vista Bank Romania methodology for the acquired portfolio.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performin loans and advances (continued)

December 31, 2020

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|------------------|----------------|---------------|------------------|
| Expected loss for off-balance sheet loans and advances to customers | | | | |
| Expected loss as at January 1, 2020 | 1,140,417 | 111,633 | 4,470 | 1,256,520 |
| Changes in expected loss | | | | |
| - Transfer to Stage 1 | 15,701 | -15,701 | - | - |
| - Transfer to Stage 2 | -47,970 | 47,974 | -4 | - |
| - Transfer to Stage 3 | -4 | -1,292 | 1,296 | - |
| - Increases due to changes in credit risk* | 1,283,638 | 372,605 | 29,216 | 1,685,459 |
| - Decreases due to changes in credit risk** | -1,663,544 | -268,929 | -9,202 | -1,941,675 |
| Expected loss for new financial assets | 317,189 | 287,171 | - | 604,360 |
| FX differences | - | - | - | - |
| Expected loss as at December 31, 2020 | 1,060,561 | 533,489 | 25,776 | 1,619,826 |

*including increases for existing exposures

** including off-balance sheet exposures turned to balance sheet exposures or closed/matured exposures

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2021

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------|---------|---------|----------------|
| Expected loss for off-balance sheet loans and advances to banks | | | | Total |
| Expected loss as at January 1, 2021 | 67,220 | - | - | 67,220 |
| Changes in expected loss | | | | |
| - Transfer to Stage 1 | - | - | - | - |
| - Transfer to Stage 2 | - | - | - | - |
| - Transfer to Stage 3 | - | - | - | - |
| - Increases due to changes in credit risk* | 403,991 | - | - | 403,991 |
| - Decreases due to changes in credit risk** | -379,598 | - | - | -379,598 |
| - Write-offs | - | - | - | - |
| - Changes not leading to derecognition | - | - | - | - |
| Expected loss for new financial assets | 523,271 | - | - | 523,271 |
| Changes in risk models/parameters | - | - | - | - |
| FX differences*** | -466,538 | - | - | -466,538 |
| Expected loss as at December 31, 2021 | 148,346 | - | - | 148,346 |

*including increases for existing exposures

**including decreases for existing exposures

***including closed/matured exposures

Free translation from the original Romanian version.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2020

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|---------------|----------------|----------|----------------|
| Expected loss for off-balance sheet loans and advances to banks | | | | Total |
| Expected loss as at January 1, 2020 | 23,296 | 942,123 | - | 965,419 |
| Changes in expected loss | | | | |
| - Transfer to Stage 1 | 73,218 | -73,218 | - | - |
| - Transfer to Stage 2 | - | - | - | - |
| - Transfer to Stage 3 | - | - | - | - |
| - Increases due to changes in credit risk* | 36,779 | 106,490 | - | 143,269 |
| - Decreases due to changes in credit risk** | -215,418 | -36,316 | - | -251,734 |
| - Write-offs | - | - | - | - |
| - Changes not leading to derecognition | - | - | - | - |
| Expected loss for new financial assets | 344,202 | 421,115 | - | 765,317 |
| Changes in risk models/parameters | - | - | - | - |
| FX differences*** | -194,857 | -1,360,194 | - | -1,555,051 |
| Expected loss as at December 31, 2020 | 67,220 | - | - | 67,220 |

*including increases for existing exposures

**including decreases for existing exposures

***including closed/matured exposures

Free translation from the original Romanian version.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2021

| Expected loss for investments held to amortized cost | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------|---------|---------|----------------|
| Expected loss as at January 1, 2021 | 535,227 | - | - | 535,227 |
| Changes in expected loss | | | | |
| - Transfer to Stage 1 | - | - | - | - |
| - Transfer to Stage 2 | - | - | - | - |
| - Transfer to Stage 3 | - | - | - | - |
| - Increases due to changes in credit risk* | 383,913 | - | - | 383,913 |
| - Decreases due to changes in credit risk** | -191,357 | - | - | -191,357 |
| - Write-offs | - | - | - | - |
| - Changes not leading to derecognition | - | - | - | - |
| Expected loss for new financial assets | 209,105 | - | - | 209,105 |
| Changes in risk models/parameters | - | - | - | - |
| FX differences and other changes*** | -37,047 | - | - | -37,047 |
| Expected loss at December 31, 2021 | 899,841 | - | - | 899,841 |

*including increases for existing exposures

**including decreases for existing exposures

***including closed/matured exposures

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2020

| Expected loss for investments held to amortized cost | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------|---------|---------|----------------|
| Expected loss as at January 1, 2020 | 374,526 | - | - | 374,526 |
| Changes in expected loss | | | | |
| - Transfer to Stage 1 | - | - | - | - |
| - Transfer to Stage 2 | - | - | - | - |
| - Transfer to Stage 3 | - | - | - | - |
| - Increases due to changes in credit risk* | 215,159 | - | - | 215,159 |
| - Decreases due to changes in credit risk** | -115,936 | - | - | -115,936 |
| - Write-offs | - | - | - | - |
| - Changes not leading to derecognition | - | - | - | - |
| Expected loss for new financial assets | 78,912 | - | - | 78,912 |
| Changes in risk models/parameters | - | - | - | - |
| FX differences and other changes*** | -17,434 | - | - | -17,434 |
| Expected loss at December 31, 2020 | 535,227 | - | - | 535,227 |

*including increases for existing exposures

**including decreases for existing exposures

***including closed/matured exposures

Free translation from the original Romanian version.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2021

| Expected loss for financial assets at fair value through other comprehensive income | Stage 1 | Stage 2 | Stage 3 | Total |
|---|----------------|---------|---------|----------------|
| Expected loss as at January 1, 2021 | 227,777 | - | - | 227,777 |
| Changes in expected loss | | | | |
| - Transfer to Stage 1 | - | - | - | - |
| - Transfer to Stage 2 | - | - | - | - |
| - Transfer to Stage 3 | - | - | - | - |
| - Increases due to changes in credit risk* | 43,839 | - | - | 43,839 |
| - Decreases due to changes in credit risk** | -126,405 | - | - | -126,405 |
| - Write-offs | - | - | - | - |
| - Changes not leading to derecognition | - | - | - | - |
| Expected loss for new financial assets | 166,523 | - | - | 166,523 |
| Changes in risk models/parameters | - | - | - | - |
| FX differences and other changes*** | -85,762 | - | - | -85,762 |
| Expected loss at December 31, 2021 | 225,972 | - | - | 225,972 |

*including increases for existing exposures

**including decreases for existing exposures

***including closed/matured exposures

Free translation from the original Romanian version.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2020

| Expected loss for financial assets at fair value through other comprehensive income | Stage 1 | Stage 2 | Stage 3 | Total |
|---|----------------|---------|---------|----------------|
| Expected loss as at January 1, 2020 | - | - | - | - |
| Changes in expected loss | | | | |
| - Transfer to Stage 1 | - | - | - | - |
| - Transfer to Stage 2 | - | - | - | - |
| - Transfer to Stage 3 | - | - | - | - |
| - Increases due to changes in credit risk* | 1,673 | - | - | 1,673 |
| - Decreases due to changes in credit risk** | -44,197 | - | - | -44,197 |
| - Write-offs | - | - | - | - |
| - Changes not leading to derecognition | - | - | - | - |
| Expected loss for new financial assets | 272,174 | - | - | 272,174 |
| Changes in risk models/parameters | - | - | - | - |
| FX differences and other changes*** | -1,874 | - | - | -1,874 |
| Expected loss at December 31, 2020 | 227,777 | - | - | 227,777 |

*including increases for existing exposures

**including decreases for existing exposures

***including closed/matured exposures

Free translation from the original Romanian version.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2021

| Total loans and advances to customers | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|----------------------|--------------------|--------------------|-------------------|----------------------|
| Gross value as at January 1, 2021 | 1,405,829,986 | 209,204,169 | 118,603,557 | - | 1,733,637,712 |
| Newly-acquired financial assets**** | 1,897,718,253 | - | - | 33,977,875 | 1,931,696,128 |
| Changes in gross value | | | | | |
| - Transfer to Stage 1 | 24,136,763 | -22,474,193 | -1,662,570 | | - |
| - Transfer to Stage 2 | -87,809,756 | 89,373,918 | -1,564,162 | - | - |
| - Transfer to Stage 3 | -12,859,349 | -3,255,716 | 16,115,065 | - | - |
| - Changes that do not result in derecognition* | -622,863,846 | -75,867,516 | -37,935,880 | -2,466,101 | -739,133,343 |
| New financial assets | 899,137,894 | 51,406,686 | 1,425,285 | - | 951,969,865 |
| Derecognised financial assets** | - | - | -1,618,826 | - | -1,618,826 |
| Write-offs | - | - | -15,617,252 | -702,415 | -16,319,667 |
| Other changes** | 153,121,054 | 12,995,265 | 1,913,976 | 430,107 | 168,460,402 |
| Total loans and advances to customers as at December 31, 2021***** | 3,656,411,000 | 261,382,613 | 79,659,194 | 31,239,465 | 4,028,692,272 |
| Expected loss as at December 31, 2021 | -43,132,237 | -8,651,577 | -41,458,081 | - | -93,241,895 |

* includes repayments to existing clients and fully repaid loans during the year

** includes balance increases for existing clients (including due to FX differences)

*** loans fully written-off of the Group's balance sheet related to non-recoverable claims which the Group considers that they meet the criteria to be derecognised

****The amounts are net of credit expected losses registered by Credit Agricole Romania at August 31, 2021 and the value adjustments determined using the PPA evaluation.

***** The values of loans acquired from Credit Agricole Romania include the value adjustments determined using the PPA („Purchase Price Allocation”) analysis, amortized at December 31, 2021. The value of amortizations between the acquisition date and December 31, 2021 is of RON -2,865,739.32.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2020

| Total loans and advances to customers | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------------|--------------------|--------------------|----------------------|
| Gross value as at January 1, 2020 | 1,115,010,065 | 107,634,268 | 121,307,935 | 1,343,952,268 |
| Changes in gross value | | | | |
| - Transfer to Stage 1 | 21,468,157 | -20,731,896 | -736,261 | - |
| - Transfer to Stage 2 | -113,337,296 | 118,153,842 | -4,816,546 | - |
| - Transfer to Stage 3 | -534,772 | -5,792,426 | 6,327,198 | - |
| New financial assets | 540,413,621 | 29,397,547 | 315,600 | 570,126,768 |
| Derecognised financial assets | - | - | - | - |
| Write-offs | - | - | -2,104,833 | -2,104,833 |
| Other changes* | -157,189,790 | -19,457,166 | -1,689,536 | -178,336,491 |
| Total loans and advances to customers as at December 31, 2020 | 1,405,829,988 | 209,204,169 | 118,603,556 | 1,733,637,713 |
| Expected loss as at December 31, 2020 | -14,493,072 | -5,765,273 | -59,307,525 | -79,565,870 |

*includes repayments to existing clients, fully repaid loans during the year and balance increases for existing clients (including due to FX differences)

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2021

| Total off-balance sheet loans and advances to customers | Stage 1 | Stage 2 | Stage 3 | Total |
|--|--------------------|-------------------|----------------|--------------------|
| Gross value as at January 1, 2021 | 89,704,147 | 11,144,222 | 51,552 | 100,899,921 |
| Off-balance sheet exposures acquired | 133,838,870 | - | - | 133,838,870 |
| Changes in gross amount | | | | |
| - Transfer to Stage 1 | 50,657 | -50,657 | - | - |
| - Transfer to Stage 2 | -9,181,287 | 9,181,287 | - | - |
| - Transfer to Stage 3 | -1,360 | -2,713 | 4,073 | - |
| New financial assets | 191,498,941 | 895,849 | 101,534 | 192,496,324 |
| Net movement in the year | -49,523,402 | -5,613,473 | 13,875 | -55,123,000 |
| Total off-balance sheet loans and advances to customers as at December 31, 2020 | 356,386,566 | 15,554,515 | 171,034 | 372,112,115 |
| Expected loss as at December 31, 2021 | -7,686,432 | -1,105,877 | -85,517 | -8,877,826 |

Free translation from the original Romanian version.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2020

| Total off-balance sheet loans and advances to customers | Stage 1 | Stage 2 | Stage 3 | Total |
|--|-------------------|-------------------|----------------|--------------------|
| Gross value as at January 1, 2020 | 94,354,496 | 329,090 | 68,948 | 94,752,534 |
| Changes in gross amount | | | | |
| - Transfer to Stage 1 | 157,552 | -157,552 | - | - |
| - Transfer to Stage 2 | -3,624,613 | 3,624,621 | -8 | - |
| - Transfer to Stage 3 | -144 | -28,654 | 28,798 | - |
| New financial assets | 31,940,167 | 7,204,091 | - | 39,144,258 |
| Net movement in the year | -33,123,311 | 172,626 | -46,186 | -32,996,871 |
| Total off-balance sheet loans and advances to customers as at December 31, 2020 | 89,704,147 | 11,144,222 | 51,552 | 100,899,921 |
| Expected loss as at December 31, 2020 | -1,060,561 | -533,489 | -25,776 | -1,619,826 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2021

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------------|---------|---------|----------------------|
| Total loans and advances to banks | | | | Total |
| Gross value as at January 1, 2021 | 831,132,267 | - | - | 831,132,267 |
| Newly-acquired financial assets* | 590,976,420 | - | - | 590,976,420 |
| Changes in gross value | - | - | - | - |
| - Transfer between stages | - | - | - | - |
| Net movement in loans and advances to banks during 2021 | 223,215,854 | - | - | 223,215,854 |
| Total loans and advances to banks as at December 31, 2021 | 1,645,324,541 | - | - | 1,645,324,541 |
| Expected loss as at December 31, 2021 | -148,346 | - | - | -148,346 |

*The amounts are net of expected credit losses and advances to banks registered by Credit Agricole Romania at August 31, 2021.

December 31, 2020

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|--------------------|--------------------|---------|--------------------|
| Total loans and advances to banks | | | | Total |
| Gross value as at January 1, 2020 | 427,488,379 | 188,846,000 | - | 616,334,379 |
| Changes in gross value | | | | |
| - Transfer between stages | 153,579,773 | -153,579,773 | - | - |
| Net movement in loans and advances to banks during 2019 | 250,064,115 | -35,266,227 | - | 214,797,888 |
| Total loans and advances to banks as at December 31, 2020 | 831,132,267 | - | - | 831,132,267 |
| Expected loss as at December 31, 2020 | -67,220 | - | - | -67,220 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2021

Total investments held at amortised cost

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|-------------|---------|---------|-------------|
| Gross value as at January 1, 2021 | 453,888,285 | - | - | 453,888,285 |
| - Transfers between stages | - | - | - | - |
| Net movement in investments held to maturity during 2021 | 329,358,273 | - | - | 329,358,273 |
| Total investments held to maturity as at December 31, 2021 | 783,246,558 | - | - | 783,246,558 |
| Expected loss as at December 31, 2021 | -899,840 | - | - | -899,840 |

December 31, 2020

Total investments held at amortised cost

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|-------------|---------|---------|-------------|
| Gross value as at January 1, 2020 | 325,531,100 | - | - | 325,531,100 |
| - Transfers between stages | - | - | - | - |
| Net movement in investments held to maturity during 2019 | 128,357,185 | - | - | 128,357,185 |
| Total investments held to maturity as at December 31, 2020 | 453,888,285 | - | - | 453,888,285 |
| Expected loss as at December 31, 2020 | -535,227 | - | - | -535,227 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2021

| Total financial assets measured at fair value through other comprehensive income | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--------------------|---------|---------|--------------------|
| Gross value as at January 1, 2021 | 172,415,643 | - | - | 172,415,643 |
| Newly-acquired financial assets* | 150,607,622 | - | - | 150,607,622 |
| - Transfers between stages | - | - | - | - |
| Net movement in financial assets at fair value through other comprehensive income during 2021 | -61,220,187 | - | - | -61,220,187 |
| Total financial assets measured at fair value through other comprehensive income as at December 31, 2021 | 261,803,078 | - | - | 261,803,078 |
| Expected loss as at December 31, 2021 | -225,972 | - | - | -225,972 |

* The amounts are net of expected credit losses on financial assets at fair value through other comprehensive income registered by Credit Agricole Romania at August 31, 2021.

December 31, 2020

| Total financial assets measured at fair value through other comprehensive income | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--------------------|---------|---------|--------------------|
| Gross value as at January 1, 2020 | - | - | - | - |
| - Transfers between stages | - | - | - | - |
| Net movement in financial assets at fair value through other comprehensive income during 2020 | 172,415,643 | - | - | 172,415,643 |
| Total financial assets measured at fair value through other comprehensive income as at December 31, 2020 | 172,415,643 | - | - | 172,415,643 |
| Expected loss as at December 31, 2020 | -227,777 | - | - | -227,777 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

d) Forborne loans and advances

A change in a financial asset occurs when the contractual clauses governing the cash flows of a financial asset are renegotiated or otherwise altered between the initial recognition and the maturity of the financial asset. A change affects the value and / or timing of contractual cash flows either immediately or at a later date.

The Bank renegotiates loans to customers in financial distress to maximize collection and minimize the risk of default (restructuring). A postponement of payment is granted in cases where, although the borrower has made all reasonable efforts to pay under the initial contractual terms, there is a high risk of default and the borrower is expected to meet the revised conditions. The revised terms in most cases include an extension of the maturity of the loan, changes in the timing of the cash flows of the loan within the initial contractual maturity, refinancing outstanding principal and interest. The Bank has a restructuring policy that applies to its corporate and retail clients.

| Type of restructuring | 31.12.2021 | | |
|--|-----------------------|----------------------|-----------------------|
| | Gross exposure | Expected loss | Net book value |
| Extension of maturity | 41,686,355 | 17,587,629 | 24,098,726 |
| Refinancing | 12,148,750 | 4,297,576 | 7,851,174 |
| Rescheduling within contractual maturity | 30,864,371 | 11,170,650 | 19,693,721 |
| Total restructuring operations | 84,699,476 | 33,055,855 | 51,643,621 |
| Type of restructuring | 31.12.2020 | | |
| | Gross exposure | Expected loss | Net book value |
| Extension of maturity | 60,742,647 | 25,177,036 | 35,565,611 |
| Refinancing | 11,936,279 | 3,701,261 | 8,235,018 |
| Rescheduling within contractual maturity | 28,306,099 | 8,776,577 | 19,529,522 |
| Total restructuring operations | 100,985,025 | 37,654,874 | 63,330,151 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Securities portfolio

The table below presents the analysis of the investments securities portfolio as at December 31, 2021 and December 31, 2020, based on the Standard & Poor's ratings or equivalent:

| | December 31, 2021 | December 31, 2020 | Rating | |
|--|----------------------|-------------------|-------------------|-------------------|
| | | | December 31, 2021 | December 31, 2020 |
| Investments at amortised cost (i) | 783,246,558 | 453,353,058 | BBB- | BBB- |
| Financial assets at fair value through other comprehensive income (ii) | 260,223,956 | 172,415,643 | BBB- | BBB- |
| Financial assets mandatorily measured through profit or loss (II) | - | 2.482.735 | AA-/A-1+ | AA-/A-1+ |

(i) *The investments at amortised cost are securities issued by the Romanian Government and have a low credit risk. As at December 31, 2021 and December 31, 2020 the credit rating for Romania was BBB- with negative perspective in 2020 and stable perspective in 2021.*

(ii) *The financial assets at fair value through other comprehensive income represent securities issued by the Government of Romania.*

3.1.5 Placements with banks

The table below presents the analysis of the placements with banks by evaluations performed on December 31, 2021 and December 31, 2020, based on the Standard & Poor's ratings or equivalent:

| | December 31, 2020 | December 31, 2019 | Rating | |
|---------------------------|----------------------|----------------------|----------------------|----------------------|
| | | | December 31, 2020 | December 31, 2019 |
| | Total balance | Total balance | Long/ short term | Long/ short term |
| Current accounts | | | | |
| KBC Brussels | 980,018 | 279,519 | A+/A-1 | A+/A-1 |
| Barclays Bank (Suisse) SA | 118,013,923 | 242,577,298 | - | - |
| Optima Bank | 922,173 | 3,425,490 | - | - |
| EFG Eurobank Ergasias | 6,245,389 | 3,850,260 | B+/B | B/B |
| ING Bank NV - RO | 570,236 | - | A+/A-1 | - |
| Bank of New York Mellon | 26,744,605 | - | A/A-1 | - |
| Deutsche Bank AGHO | 3,033,452 | - | A-/A-2 | - |
| JP Morgan Chase HO | 15,481,350 | - | A-/A-2 | - |
| Credit Agricole HO | 31,196,641 | - | A+/A-1 | - |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.5 Placements with banks (continued)

Placements with banks

| | | | | |
|--|------------|------------|----------|----------|
| BCR | 75,012,870 | 73,036,935 | BBB+/A-2 | BBB+/A-2 |
| Credit Europe Bank (Romania) SA | 24,739,450 | 20,001,165 | - | - |
| Banca Romaneasca | - | 20,001,054 | - | - |
| Techventures Bank | - | 10,000,041 | - | - |
| First Bank SA | 23,003,112 | 20,000,998 | - | - |
| Rothschild Bank AG | - | 59,906,719 | - | - |
| Aegean Baltic Bank SA | 72,947,553 | 45,598,006 | B/B | B/B |
| TBI Bank EAD Sofia | 33,003,857 | 33,001,152 | - | - |
| Intesa Sanpaolo Bank RO | 6,555,854 | - | - | - |
| CEC Bank | 85,001,839 | - | - | - |
| Libra Internet Bank | 23,997,525 | - | BB-/B | - |
| Unicredit Bank SA | 20,000,866 | - | BBB/A-2 | - |
| Eximbank | 14,999,947 | - | - | - |
| Banca Transilvania SA | 55,005,907 | - | BB+/B | - |
| OTP Bank Romania SA | 53,111,876 | - | - | - |
| Crédit Agricole CIB | 4,947,899 | - | A+/A-1 | - |
| Citibank Europe plc, Dublin – Romania branch | 8,857,099 | - | A+/A-1 | - |

| | | | | |
|------------------------------------|--------------------|--------------------|---|---|
| Total placements with banks | 704,373,441 | 531,678,637 | - | - |
|------------------------------------|--------------------|--------------------|---|---|

| | Stage 1 | Stage 2 | Stage 3 | Total |
|------------------------------------|--------------------|----------|----------|--------------------|
| Current accounts | 203,174,376 | - | - | 203,174,376 |
| Demand deposits | 66,297,701 | - | - | 66,297,701 |
| Term deposits | 426,135,218 | - | - | 426,135,218 |
| Amounts recoverable | 8,857,099 | - | - | 8,857,099 |
| Total | 704,464,394 | - | - | 704,464,394 |
| Expected credit loss | -90,953 | - | - | -90,953 |
| Total placements with banks | 704,373,441 | - | - | 704,373,441 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Market risk

The market risk represents the possibility of some economic losses resulted out of the variations of the market prices and instalments, including equity and prices, as well as interest rates and of the exchange rate. The market risk may affect, in general, both the position of the financial instruments portfolio and the banking intermediations portfolio, as well as assets and liabilities elements of the balance sheet. The Group applied generally accepted technics for the evaluation of the market risk, such as the incomes analysed depending on the risk and sensitivity indicators.

As mentioned within the Strategy regarding the management of the significant risks, the objective related to the risks of the interest rate and the exchange rate are to maintain these parameters at a medium risk level.

Earning at Risk (EaR) indicator expresses the sensitivity of the net income resulted from the interest rate at the alterations suffered for a pre-defined period of time, usually one year.

The decrease of the economic value of the Bank (long time discrepancy) measures the alteration of the value of the economic potential of the Group due to the rate interest variations outside the financial instruments portfolio.

The global exposure of the interest rate risk from the activities outside the trading portfolio in all currencies and all due dates should not be over 20% of the equity regulated by the Bank after applying a parallel standard shock of 200 basis points.

The objective for the management of the interest rate risk is to obtain a maximum decrease of the impact over the economic value of the Group, as a consequence of applying the standard stress shock, under 20% of the equity of the Group. The Group is considering to maintain a medium level regarding the interest rate risk.

3.3 Currency risk

The Group is exposed to the effects of the exchange rates fluctuations in force over its financial positions and over cash flows. The Group establishes limits regarding the exposure level according the currency for the overnight and intra-day positions, which are monitored on a daily basis.

As far as the exchange rate risk is concerned, the Group established maximum limits of the opened positions for each currency, the maximum being of EUR 10 mil., a maximum level of daily VaR of EUR 50 thousand.

The Group shall maintain a level of 9-13 of the total currency position in comparison to the equity to be framed within the medium-low risk category. Under the level of 9%, there shall be considered medium-low risk profile, while over 13% there shall be a medium to high risk level, pointing out the need to decrease the currency position.

The tables below summarizes the exposure of the Group at the exchange rate risk on December 31, 2021 and December 31, 2020. The table also includes the financial assets and liabilities of the Bank at their carrying amount, classified according to the currency.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Currency risk (continued)

| December 31, 2021 | RON | EUR | USD | Other currencies | Total |
|---|----------------------|----------------------|--------------------|--------------------|----------------------|
| Financial assets | | | | | |
| Cash and balances with central banks | 521,790,299 | 487,079,980 | 4,944,031 | 5,028,682 | 1,018,842,992 |
| Loans and advances to banks | 370,063,828 | 98,622,641 | 135,562,389 | 100,124,583 | 704,373,441 |
| Loans and advances to customers | 2,267,886,196 | 1,385,150,913 | 254,924,130 | 27,489,138 | 3,935,450,377 |
| Financial assets at amortised cost | 578,892,944 | 163,450,249 | 40,003,525 | - | 782,346,718 |
| Financial assets at fair value through other comprehensive income | 180,063,818 | 59,163,502 | 22,575,758 | - | 261,803,078 |
| Other financial assets | 9,133,400 | 3,182,395 | 23,815 | 2,301 | 12,341,911 |
| Total financial assets (A) | 3,927,830,485 | 2,196,649,680 | 458,033,648 | 132,644,704 | 6,715,158,517 |
| Financial liabilities | | | | | |
| Bank deposits | 44,089 | 2,715 | - | - | 46,804 |
| Customers deposits | 3,489,043,473 | 2,196,603,262 | 431,068,133 | 138,279,192 | 6,254,994,060 |
| Subordinated loans | - | 44,769,094 | 21,855,451 | - | 66,624,545 |
| Loans from banks | 42,073,842 | - | - | - | 42,073,842 |
| Financial derivatives | 451,681 | - | - | - | 451,681 |
| Lease liabilities | 5,146,551 | 50,969,435 | - | - | 56,115,986 |
| Other financial liabilities | 5,907,938 | 4,546,006 | 323,719 | 2,158 | 10,779,821 |
| Total financial liabilities (B) | 3,542,667,574 | 2,296,890,512 | 453,247,303 | 138,281,350 | 6,431,086,739 |
| Net financial assets/ liabilities (A-B) | 385,162,911 | -100,240,832 | 4,786,345 | -5,636,646 | 284,071,778 |

The category other currencies includes, mainly, the Swiss franc and British pound.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Currency risk (continued)

| December 31, 2020 | RON | EUR | USD | Other currencies | Total |
|---|----------------------|----------------------|--------------------|--------------------|----------------------|
| Financial assets | | | | | |
| Cash and balances with central banks | 201,589,860 | 130,157,441 | 3,364,453 | 3,439,143 | 338,550,897 |
| Loans and advances to banks | 103,004,409 | 297,064,842 | 106,196,696 | 25,412,690 | 531,678,637 |
| Loans and advances to customers | 765,349,549 | 733,297,074 | 129,015,323 | 26,409,897 | 1,654,071,843 |
| Financial assets at amortised cost | 382,323,026 | 34,367,882 | 36,662,150 | - | 453,353,058 |
| Financial assets at fair value through other comprehensive income | 52,352,584 | 98,352,778 | 21,710,281 | - | 172,415,643 |
| Financial derivatives | 50,739 | - | - | - | 50,739 |
| Financial assets mandatorily at fair value through profit or loss | - | - | 2,482,735 | - | 2,482,735 |
| Other financial assets | 4,277,147 | 5,764,730 | 52,986 | 2,510 | 10,097,373 |
| Total financial assets (A) | 1,508,947,314 | 1,299,004,747 | 299,484,624 | 55,264,240 | 3,162,700,925 |
| Financial liabilities | | | | | |
| Bank deposits | 29,054 | - | - | - | 29,054 |
| Customers deposits | 1,454,847,193 | 1,216,932,460 | 279,681,750 | 94,859,530 | 3,046,320,933 |
| Subordinated loans | - | - | 19,831,783 | - | 19,831,783 |
| Lease liabilities | 4,487,549 | 37,854,595 | - | - | 42,342,144 |
| Other financial liabilities | 1,480,329 | 10,907,180 | 28,796 | 108,636 | 12,524,941 |
| Total financial liabilities (B) | 1,460,844,125 | 1,265,694,235 | 299,542,329 | 94,968,166 | 3,121,048,855 |
| Net financial assets/ liabilities (A-B) | 48,103,189 | 33,310,512 | -57,705 | -39,703,926 | 41,652,070 |

Free translation from the original Romanian version.

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Interest rate risk

The interest rate risk regarding the cash flow is the risk that the future cash flows of a financial instrument fluctuates due to changes of the interest rate on the market. The interest rate risk regarding the fair value is the risk that the value of a financial instrument to fluctuate due to changes of the interest rate on the market. The Group is exposed to risks regarding the effects of the fluctuation of the interest rate on the market, both as far as the fair value is concerned and the cash flow. The interest margins may be increased as a consequence of such changes, but they may decrease or create losses if there is any unforeseen movement.

The objectives established by the risk profile are performed, mainly, by constant monitoring of the indicators for the interest rate risk (relative GAP, the level of the return in conjunction with the average interest level, the difference between the medium active interest of the foreign currency credit and the costs of the sources cumulatively attracted with the risk margin, etc.).

The Group determines and monitors on a quarterly/monthly basis the indicator "potential change of the economic value" as a consequence of the change of the interest rates levels, by applying some sudden and unexpected changes of the interest rates – standard shock/shocks of 200 basis points in both directions, regardless the currency.

Also, for the prevention of inconsistencies regarding risk tolerance and the risk-taking profile, the Group monitors the dynamic evolution of the assets and liabilities of the Bank sensitive at the variation of the interest rate, makes assumptions, scenarios and "stress testing" simulations.

The internal regulations regarding the market risk are presented for approval towards the Board of Directors.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Interest rate risk (continued)

The table below presents the Group's exposure to the interest rate risk as at December 31, 2021 and on December 31, 2020. There are included within the table, the financial assets and liabilities of the Group at the carrying amounts, classified according to the most recent date between the interest rate alteration date and the maturity date.

December 31, 2021

| | Less than 1 month | 1 – 3 months | 3 months – 1 year | 1 year – 5 years | Over 5 years | Interest free | Total |
|---|------------------------------|-------------------------|------------------------------|-----------------------------|-------------------------|----------------------|----------------------|
| Financial assets | | | | | | | |
| Cash and balances with central banks | 949,697,353 | - | - | - | - | 69,145,639 | 1,018,842,992 |
| Loans and advances to banks | 695,430,863 | - | - | - | - | 8,942,578 | 704,373,441 |
| Loans and advances to customers | 2,831,909,512 | 768,221,297 | 290,667,538 | 19,978,473 | 13,324,177 | 11,349,380 | 3,935,450,377 |
| Financial assets at amortised cost | - | 138,918,221 | 189,620,303 | 442,089,771 | - | 11,718,423 | 782,346,718 |
| Financial assets at fair value through other comprehensive income | - | 56,560,967 | 142,321,695 | 49,699,000 | 9,468,486 | 3,752,930 | 261,803,078 |
| Other financial assets | - | - | - | - | - | 12,341,911 | 12,341,911 |
| Total financial assets | 4,477,037,728 | 963,700,485 | 622,609,536 | 511,767,244 | 22,792,663 | 117,250,861 | 6,715,158,517 |
| Financial liabilities | | | | | | | |
| Bank deposits | 44,089 | - | - | - | - | 2,715 | 46,804 |
| Customers deposits | 2,827,240,403 | 764,656,050 | 2,483,522,608 | 131,586,890 | 23,794,223 | 24,193,886 | 6,254,994,060 |
| Subordinated loans | - | 66,499,709 | - | - | - | 124,836 | 66,624,545 |
| Loans from banks | - | 42,044,444 | - | - | - | 29,398 | 42,073,842 |
| Financial derivatives | 451,681 | - | - | - | - | - | 451,681 |
| Lease liabilities | 441,833 | 577,691 | 2,331,601 | 9,201,493 | 316,772 | 43,246,596 | 56,115,986 |
| Other financial liabilities | 3,399,612 | - | - | - | - | 7,380,209 | 10,779,821 |
| Total financial liabilities | 2,831,577,618 | 873,777,894 | 2,485,854,209 | 140,788,383 | 24,110,995 | 74,977,640 | 6,431,086,739 |
| Total sensitivity at the interest rate (gap) | 1,645,460,110 | 89,922,591 | -1,863,244,673 | 370,978,861 | -1,318,332 | 42,273,221 | 284,071,778 |

Line Loans and advances to customers for less than 1 month includes loans in amount of RON 2,493,338,156 with an interest rate discount period of 3M for which the following date for an interest rate change is less than one month.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Interest rate risk (continued)

December 31, 2020

| | Less than 1 month | 1 – 3 months | 3 months – 1 year | 1 year – 5 years | Over 5 years | Interest free | Total |
|---|----------------------|---------------------|-----------------------|---------------------|-------------------|-------------------|----------------------|
| Financial assets | | | | | | | |
| Cash and balances with central banks | 299,386,410 | - | - | - | - | 39,164,487 | 338,550,897 |
| Loans and advances to banks | 531,644,117 | - | - | - | - | 34,520 | 531,678,637 |
| Loans and advances to customers | 1,518,031,941 | 79,529,532 | 33,509,924 | 6,084,737 | 3,763,670 | 13,152,039 | 1,654,071,843 |
| Financial assets at amortised cost | - | 120,188,711 | 10,005,439 | 314,290,618 | - | 8,868,290 | 453,353,058 |
| Financial assets at fair value through other comprehensive income | - | 24,392,772 | - | 136,859,305 | 9,929,778 | 1,233,788 | 172,415,643 |
| Financial derivatives | 50,739 | - | - | - | - | - | 50,739 |
| Financial assets mandatorily at fair value through profit or loss | - | - | - | - | - | 2,482,735 | 2,482,735 |
| Other financial assets | - | - | - | - | - | 10,097,373 | 10,097,373 |
| Total financial assets | 2,349,113,207 | 224,111,015 | 43,515,363 | 457,234,660 | 13,693,448 | 75,033,232 | 3,162,700,925 |
| Financial liabilities | | | | | | | |
| Bank deposits | 29,054 | - | - | - | - | - | 29,054 |
| Customers deposits | 1,220,831,078 | 339,444,009 | 1,399,207,687 | 54,405,465 | 18,496,494 | 13,936,200 | 3,046,320,933 |
| Subordinated loans | - | 19,830,000 | - | - | - | 1,783 | 19,831,783 |
| Lease liabilities | - | - | - | - | - | 42,342,144 | 42,342,144 |
| Other financial liabilities | - | - | - | - | - | 12,524,941 | 12,524,941 |
| Total financial liabilities | 1,220,860,132 | 359,274,009 | 1,399,207,687 | 54,405,465 | 18,496,494 | 68,805,068 | 3,121,048,855 |
| Total sensitivity at the interest rate (gap) | 1,128,253,075 | -135,162,994 | -1,355,692,324 | 402,829,195 | -4,803,046 | 6,228,164 | 41,652,070 |

**also includes non-interest bearing lease liabilities*

Line Loans and advances to customers for less than 1 month includes loans in amount of RON 1,182,156,119 with an interest rate discount period of 3M for which the following date for an interest rate change is less than one month.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Interest rate risk (continued)

IBOR reform

Given the reform of global benchmark interest rates and the introduction of risk-free rates (transition to IBOR), the Group is exposed to a limited rate of interest from USD exposures (with Bank assets in USD accounting for only 6.3% of total assets), as it borrows funds mainly from non-banking clients, at fixed interest and grants loans at fixed interest, and loans to clients at variable interest rates. The risk is limited by the small size of the USD balance, and the fact that the Group did not register USD loans to individuals at the end of the year, which could raise some issues regarding the transition to SOFR.

For EUR, floating rate assets are linked almost exclusively to Euribor, which will continue to exist and is not yet affected by the IBOR reform. This is the case for retail and corporate loans. A small exception is related to the margin (guarantee) required in case of FX swap contracts, for which the reference rate provided in the contract (for the bonus of the margin sent) is Eonia, but which will be migrated to the new Estr index, when the counterparty decides.

Exposures in currencies other than RON, EUR and USD are insignificant, with limited and manageable impact.

The Group has a project team that manages the transition to new benchmark rates, with the aim of closely monitoring the market and the evolution of regulations on this topic, evaluating the implications for the Group and defining the relevant implementation / adoption strategies. Different areas are involved in the project (eg. business, legal, compliance, data / IT governance, risk, finance, communication), while the overall management of the project is provided by management.

In light of regulatory and market developments, the Group's strategy regarding the IBOR transition provides for compliance with the regulations in force for the transition to the new indices, both in the process of granting new loans and in the management of existing ones, where, when and if necessary, in each of the few loans affected, the modification of the contracts in force in accordance with the reform of the benchmark interest rates and the regulatory requirements (Benchmark Regulation).

Risks arising from the benchmark interest rate reform

Given the limited exposure to USD and other currencies that are subject to IBOR, the potential financial risks (interest rate risk, liquidity risk) arising from the transition to IBOR are considered insignificant.

Other potential risks identified are:

- Legal (litigation) risk:

If no agreement is reached on the implementation of the interest rate reform (for example, a different interpretation of the alternative / reserve clauses) with the client on the contracts in force (even if limited in number), there is a risk of prolonged disputes with counterparties / clients that could generate additional legal and other costs. The Group works closely with all counterparties / clients to avoid this risk.

- Operational risk:

The relevant IT systems are being upgraded to fully manage the transition to alternative interest rates in line with the Bank's strategy, however, there is a risk that developments will not be fully operational in time, which would involve manual procedures that give rise to operational risk. The Group closely oversees the planning and execution of necessary developments with internal / external IT providers.

The table below shows the net book value of loans and advances to clients at amortized cost that will be affected by the IBOR reform, i.e. expressed in a currency other than EUR and RON:

| thousand RON | December 31, 2021 | |
|-----------------|-------------------|----------------|
| | Number of clients | Book value |
| Retail loans | 6 | 28,156 |
| Corporate loans | 12 | 254,257 |
| Total | 18 | 282,413 |

The Group did not trade interest rate derivatives, it only undertook cross-currency swaps for liquidity hedging purposes.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Interest rate risk (continued)

Sensitivity analysis

All amounts are in RON

| | Effect on profit or loss | |
|---|--------------------------------|------------------------------|
| | December 31, 2021 | December 31, 2020 |
| RON | +10,622,199/-10,622,199 | +3,941,668/-3,941,668 |
| EUR | +520,199/-520,199 | -181,330/+181,330 |
| USD | +6,361,409/-6,361,409 | +6,062,228/-6,062,228 |
| TOTAL Interest rate (± 200 b.p.) | +17,503,807/-17,503,807 | +9,822,566/-9,822,566 |

| Volatility interval | Stressed currency profile | Currency position % own funds | | Effect on profit or loss 2021 | Effect on profit or loss 2020 |
|---------------------|---------------------------|----------------------------------|-------|----------------------------------|----------------------------------|
| | | 2021 | 2020 | | |
| 5 business days | current level | 0,69% | 0,53% | -210,286 | -290,960 |
| | average | 11% | 11% | -3,494,753 | -2,610,619 |
| | average-high | 15% | 15% | -4,765,572 | -3,559,935 |
| | high | 20% | 20% | -6,354,097 | -4,746,580 |
| 10 business days | current level | 0,69% | 0,53% | -266,615 | -345,167 |
| | average | 11% | 11% | -4,554,021 | -3,146,246 |
| | average-high | 15% | 15% | -6,210,029 | -4,290,336 |
| | high | 20% | 20% | -8,280,038 | -5,720,448 |

Highest changes in the foreign exchange rates in the last 10 years

| interval | EUR | USD | GBP | CHF |
|------------------|-------|-------|--------|--------|
| 5 business days | 3.98% | 5.04% | 7.97% | 20.42% |
| 10 business days | 5.17% | 8.03% | 10.22% | 22.68% |

As at December 31, 2021, if the interest rate on the market had been 200 bp higher and the other variables had been maintained at a constant level, the net profit of the following year would have been RON 17,504 thousand higher (2020: RON 9,823 thousand higher).

On December 31, 2021, if the exchange rates had negatively fluctuate at a value equal to the maximum registered in any 10 consecutive business days in the last 10 years (the other variables being maintained at a constant level) the net profit of the year would have been RON 267 thousand lower (2020: RON 345 thousand lower).

Parameters for calculating sensitivity

The sensitivity towards the interest rate: calculation based on the measures equivalent to the duration presented within the IR Gap report. Taking into consideration the fluctuations of the interest rate from the previous year, as well as the analysis and assumptions of the Treasury Department, it is considered that 200 basis points represent a reasonable estimate of the interest rate movement.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Interest rate risk (continued)

The sensitivity towards the exchange rate: calculation based on the open positions in foreign currency, at the reporting date and stressed position corresponding to high-risk profiles. The exchange rate fluctuations are determined by calculating the maximum variation of foreign exchange rates in any 5 / 10 consecutive business days in the last 10 years. It is estimated that an extremely high open position may be closed in 1-2 days' time, but extreme intervals of 5-10 days are used in which it is estimated that the currency position will be dropped at the level assumed in the risk profile. The effects on profit or loss, the additional capital requirement and the change of solvency ratio are calculated.

3.5 Liquidity risk

Liquidity risk indicates the current or future risk of adverse outcome of the profits and share capital, determined by the Group's incapacity to fulfil its liabilities on due date, taking into consideration the volatility of the deposits which ensure, mainly, the funding, because certain creditors are more sensitive to the market events than others.

The Group is exposed to daily requirements regarding settlement in cash deposits with one day maturity date, current accounts, drawdowns of loans and guarantees. The Bank does not keep monetary excessive resources to honour all these liabilities, the experience indicating that a minimum level of reinvestment of the due funds may be provided with a high level of certitude. The Group establishes limits regarding the minimum level of the necessary funds for honouring such requirements, which must be available to cover withdrawals at unforeseen request levels.

a) Cash flows related to non-derivative financial instruments

The table below presents the cash flows which must be paid by the Bank in accordance with the financial liabilities until the contractual due dates at the balance sheet date and the expected payment date. The financial liabilities presented within the table represent non-updated contractual cash flows. The financial assets presented within the table represent non-updated contractual cash flows corresponding to receivables registered as at the balance sheet date. The Group manages the liquidity risk based on the estimated undiscounted cash flows.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Liquidity risk (continued)

a) Cash flows related to non-derivative financial instruments (continued)

As at December 31, 2021

| | Less than 1 month | 1 – 3 months | 3 months - 1 year | 1 - 5 years | Over 5 years | Total |
|---|----------------------|---------------------|-----------------------|----------------------|----------------------|----------------------|
| Financial assets | | | | | | |
| Cash and cash equivalents with central banks | 1,018,842,992 | - | - | - | - | 1,018,842,992 |
| Loans and advances to banks | 704,373,441 | - | - | - | - | 704,373,441 |
| Loans and advances to customers | 158,971,715 | 179,429,982 | 1,085,766,675 | 1,313,596,817 | 1,197,685,188 | 3,935,450,377 |
| Investments at amortised cost | - | 143,591,629 | 196,665,318 | 442,089,771 | - | 782,346,718 |
| Financial assets at fair value through other comprehensive income | - | 57,409,858 | 143,620,068 | 49,699,000 | 11,074,152 | 261,803,078 |
| Financial derivatives | - | - | - | - | - | - |
| Other financial assets | 10,035,688 | 596,405 | 1,709,818 | - | - | 12,341,911 |
| Total financial assets (contractual maturities) | 1,892,223,836 | 381,027,874 | 1,427,761,879 | 1,805,385,588 | 1,208,759,340 | 6,715,158,517 |
| Financial liabilities | | | | | | |
| Bank deposits | 46,804 | - | - | - | - | 46,804 |
| Customers deposits | 2,777,079,393 | 774,349,524 | 2,523,496,495 | 179,069,827 | 33,287,438 | 6,287,282,677 |
| Subordinated loans | - | 300,450 | 357,081 | 24,470,143 | 44,646,209 | 69,773,883 |
| Loans from banks | - | 5,448,362 | 16,581,220 | 21,476,080 | - | 43,505,662 |
| Financial derivatives | 451,681 | - | - | - | - | 451,681 |
| Lease liabilities | 13,567,963 | 1,393,111 | 6,221,746 | 25,006,151 | 9,927,015 | 56,115,986 |
| Other financial liabilities | 10,779,821 | - | - | - | - | 10,779,821 |
| Loans and other liabilities regarding lending | 914,503 | 31,534,784 | 27,877,322 | 41,244,182 | 58,835,030 | 160,405,821 |
| Guarantee letters issued | 9,231,323 | 18,760,452 | 81,905,556 | 101,325,019 | 483,944 | 211,706,294 |
| Total financial liabilities (contractual maturities) | 2,812,071,488 | 831,786,683 | 2,656,439,420 | 392,591,402 | 147,179,636 | 6,840,068,629 |
| Net position | -919,847,652 | -450,758,809 | -1,228,677,541 | 1,412,794,186 | 1,061,579,704 | -124,910,112 |

The liquidity risk is represented by the difficulty of an entity to fulfil its contractual liabilities. The Group has a net position of less than 1 year because of the short maturity of the customers' deposits, but also of the credit institutions. The Group does not keep monetary resources to honour all these liabilities, the experience indicating that a minimum level of reinvestment of the due funds may be provided with a high level of certitude; based on the history related to the prolongations of the deposits by the customers, the Group reasonably considers these financing resources as being stable.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Liquidity risk (continued)

a) Cash flows related to non-derivative financial instruments (continued)

As at December 31, 2020

| | Less than 1 month | 1 – 3 months | 3 months - 1 year | 1 - 5 years | Over 5 years | Total |
|---|----------------------|---------------------|-----------------------|--------------------|--------------------|----------------------|
| Financial assets | | | | | | |
| Cash and cash equivalents with central banks | 338,550,897 | - | - | - | - | 338,550,897 |
| Loans and advances to banks | 531,678,637 | - | - | - | - | 531,678,637 |
| Loans and advances to customers | 65,080,818 | 112,891,444 | 457,805,565 | 488,841,032 | 529,452,984 | 1,654,071,843 |
| Investments at amortised cost | - | 123,232,895 | 10,077,680 | 320,042,483 | - | 453,353,058 |
| Financial assets at fair value through other comprehensive income | 172,415,643 | - | - | - | - | 172,415,643 |
| Financial derivatives | 50,739 | - | - | - | - | 50,739 |
| Financial assets mandatorily at fair value through profit or loss | 2,482,735 | - | - | - | - | 2,482,735 |
| Other financial assets | 5,387,827 | 600,834 | 1,781,526 | 2,327,186 | - | 10,097,373 |
| Total financial assets (contractual maturities) | 1,115,647,296 | 236,725,173 | 469,664,771 | 811,210,701 | 529,452,984 | 3,162,700,925 |
| Financial liabilities | | | | | | |
| Bank deposits | 29,054 | - | - | - | - | 29,054 |
| Customers deposits | 1,204,684,460 | 344,330,075 | 1,424,053,235 | 68,360,174 | 25,827,853 | 3,067,255,797 |
| Subordinated loans | - | 162,282 | 490,414 | 2,605,435 | 20,102,848 | 23,360,979 |
| Lease liabilities | 681,486 | 1,364,735 | 5,574,266 | 23,354,237 | 11,367,420 | 42,342,144 |
| Other financial liabilities | 12,524,941 | - | - | - | - | 12,524,941 |
| Loans and other liabilities regarding lending | 298,313 | 10,803,401 | 36,269,394 | 12,366,190 | 790,294 | 60,527,592 |
| Guarantee letters issued | 2,129,193 | 4,283,673 | 18,668,254 | 14,705,047 | 586,162 | 40,372,329 |
| Total financial liabilities (contractual maturities) | 1,220,347,447 | 360,944,166 | 1,485,055,563 | 121,391,083 | 58,674,577 | 3,246,412,836 |
| Net position | -104,700,151 | -124,218,993 | -1,015,390,792 | 689,819,618 | 470,778,407 | -83,711,911 |

**Also includes lease liabilities*

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3. FINANCIAL RISK MANAGEMENT (continued)

3.6 The fair values of the financial assets and liabilities

The analysis of the fair value scale of the financial instruments measured at the fair value.

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

Level 2 - includes instruments whose fair value is determined using observable information for assets or liabilities, directly (such as prices) or indirectly (such as prices derivatives); and

Level 3 - includes instruments whose fair value is determined using information which are not relied on observable market data (unobservable entries).

Assets and liabilities measured at fair value as at December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|--------------------|----------------|----------------|--------------------|
| Financial assets | | | | |
| <i>Other financial assets</i> | | | | |
| Financial assets at fair value, of which | | | | |
| - Financial assets at fair value through other comprehensive income | 261,776,535 | - | 26,543 | 261,803,078 |
| - Financial derivatives | - | - | - | - |
| Total assets stated at fair value | 261,776,535 | - | 26,543 | 261,803,078 |
| Financial liabilities | | | | |
| Financial derivatives | - | - | 451,681 | 451,681 |
| Total liabilities at fair value | - | - | 451,681 | 451,681 |

Assets and liabilities measured at fair value as at December 31, 2020:

| | Level 1 | Level 2 | Level 3 | Total |
|---|--------------------|----------------|------------------|--------------------|
| Financial assets | | | | |
| <i>Other financial assets</i> | | | | |
| Financial assets at fair value, of which | | | | |
| - Financial assets at fair value through other comprehensive income | 172,386,662 | - | 28,981 | 172,415,643 |
| - Financial derivatives | - | - | 50,739 | 50,739 |
| - Financial assets mandatorily at fair value through profit or loss | - | - | 2,482,735 | 2,482,735 |
| Total assets stated at fair value | 172,386,662 | - | 2,562,455 | 174,949,117 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.6 The fair values of the financial assets and liabilities (continued)

The Visa shares in amount of RON 4,642,171 were restated because in 2020 they were reclassified from Financial assets at fair value through other comprehensive income to Financial assets mandatorily at fair value through profit or loss.

Financial assets

| | | | | |
|-----------------------------------|----------|----------|---------------|---------------|
| Financial derivatives | - | - | 50,739 | 50,739 |
| Total assets at fair value | - | - | 50,739 | 50,739 |

Financial instruments which were not presented at fair value within the balance sheet

The table below summarizes the fair values of the financial assets and liabilities which are not presented at the fair value within the Bank's balance sheet. The purchase prices are used at the appraisal of the fair values of the assets and the sale prices are applied for liabilities.

Assets and liabilities whose fair value is presented as at December 31, 2021:

| | Level 1 | Level 2 | Level 3 | Fair value | Book value |
|--------------------------------------|----------------------|--------------------|----------------------|----------------------|----------------------|
| Financial assets | | | | | |
| Cash and balances with central banks | 1,018,842,992 | - | - | 1,018,842,992 | 1,018,842,992 |
| Placements with banks | - | 704,373,441 | - | 704,373,441 | 704,373,441 |
| Loans and advances to customers | - | - | 3,929,630,885 | 3,929,630,885 | 3,935,450,377 |
| Financial assets at amortised cost | 782,346,718 | - | - | 782,346,718 | 782,346,718 |
| Other financial assets | - | - | 12,341,911 | 12,341,911 | 12,341,911 |
| Total financial assets | 1,801,189,710 | 704,373,441 | 3,941,972,796 | 6,447,535,947 | 6,453,355,439 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.6 The fair values of the financial assets and liabilities (continued)

| | Level 1 | Level 2 | Level 3 | Fair value | Book value |
|------------------------------------|----------|----------------------|-------------------|----------------------|----------------------|
| Financial liabilities | | | | | |
| Bank deposits | - | 46,804 | - | 46,804 | 46,804 |
| Loans from banks | | 42,073,842 | | 42,073,842 | 42,073,842 |
| Customers deposits | - | 6,254,994,060 | - | 6,254,994,060 | 6,254,994,060 |
| Subordinated loans | | 66,624,545 | | 66,624,545 | 66,624,545 |
| Other financial liabilities | - | - | 10,779,821 | 10,779,821 | 10,779,821 |
| Total financial liabilities | - | 6,363,739,251 | 10,779,821 | 6,374,519,072 | 6,374,519,072 |

Assets and liabilities whose fair value is presented as at December 31, 2020:

| | Level 1 | Level 2 | Level 3 | Fair value | Book value |
|--------------------------------------|--------------------|--------------------|----------------------|----------------------|----------------------|
| Financial assets | | | | | |
| Cash and balances with central banks | 338,550,897 | - | - | 338,550,897 | 338,550,897 |
| Placements with banks | - | 531,678,637 | - | 531,678,637 | 531,678,637 |
| Loans and advances to customers | - | - | 1,649,181,685 | 1,649,181,685 | 1,654,071,843 |
| Investments at amortised cost | 453,353,058 | - | - | 453,353,058 | 453,353,058 |
| Other financial assets | - | - | 10,097,373 | 10,097,373 | 10,097,373 |
| Total financial assets | 791,903,955 | 531,678,637 | 1,659,279,058 | 2,982,861,650 | 2,987,751,808 |

| | Level 1 | Level 2 | Level 3 | Fair value | Book value |
|------------------------------------|----------|----------------------|-------------------|----------------------|----------------------|
| Financial liabilities | | | | | |
| Bank deposits | - | 29,053 | - | 29,053 | 29,053 |
| Customers deposits | - | 3,046,320,933 | - | 3,046,320,933 | 3,046,320,933 |
| Subordinated loans | - | 19,831,783 | - | 19,831,783 | 19,831,783 |
| Other financial liabilities | - | - | 12,524,941 | 12,524,941 | 12,524,941 |
| Total financial liabilities | - | 3,066,181,769 | 12,524,941 | 3,078,706,710 | 3,078,706,710 |

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3. FINANCIAL RISK MANAGEMENT (continued)

3.6 The fair values of the financial assets and liabilities (continued)

a. Receivables from credit institutions

The receivables from credit institutions include inter-bank placements and amounts pending settlement.

The fair value of the placements with variable interest and overnight deposits is represented by their carrying amount. The estimated fair value of the fixed interest deposits is based on the updated cash flows, using the interest rate on the monetary market for liabilities with a similar credit risk and maturity.

Taking into consideration that the products' prices are based on variable interest rates, there are no significant differences between the fair value and the carrying amount.

b. Receivables from customers

The loans and advances to customers are calculated net of the impairment provisions. The estimated fair value of the loans and advances represent the updated value of the future cash flows estimated to be received. The estimated cash flows are updated at the market rate in order to establish the fair value.

Taking into consideration that the products' prices are based on variable interest rates, there are no significant differences between the fair value and the carrying amount.

c. Deposits and contracted loans

The estimated fair values of the deposits which do not have a specified maturity, which include deposits with no interest, are represented by amount reimbursed on request. The estimated fair value of the deposits with fixed interest and of other loans without a market price is based on the updated cash flows using the interest rate for the new liabilities with similar maturity.

Taking into consideration that the products' prices are based on variable interest rates, there are no significant differences between the fair value and the carrying amount.

d. Financial assets at amortised cost

The fair value of investments at amortised cost is determined by using the price mentioned in bid-ask margin, the most representative being the fair value under the related circumstances, the price taken into consideration by the management being the last price of trading at the reporting date.

e. Financial assets measured at fair value through other comprehensive income – Participations

The equities held for sale include securities which are not traded on an active market. Due to the nature of the local capital markets, the market value for these securities cannot be obtained.

The shares are not rated and recent values regarding their trade price are not accessible for the public. The management does not intend to sell these assets within the near future. The bank has determined the fair value for them using the net asset method based on the published financial statements.

f. Financial assets and liabilities

The Group's management considered that the fair value is the same with the carrying amount, taking into consideration that these financial assets and liabilities are estimated to be settled within a month or are without a fixed maturity, respectively they are on short term and the carrying amount is not significantly different from the fair value.

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3. FINANCIAL RISK MANAGEMENT (continued)

3.7 Capital management

The Group calculates its own funds according to Regulation No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and NBR Regulation no. 5 / 20.12.2013 on prudential requirements for credit institutions.

The National Bank of Romania, as regulation and supervisory authority of the banking system at national level, monitors the equity requirements of the Group within the limits imposed by EU Regulation no. 575/2013 on prudential requirements for credit institutions and investment firms which provide:

- an equity ratio Tier 1 of 4.5 %;
- an equity ratio Tier 1 of 6%;
- an equity ratio of 8%.

As at December 31, 2021, the request for equity was as follows:

- a basic capital adequacy ratio Tier 1 of 6.54%;
- a capital adequacy ratio Tier 1 of 8.72%;
- a total capital adequacy ratio of 11.63%.

In terms of capital management, the Group assesses capital adequacy for risks in accordance with the "Policy on the Internal Capital Adequacy Assessment" packages, the NBR regulations and the CRD IV regulations respectively.

The table below summarizes the capacity of the regulation capital and the indicators for the financial year ended on December 31, 2021 and December 31, 2020.

| | December 31, 2021 | December 31, 2020 |
|------------------------------|------------------------------|------------------------------|
| Capital level 1 | | |
| Total capital level 1 | 498,117,767 | 307,688,154 |
| Capital level 2 | | |
| Total capital level 2 | 63,974,469 | 19,830,000 |
| Total capital | 562,092,236 | 327,518,154 |
| Total credit risk exposure | 2,980,027,888 | 1,527,886,496 |
| Total risk weighted exposure | 3,128,385,864 | 1,600,284,333 |
| Equity ratio level 1 | 15.92% | 19.23% |
| Total equity ratio | 17.97% | 20.47% |

The Group holds subordinated loans classifiable as Tier 2 equity as follows:

- In June 2020, the National Bank of Romania approved the inclusion of USD 5 million as Level 2 equity, which represents two subordinated loans granted for a period of 5 years by Mr. Goulandris Nicholas John (USD 2 million), and by EDEN SHIPHOLDING LTD (USD 3 million).
- Credit Agricole SA granted Credit Agricole Romania a subordinated loan in amount of EUR 9,022,899 in 2011, at EURIBOR 3M plus 1.80% margin floating rate. Further to sale of the bank of September 16, 2021, the loan was transferred to Optima Bank Greece, and the interest margin was increased through an addendum then dated to 3% from 2.17% as of November 27, 2021.

On December 31, 2021, after the audit of the consolidated financial statements, the Group registered both a Tier 1 equity ratio of 15.92%, and a total equity ratio of 17.97%, above the minimum level imposed by the National Bank of Romania, namely 12.22% and 15.13%.

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4 BASIC ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR ACCOUNTING POLICIES APPLICATION

The Group makes certain estimates and adopts certain theories affecting the amounts where the assets and liabilities are registered during the next financial year. The estimates and assumptions are assessed constantly and are based on the historical experience and on other factors, including the expectations regarding the future events considered reasonably under the given circumstances.

a) Impairment losses on loans and advances

The Group reviews its loans portfolio on a monthly basis in order to evaluate the impairment. The impairment revision shall be done according to the policy regarding the evaluation of the risk exposures approved by the management. In order to establish whether an impairment loss must be registered within the profit or loss account, the Group makes assumptions regarding the existence of some obvious information to indicate a calculable decrease of the future cash flows estimated from a loan portfolio before the time when the decrease could be associated to a certain loan from the respective portfolio. These evidences may include obvious information indicating an unfavourable change in the statute of the debtors within a group or economic conditions at economic national or local level to be connected with the impairment of the assets of the Group.

In planning future cash flows the management uses estimates based on historical loss experience for assets related to similar credit risk characteristics and objective evidences of the impairment similar to the portfolio. The methodology and the assumptions used in the appraisal of both the value and the calendar of the future cash flows are reviewed constantly in order to reduce the differences between the estimates regarding the losses and the real losses registered.

b) Future tax losses

According to the Romanian tax legislation, tax losses may be carried forward for a period of 7 years generating deferred tax when the related tax benefits, by future taxable profit, is probable. The deferred income tax assets related to the tax losses reported are recognised if the fiscal benefit by future taxable profits is possible. The future taxable profits and the benefits of the deferred tax credit probable in the future are based on a business plan prepared by the management. The business plan takes into consideration a positive and steady evolution of the income through an organic increase and assumption of medium risks, strict control of the costs and increased efficiency, as well as the maintenance of an adequate level of capitalisation and a firm position of the liquidity level.

The management of the Group estimates that the Bank will register sufficient profit in the future period of time in order to benefit from the reported tax losses, and considers that the deferred tax assets recognised in this respect at December 31, 2021 and December 31, 2020 will be absorbed in the following financial years. Please see also Note 9.

c) Financial assets at amortised cost

The fair value of investments at amortised cost is determined using the price maintained in the bid-ask margin, as it is the most representative fair value given the circumstances, and the price considered by management is the latest trading price at the reporting date.

5 NET INTEREST INCOME RECOGNISED USING THE EFFECTIVE INTEREST RATE METHOD

| | 2020 | 2019 |
|---|--------------------|-------------------|
| Interest income | | |
| Current accounts and deposits with banks | 4,989,169 | 4,180,969 |
| Loans and advances to customers* | 118,362,778 | 76,306,035 |
| Financial assets at amortised cost | 15,484,349 | 12,881,869 |
| Financial assets at fair value through other comprehensive income | 5,862,132 | 1,768,459 |
| Other net income | 1,652,974 | |
| Total | 146,351,402 | 95,137,332 |

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5 NET INTEREST INCOME (continued)

Interest expenses

| | | |
|---|--------------------|--------------------|
| Current account and deposits with banks | -1,847,302 | -268,913 |
| Customers deposits | -51,614,586 | -36,963,330 |
| Subordinated loans | -941,662 | -398,838 |
| Lease liabilities | -1,148,521 | -1,129,311 |
| Other interest expenses | -3,154 | -14,885 |
| Total | -55,555,225 | -38,775,278 |

* Interest income for the year ended December 31, 2021 include interest adjustments corresponding to impaired financial assets:
For Vista Bank - RON 4,037 thousand (2020: RON 5,657 thousand - expenses)
For Credit Agricole – RON 63,735.

The interest expenses and income for assets and liabilities other than those carried at fair value through profit or loss are calculated using the effective interest rate method.

6 NET FEE INCOME

| | 2021 | 2020 |
|---|-------------------|------------------|
| Fees and commission income | | |
| Inter-bank transactions fees | 77,244 | 69,417 |
| Customer proceeds and payments fees | 2,259,749 | 1,511,316 |
| Customer credit fees | 4,467,912 | 963,709 |
| Assistance and consultancy fees | 146,224 | 106,607 |
| Means of payment fees | 4,745,251 | 2,604,121 |
| Other fees | 137,743 | 20,485 |
| Total income from contracts with customers | 11,834,123 | 5,275,655 |
| Fees from loan commitments and issued guarantee letters | 1,055,576 | 520,346 |
| Total | 12,889,699 | 5,796,001 |

Fee income is income from contracts with customers and is accounted for in accordance with IFRS 15. Income from contracts with customers comes from the following categories:

- Payment method fees:

These fees are charged when the transaction takes place. This category includes all fees related to direct debit agreements, Money Gram, payment orders and other payment methods.

In the case of transaction-based fees (e.g. cash withdrawal / payment fee, merchants' fee, exchange fee, etc.), the fees will be paid immediately after the transaction or monthly. The fee is usually determined as percentage of the transaction with a fixed minimum amount.

- Customers' receipts and payment fees:

Applies to a wide range of standard banking services, related fees (SMS alert, internet banking, monthly administration fee, opening current accounts, escrow accounts, significant collateral account and closing accounts, etc.)

These fees are considered as single fees related to a specific service that is provided by the Bank and are therefore accounted for when the service is provided, however it may also be charged monthly for services provided in the previous month.

- Credit analysis fees and agent fees from the granting of syndicated loans

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6 NET FEE INCOME (continued)

This category includes fees related to loan analysis that are not included in the calculation of the effective interest rate due to their nature, as follows: credit analysis fee (for analyses for which no loans are granted), early repayment fee, non-withdrawal fee (for off-balance sheet exposures), agent's fee, etc.

- Loan commitment fees and letters of guarantee issued

Fees for financial and credit guarantees are amortized on a straight-line basis over the life of the instruments.

| | 2021 | 2020 |
|-------------------------------------|-------------------|-------------------|
| Fees and commission expenses | | |
| Inter-bank transactions fees | -784.463 | -530,148 |
| Customer operation fees | -256.790 | -134,067 |
| Means of payment fees | -1.574.804 | -607,284 |
| Lending commitments and guarantees | -624.881 | - |
| Other fees | -74.722 | -61,469 |
| Total | -3.315.660 | -1,332,968 |

7 OTHER OPERATING INCOME

| | 2021 | 2020 |
|---|-------------------|------------------|
| Operating income from: | | |
| Dividends | 16,735 | 28,825 |
| Sale of financial assets | - | 2,552,252 |
| Measurement of financial assets | 428,275 | 503,474 |
| Safe deposit boxes | 32,413 | 26,123 |
| Sale of repossessed assets (ii) | 6,637,545 | 4,102,616 |
| Net income from impairment allowances of repossessed assets | 119,855 | 91,831 |
| Sale of fixed assets | - | 78,140 |
| Sale of investment property (iii) | 1,604,212 | 283,132 |
| | 1,233,103 | |
| Net income from non-current assets | | |
| Revaluation of investment property | 2,212,826 | 819,184 |
| Lease of investment property | 749,367 | 554,043 |
| Revaluation of property, plant and equipment | - | 142,197 |
| Other income | 828,802 | 555,404 |
| Total | 13,863,133 | 9,738,075 |

- i. In 2020, Vista Bank sold bonds issued by the Government of Romania from its portfolio of financial assets measured at fair value through other comprehensive income, at a market price higher than their acquisition price.
- ii. In 2021, Vista Bank sold properties held further to the execution of non-performing loans, at a total price of RON 58,423,703 (2020: RON 31,467,406), which were registered at a net carrying amount of RON 51,786,157 (2020: RON 27,364,790), registering a profit of RON 6,637,545 (2020: profit of RON 4,102,616).
- iii. In 2021, Vista Bank sold properties held further to the execution of non-performing loans classified as investment properties at a total price of RON 14,987,590 (2020: RON 2,596,076) which were registered at a net carrying amount of RON 13,383,378 (2020: RON 2,312,943), registering a profit of RON 1,604,212 (2020: RON 283,132).
- iv. Credit Agricole does not have a portfolio of repossessed assets of investment properties.

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8 OTHER OPERATING EXPENSES

| | 2021 | 2020 |
|--|---------------------|--------------------|
| Operating expenses, of which: | | |
| Rents | -335,899 | -212,414 |
| Employees' benefits | -52,792,990 | -37,351,222 |
| Social contributions | -2,272,611 | -1,087,422 |
| Deposit Guarantee Fund Contributions | -795,679 | -824,205 |
| Other fees and taxes | -2,172,301 | -1,708,101 |
| Supplies | -1,219,377 | -1,236,943 |
| Maintenance and repairs | -7,984,245 | -6,211,907 |
| Utilities | -1,901,791 | -1,274,728 |
| Post office and telecommunications | -4,185,891 | -3,421,572 |
| Collaborators and brokerage | -1,033,628 | -787,664 |
| Dislocations, secondments, transfers | -180,089 | -60,480 |
| Other services performed by third parties | -11,707,167 | -7,139,126 |
| Protocol | -491,386 | -260,548 |
| Publicity and advertising | -823,448 | -678,385 |
| Sale of financial assets (ii) | -1,874,278 | - |
| Amortization/depreciation of tangible and intangible assets | -7,506,672 | -3,307,462 |
| Amortisation of right-of-use assets | -9,509,831 | -8,042,920 |
| Net expenses with adjustments for receivables from sundry operations | -920,403 | -2,615,565 |
| Net expenses with other provisions | -7,737,710 | -1,088,056 |
| Sale of fixed assets | -1,461,765 | - |
| Other operating expenses | -922,883 | -624,289 |
| Total | -117,830,044 | -77,933,009 |

The average number of employees at the end of the year at Group level is 538 (of which Vista Bank 273 and Credit Agricole 265) (2020: 284).

i. Line "Other third-party services" also includes the taxes paid by the Group to the statutory auditor for the audit of the separate and consolidated statutory financial statements for 2021 as follows:

- For Vista Bank - RON 1,295,356 (2020: RON 684,687). The fees paid to the statutory auditor also include the audit services for the information presented in the FINREP financial statements – F18 as at June 30, 2021 and the FINREP separate audit at December 31, 2021, the review of interim consolidated profit at September 30, 2021 and additional non-audit services permitted, provided by the audit firm.
- For Credit Agricole – the fees for the statutory audit conducted by Deloitte Audit SRL in amount of EUR 59,000 are also registered. Deloitte Audit SRL also offers FINREP audit services to the bank in amount of EUR 11,500 and did not provide non-audit services for the bank.

ii. In 2021, bonds matured issued by the Romanian government included in the portfolio of financial assets carried at fair value through other comprehensive income with negative effect.

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9 INCOME TAX EXPENSE

Given that the merger between Vista Bank (Romania) SA and Credit Agricole Bank Romania SA does not have the approval of the National Bank of Romania at December 31, 2021, as it is still pending approval, the income tax expenses will continue to be presented for Vista Bank (Romania) SA and at Group level, as a result of the consolidation with Credit Agricole Bank Romania SA.

The income tax registered by the Bank/Group differs from the theoretical value which would result as a consequence of the use of the basic tax rate, as shown below.

The profit from the acquisition of Credit Agricole Bank Romania SA is in amount of RON 250,007,844 at December 31, 2021, to which the result (loss) from the Group's activity is added, in amount of RON -22,761,714.

| | Group | | Bank | |
|---|--------------------------------|----------------|-------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Gross profit before tax | 233,688,798 | 472,824 | 16,299,870 | 472,824 |
| Theoretical income tax, expense calculated at 16% regulated rate | -37,387,008 | -75,652 | -2,607,979 | -75,652 |
| Tax effect of: | | | | |
| Non-deductible expenses | -8,082,608 | -2,569,666 | -4,072,255 | -2,569,666 |
| Non-taxable income | 45,121,044 ¹ | 2,645,318 | 2,936,801 | 2,645,318 |
| Derecognition of deferred tax recognised priorly from tax loss caried forward | -7,113,725 | - | -3,370,292 | - |
| Recognition of temporary deductible differences not priorly recognised | 1,022,829 | - | - | - |
| Income tax expenses | - 6,442,668² | - | -7,113,725 | - |

To the profit resulting from the acquisition, the tax losses at December 31, 2021 of Credit Agricole Bank Romania SA are added, recoverable in the following year, in amount of RON 131,091,041 of which RON 36,410,087 expire in 2021 (tax year 2021 is the last year when such loss can be used), resulting a tax loss recoverable in following years in amount of RON 94,680,954, and at aggregate level, for the Group, a tax loss recoverable in the following years of RON 118,647,779 at December 31, 2021.

¹ The amount includes the bargain gain resulting from the acquisition of Credit Agricole Bank Romania SA by Vista Bank (Romania) SA, in amount of RON 250,007,844, fiscally classified as non-taxable income.

² The total elements with fiscal impact on the gross result at group level differs from the theoretical income tax value (i.e. RON -37,387,008), because, tax-wise the two banks declare the income tax separately, at individual level, and not at consolidated level (the merger process is not yet completed, as it needs the approval of the National Bank of Romania). Thus, the situation presented above as regards income tax at group level is only theoretical, illustrative, and does not reflect the fiscal reporting at consolidated level. Therefore, only the use of the tax loss carried forward by Vista Bank (Romania) SA will be factored in. Credit Agricole Bank Romania SA already registers tax loss in 2021, which leads to the mentioned inequality.

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9. INCOME TAX EXPENSE (continued)

The current tax is calculated by applying a 16% rate (2020: 16%). The deferred income tax is calculated for all the temporary differences based on the accrual principle, using a tax income rate of 16% (2020: 16%).

At individual level, the accounting profit registered by Vista Bank (Romania) SA at December 31, 2021 was adjusted for the calculation of the tax result by RON 2,936,801, resulting from non-taxable income, and with RON 4,072,255 resulting from non-deductible expenses. The tax profit generated by the Bank in 2021 in amount of RON 18,428,695 decreased the tax losses carried forward from previous periods.

Thus, At December 31, 2020, Vista Bank has a tax loss carried forward from previous years in amount of RON 140,409,896. It was reduced by the current tax profit of 2021 in amount of RON 18,428,695, and the amount of RON 98,014,376 representing tax loss carried forward expiring at December 31, 2021, thus resulting a tax loss recoverable in the following years of RON 23,966,825, which according to the tax legislation, may be used within 7 years since the time of its realisation.

The tax losses carried forward expire as follows:

| EXPIRY | TAX LOSSES 2021 | | | TAX LOSSES 2020 |
|--------------|-------------------|-------------------|--------------------|--------------------|
| | Vista | Credit Agricole | Total | Vista |
| 2021 | - | - | - | 116.443.071 |
| 2022 | - | 9,502,688 | 9,502,688 | - |
| 2023 | - | 27,478,089 | 27,478,089 | - |
| 2024 | - | 25,534,405 | 25,534,405 | - |
| 2025 | - | 6,164,320 | 6,164,320 | - |
| 2026 | 23,966,825 | 9,679,616 | 33,646,441 | 23,966,825 |
| 2027 | - | 7,569,308 | 7,569,308 | - |
| 2028 | - | 8,752,528 | 8,752,528 | - |
| TOTAL | 23,966,825 | 94,680,954 | 118,647,779 | 140,409,896 |

The Group recognised deferred tax assets for all the tax losses carried forward at December 31, 2021.

The movement of deferred tax assets is attributable to the following items:

| | December 31, 2020 | Tax recognised in profit or loss | Tax recognised in other comprehensive income | December 31, 2021 |
|---|-------------------|----------------------------------|--|-------------------|
| Tax loss carried forward | 10,948,417 | -7,113,725 | - | 3,834,692 |
| Tax effect of the differences caused by the change of the fair value of the financial assets at fair value through other comprehensive income | 134,628 | - | -134,628 | 111,676 |
| Tax effect of deferred tax resulting from losses carried forward resulting from the acquisition of Credit Agricole | - | - | - | 14,815,414 |
| Tax effect of the temporary non-deductible/ (taxable) differences (including tax losses carried forward) | 11,083,045 | -7,113,725 | -134,628 | 18,761,782 |

Deferred tax assets are recognised for the tax loss carried forward if it is probable to realise the related tax benefit.

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9. INCOME TAX EXPENSE (continued)

The movement of deferred tax liabilities is attributable to the following items:

| | December 31, 2021 | December 31, 2020 |
|-------------------------------|------------------------------|------------------------------|
| Opening balance | - | - |
| Tax effect of the acquisition | 8,964,986 | - |
| Increases | 1,208,517 | - |
| Reductions | -495,588 | - |
| Closing balance | 9,677,915 | - |

Tax recognised to profit or loss

| | December 31, 2021 | December 31, 2020 |
|--|------------------------------|------------------------------|
| Opening balance | - | - |
| Derecognition of deferred tax assets for Vista Bank | 7,113,725 | - |
| Derecognition of fair value adjustments of deferred tax from acquisition | -495,588 | - |
| Other adjustments | -175,469 | - |
| Closing balance | 6,442,668 | - |

10 IMPAIRMENT ALLOWANCES REGARDING FINANCIAL ASSETS

| | 2021 | 2020 |
|--|--------------------|------------------|
| Specific adjustments for expected losses on inter-banking operations | -467,451 | 901,998 |
| Specific adjustments for expected losses on operations with securities | -447,217 | -394,631 |
| Specific adjustments for expected losses on operations with customers | -33,028,536 | -11,654,734 |
| Losses on receivables not covered by impairment | -19,218 | -29,952 |
| Income from receivables recovered | 16,153,452 | 15,671,737 |
| Total net expenses with impairment | -17,808,969 | 4,494,418 |

The movement of specific adjustments for expected losses is as follows:

| | |
|--|--------------------|
| Total net expenses with impairment Vista individual December 2021 | 10,536,526 |
| Differences from consolidation of impairment losses on loans of Vista customers | -437,029 |
| Differences from consolidation of impairment losses on loans of Credit Agricole customers | -27,657,745 |
| Differences from consolidation of impairment losses on other financial assets of Credit Agricole | -250,721 |
| Total net expenses with impairment from consolidation at December 2021 | -17,808,969 |

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11 CASH AND BALANCES WITH CENTRAL BANKS

| | 2021 | 2020 |
|---------------------------|----------------------|--------------------|
| Petty cash | 69,145,640 | 39,164,488 |
| Current accounts with NBR | 949,697,352 | 299,386,409 |
| - in RON | 491,965,589 | 186,810,496 |
| - in EUR | 457,731,763 | 112,575,913 |
| Total | 1,018,842,992 | 338,550,897 |

The current accounts must fulfil the mandatory requirements regarding the minimum reserves imposed by the National Bank of Romania. This reserve represents a medium minimum deposit on a month period, based on the resources raised in the previous month. The balances with the Central Bank at the reporting date fulfil these requirements.

In 2021, the interest rates varied between 0.08% and 0.13% (2020: 0.10 % and 0.19%) for reserves held in RON, and remained at 0.00% for reserves held in EUR (2020: 0.00%).

All these balances have been included in cash and cash equivalents (Note 33).

12 PLACEMENTS WITH BANKS AT AMORTISED COST

| | 2020 | 2019 |
|--|--------------------|--------------------|
| Correspondent accounts (Nostro) | 203,174,376 | 250,160,622 |
| Sight deposits | 66,296,284 | 120,405,288 |
| Term deposits | 426,136,634 | 161,165,832 |
| Expected loss | -90,952 | -53,105 |
| Total | 695,516,342 | 531,678,637 |
| Other amounts recoverable | 8,857,099 | - |
| Total loans and advances to banks | 704,373,441 | 531,678,637 |

During 2021, the interest rates with the USD placements varied between 0.01% and 1.50% (2020: 0.01% and 4.28% and the ones with the EUR placements between -0.70% and 0.00% (2020: -0.65% and 0.10%). The interest rates with the RON placements varied between 0.75% and 2.80% (2020: 1.00% and 3.30%).

The outstanding investments were included in Cash and cash equivalents as they have a contractual maturity under 3 months (please see Note 33).

Other amounts recoverable represent collateral deposits in amount of EUR 1,790,000 for swap transactions undertaken with Citi Bank which cannot be used for other purposes than the ones for which they were created.

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13 FINANCIAL ASSETS AT AMORTISED COST

| | 2021 | 2020 |
|---|--------------------|--------------------|
| Bonds issued by the Romanian Government | | |
| - in RON | 578,892,944 | 382,323,026 |
| - in EUR | 163,450,249 | 34,367,882 |
| - in USD | 40,003,525 | 36,662,150 |
| | 782,346,718 | 453,353,058 |
| Total | | |
| Bonds issued by the Government of Romania - gross | 783,246,559 | 453,888,285 |
| Expected loss | -899,841 | 535,227 |
| | 782,346,718 | 453,353,058 |
| Total | | |

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13. FINANCIAL ASSETS AT AMORTISED COST (continued)

The coupon rates for the securities in the bond portfolio issued by the Romanian Government in RON ranged between 3.25% and 5.95% (2020: 2.25% and 5.85%), for the EUR bond portfolio between 0.45% and 1.375% (2020: 0.45% and 2.75%) and for those in USD they ranged between 4.375% and 6.75% (2020: 4.375% and 6.75%).

The movements in the financial assets at amortised cost are presented below:

| | Total |
|-------------------------------------|--------------------|
| Balance on January 1, 2021 | 453,888,285 |
| Inputs (purchases) | 911,777,596 |
| Outputs (matured) | -559,800,000 |
| Collected interest | -42,414,626 |
| Amortisation discount / premium | 15,484,350 |
| Exchange rate differences | 4,310,954 |
| Total | 783,246,559 |
| Provisions | -899,841 |
| Balance on December 31, 2021 | 782,346,718 |
| Balance on January 1, 2020 | 325,531,099 |
| Inputs (purchases) | 258,730,481 |
| Outputs (sold or matured) | -125,000,000 |
| Collected interest | -15,876,067 |
| Amortisation discount / premium | 12,881,869 |
| Exchange rate differences | 2,379,097 |
| Total | 453,888,285 |
| Provisions | -535,227 |
| Balance on December 31, 2020 | 453,353,058 |

Movement of the provision related to financial assets at amortized cost:

| | Total |
|-------------------------------------|-----------------|
| Balance on January 1, 2021 | -535,227 |
| Inputs | 548,141 |
| Outputs | -189,672 |
| FX differences | 6,145 |
| Balance at December 31, 2021 | -899,841 |
| Balance on January 1, 2020 | -374,526 |
| Inputs | 241,221 |
| Outputs | -77,182 |
| FX differences | -3,338 |
| Balance on December 31, 2020 | -535,227 |

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14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | <u>2021</u> | <u>2020</u> |
|---|--------------------|--------------------|
| Bonds issued by the Government of Romania | | |
| - in RON | 178,458,153 | 52,323,603 |
| - in EUR | 59,163,502 | 98,352,778 |
| - in USD | 22,575,758 | 21,710,281 |
| | <u>260,197,413</u> | <u>172,386,662</u> |
| Total bonds | | |
| Participations in Vista Bank (Credit Office) | 26,543 | 28,981 |
| Participations in Credit Agricole (Transfond and Credit Office) | 1,579,122 | |
| | <u>261,803,078</u> | <u>172,415,643</u> |
| | | |
| Movement in bonds: | | <u>Total</u> |
| | | |
| Balance on January 1, 2021 | | <u>172,386,662</u> |
| | | |
| Inputs (purchases) | | 395,398,153 |
| Outputs (matured) | | -304,325,852 |
| Collected interest | | -12,500,995 |
| Interest | | 5,862,132 |
| Loss on sale | | -1,874,278 |
| Adjustment of market value | | -2,405,703 |
| Exchange rate differences | | 8,082,093 |
| Other adjustments generated by the acquisition | | 140,852 |
| Total | | <u>260,763,064</u> |
| Provision | | -565,651 |
| | | <u>260,197,413</u> |
| Balance on December 31, 2021 | | <u>260,197,413</u> |
| | | |
| | | <u>Total</u> |
| | | |
| Balance on January 1, 2020 | | <u>-</u> |
| | | |
| Inputs (purchases) | | 220,647,817 |
| Outputs (matured) | | -50,640,479 |
| Collected interest | | -3,432,698 |
| Interest | | 1,768,460 |
| Loss on sale | | 2,552,252 |
| Adjustment of market value | | 841,427 |
| Exchange rate differences | | 649,883 |
| Total | | <u>172,386,662</u> |
| Provisions | | |
| | | <u>172,386,662</u> |
| Balance on December 31, 2020 | | <u>172,386,662</u> |
| | | |
| Movements in investments in the Credit Office: | | <u>Total</u> |
| | | |
| Balance on January 1, 2021 | | <u>28,981</u> |
| | | |
| Loss on changes in fair value | | -2,438 |
| Investments in Credit Agricole | | 1,579,122 |
| Balance on December 31, 2021 | | <u>1,605,665</u> |

Free translation from the original Romanian version.

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14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

| Name | Nature of activity | Investment held |
|----------------------|------------------------------------|------------------|
| Transfond SA | Inter-banking transfers and offset | 1,527,654 |
| Biroul de Credite SA | Credit rating for individuals | 51,468 |
| Total | | 1,579,122 |

The movements in financial assets carried mandatorily at fair value through profit or loss are presented as follows:

Balance at January 1, 2021

Sales

Acquisitions

Balance at December 31, 2021

Balance at January 1, 2020

35,638

Gains from changes in fair value

-6,657

Balance at December 31, 2020

28,981

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15 A. FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2021 | 2020 |
|-------------------|-------------|------------------|
| Visa shares - USD | - | 2.482.735 |
| Total | - | 2.482.735 |

As Visa Europe Limited ("Visa Europe") and Visa Inc. announced on November 2nd, 2015, Visa Inc agreed to purchase Visa Europe, under the condition of receiving the approval within the regulation framework. Taking into account that the Bank is a principal member of Visa Europe, the Bank is part of this transaction. In 2016, the amount of EUR 1,367,592.75 was confirmed and paid in cash, representing the completion of the cash transaction, including the sale of the EUR 10 share of Visa Europe.

In addition, the bank received 496 preferential shares Series C in Visa Inc. and cash pro rata with the 0.0105373816% holding to receive after the third anniversary valued at EUR 117,070 and received on June 21, 2019.

In 2021, the Bank sold all its shares held for USD 733,725 registering a profit of USD 107,720.

At December 31, 2021, Credit Agricole owned the following equities not listed at the stock exchange:

| | |
|-------------------------------------|------------------|
| Balance on January 1, 2020 | 4,642,171 |
| Gains from changes in fair value | -2,159,436 |
| Balance on December 31, 2020 | 2,482,735 |

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16 INTANGIBLE ASSETS

| December 31, 2021 | 2021 | 2020 |
|--------------------------|-------------------|------------------|
| Cost | 47,311,533 | 11,427,255 |
| Accumulated amortisation | -11,749,779 | -8,078,948 |
| Net book value | 35,561,754 | 3,348,307 |

| | IT software | Customer relations* | Total |
|---|--------------------|----------------------------|-------------------|
| Net carrying amount at January 1, 2021 | 3,348,307 | - | 3,348,307 |
| Inputs | 27,694,801 | 8,500,000 | 36,194,801 |
| Transfers | - | - | - |
| Outputs | -310,524 | - | -310,524 |
| Amortization expense | -3,966,122 | -141,667 | -4,107,789 |
| Other acquisition adjustments | 436,959 | - | 436,959 |
| Accumulated amortization for outputs | - | - | - |
| Net carrying amount at December 31, 2021 | 27,203,421 | 8,358,333 | 35,561,754 |

*For details, see note 37.

December 31, 2021

| | | | |
|----------------------------|-------------------|--|--|
| Cost | 47,311,533 | | |
| Accumulated amortization | -11,749,779 | | |
| Net carrying amount | 35,561,754 | | |

Net carrying amount at January 1, 2020

| | | | |
|--|------------------|---|------------------|
| Net carrying amount at January 1, 2020 | 3,534,731 | - | 3,534,731 |
| Inputs | 1,264,923 | - | 1,264,923 |
| Transfers | - | - | - |
| Outputs | - | - | - |
| Amortization expense | -1,451,347 | - | -1,451,347 |
| Accumulated amortization for outputs | - | - | - |
| Net carrying amount as at December 31, 2020 | 3,348,307 | - | 3,348,307 |

December 31, 2020

| | | | |
|----------------------------|------------------|--|--|
| Cost | 11,427,255 | | |
| Accumulated amortization | -8,078,948 | | |
| Net carrying amount | 3,348,307 | | |

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17 TANGIBLE ASSETS

| December 31, 2021 | Lands and buildings | Design | Furniture and equipment | Assets in progress | Total |
|---|----------------------------|------------------|--------------------------------|---------------------------|-------------------|
| Net carrying amount on January 1, 2021 | 2,423,966 | 1,059,099 | 4,392,794 | 2,657,634 | 10,533,493 |
| Inputs | 9,431,713 | 2,852,174 | 10,100,852 | 1,842,274 | 24,227,013 |
| Reclassifications from Repossessed assets category* | 3,053,379 | - | - | - | 3,053,379 |
| Transfers | - | - | 3,639,091 | -3,653,160 | -14,069 |
| Outputs | -16,677,373 | - | -1,308,888 | - | -12,190,621 |
| Amortization expense | -295,124 | -306,101 | -2,797,655 | - | -3,398,879 |
| Other acquisition adjustments | - | - | 224,841 | - | 224,841 |
| Revaluation | - | - | - | - | - |
| Accumulated amortization for outputs and impairment adjustments | 5,822,329 | - | 977,290 | - | 1,003,979 |
| Net carrying amount as at December 31, 2021 | 3,758,890 | 3,605,172 | 15,228,325 | 846,748 | 23,439,135 |
| Cost | 4,040,368 | 19,064,715 | 36,076,863 | 846,748 | 60,028,694 |
| Accumulated amortization | -281,478 | -15,459,543 | -20,848,538 | - | -36,589,559 |
| Net carrying amount as at December 31, 2021 | 3,758,890 | 3,605,172 | 15,228,325 | 846,748 | 23,439,135 |

**In 2021, Vista Bank transferred a building and related land from the portfolio of repossessed assets to tangible assets, for own use in its operations.*

| December 31, 2020 | Lands and buildings | Design | Furniture and equipment | Assets in progress | Total |
|---|----------------------------|------------------|--------------------------------|---------------------------|-------------------|
| Net carrying amount on January 1, 2020 | 2,106,439 | 631,142 | 4,457,565 | 1,561,053 | 8,756,200 |
| Inputs | - | 137,269 | 139,311 | 2,995,163 | 3,271,743 |
| Transfers | - | 671,527 | 1,227,055 | -1,898,582 | - |
| Outputs | - | - | -548,793 | - | -548,793 |
| Amortization expense | -44,140 | -380,839 | -1,431,138 | - | -1,856,117 |
| Revaluation | 361,667 | - | - | - | 361,667 |
| Accumulated amortization for outputs and impairment adjustments | - | - | 548,793 | - | 548,793 |
| Net carrying amount as at December 31, 2020 | 2,423,966 | 1,059,099 | 4,392,794 | 2,657,634 | 10,533,493 |
| Cost | 2,423,966 | 16,212,541 | 23,343,151 | 2,657,634 | 44,637,292 |
| Accumulated amortization | - | -15,153,442 | -18,950,357 | - | -34,103,799 |
| Net carrying amount as at December 31, 2020 | 2,423,966 | 1,059,099 | 4,392,794 | 2,657,634 | 10,533,493 |

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17 TANGIBLE ASSETS (continued)

In 2021, Vista Bank transferred a building and related land from the portfolio of repossessed assets to the category of tangible assets for own use in its activity.

In 2021, Credit Agricole sold four properties (not subject to IFRS 16) owned by it for RON 11,877,360 with a book value of RON 5,800,593 thus obtaining revenues from the sale of the assets in amount of RON 5,606,961, which was adjusted by RON 2,715,929. The Bank concluded leases with the new owner and continued to operate in the four buildings, and adjusted the recognised value of the right of use by RON 2,715,929.

If the transfer of an asset by the seller-lessee meets the requirements of IFRS 15 to be accounted for as a sale of the asset:

a) The seller-lessee must measure the right of use of the asset resulting from the lease-back, at the share of the previous book value of the asset the right of use retained by the seller-lessee refers to. Consequently, the seller-lessee only recognises the amount of any loss or gain related to the rights transferred to the buyer-lessor.

b) The seller-lessor must register the purchase of the asset by using the applicable standards, and the lease by applying the lessor's accounting requirements in the standard.

18 RIGHT-OF-USE ASSETS

| Right-of-use assets | 2021 | 2020 |
|--|-------------------|-------------------|
| Right-of-use assets | 74,127,648 | 54,623,695 |
| Amortization/depreciation of right-of-use assets | -24,448,434 | -15,091,406 |
| Total | 49,679,214 | 39,532,289 |

Most leases are in EUR and only three in RON and are concluded for a contractual period of maximum 10 years.

The Group operates as lessee in vehicle leases and leases for rental of office spaces for the Group's branches. Expenses with short-term leases and low value assets are expensed directly to profit or loss. In 2021, expenses with such items was RON 408,284 for Vista Bank and RON 122,417 for Credit Agricole.

| Right-of-use assets | 2020 | 2019 |
|--------------------------------|-------------------|-------------------|
| Right-of-use assets – vehicles | 1,728,801 | 1,064,279 |
| Right-of-use assets - rentals | 47,950,413 | 38,468,010 |
| Total | 49,679,214 | 39,532,289 |

Movement of right-of-use assets in 2021

| | Vehicles | Land and buildings | Total |
|-------------------------------------|------------------|---------------------------|-------------------|
| Balance at January 1, 2021 | 1,064,279 | 38,468,010 | 39,532,289 |
| New leases | 1,313,091 | 9,530,597 | 10,843,688 |
| Amended leases | - | 6,963,218 | 6,963,218 |
| Cessation / Annulment | - | -11,606 | -11,606 |
| Amortization during the year (-) | -694,622 | -7,294,769 | -7,989,391 |
| Other acquisition adjustments | 46,053 | 294,963 | 341,017 |
| Balance at December 31, 2021 | 1,728,801 | 47,950,413 | 49,679,214 |

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18 RIGHT-OF-USE ASSETS (continued)

Movement of right-of-use assets in 2020

| | Vehicles | Land and buildings | Total |
|-------------------------------------|------------------|--------------------|-------------------|
| Balance at January 1, 2020 | 1,556,543 | 42,821,295 | 44,377,838 |
| New leases | - | - | - |
| Amended leases | - | 2,783,255 | 2,783,255 |
| Cessation / Annulment | - | - | - |
| Amortization during the year (-) | -492,264 | -7,136,540 | -7,628,804 |
| Balance at December 31, 2020 | 1,064,279 | 38,468,010 | 39,532,289 |

Amounts recognised to profit or loss for IFRS 16 lines

| RON | Vehicles | Land and buildings | Total |
|---|----------------|--------------------|-------------------|
| Expenses with impairment of right-of-use assets | 694,622 | 8,815,209 | 9,509,831 |
| Expenses with interest of leasing liabilities | 9,007 | 1,139,514 | 1,148,521 |
| Total | 703,629 | 9,954,723 | 10,658,352 |

The difference between expenses with the amortization of right-of-use assets and the accumulated amortization during the year is due to the reversal of the amortization related to the old contracts further to the contractual changes in terms of amount and duration (Ploiesti, Mosilor and Bacau branches).

19 INVESTMENT PROPERTY

| Investment property | 2020 | 2019 |
|---------------------|-------------------|-------------------|
| Investment property | | |
| - land | 67,506,300 | 77,966,208 |
| - buildings | 26,508,218 | 20,980,397 |
| Total | 94,014,518 | 98,946,605 |

During the year, some repossessed assets were reclassified as investment property in accordance with IAS 40 (fair value model) and land leased or leased. Investment properties are valued annually at market value, based on a report prepared by an ANEVAR accredited valuer. In addition, the revalued amount is verified by an independent valuer indicated by the NBR. The income from leasing investment properties is in the amount of RON 749,367 (2020: RON 554,043) presented in Note 7.

According to the analysis of the fair value hierarchy, investment properties are classified as Tier 3.

The movements in the investment property portfolio were as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Opening balance | 98,946,605 | 97,509,284 |
| Reclassification from repossessed assets | 6,238,465 | 2,931,080 |
| Inflows | 2,212,826 | 819,184 |
| Outflows | <u>-13,383,378</u> | <u>-2,312,943</u> |
| Closing balance | <u>94,014,518</u> | <u>98,946,605</u> |
| Price received | <u>14,987,590</u> | <u>2,596,076</u> |

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20 REPOSSESSED ASSETS

| | 2021 | 2020 |
|--|-------------------|--------------------|
| Reposessed assets | | |
| Reposessed assets – gross amount | 75,817,074 | 140,866,889 |
| Impairment allowance for reposessed assets | -14,915,705 | -24,861,314 |
| | 60,901,369 | 116,005,575 |

The movement in the portfolio of reposessed assets was as follows:

| | December 31, 2021 | December 31, 2020 |
|---|------------------------------|------------------------------|
| Opening balance (gross value) | 140,866,889 | 170,131,657 |
| Inflows (gross value) | 5,853,940 | 5,704,400 |
| Outflows (gross value) | -61,610,752 | -32,035,493 |
| Reclassification to investment property | -6,239,625 | -2,933,675 |
| Reclassification to fixed assets | -3,053,379 | - |
| Closing balance | 75,817,074 | 140,866,889 |
| Price received for assets sold | 58,423,703 | 31,467,406 |

The movement of the provision for reposessed assets impairment representing assets achieved as a consequence of foreclosure of receivables is as follows:

| | December 31, 2021 | December 31, 2020 |
|------------------------------------|------------------------------|------------------------------|
| Opening balance | 24,861,314 | 29,626,441 |
| Increases | 389,629 | 1,992,284 |
| Decreases | -509,484 | -2,084,114 |
| Reversal of sold reposessed assets | -9,824,594 | -4,670,702 |
| Restatement to investment property | -1,160 | -2,595 |
| Closing balance | 14,915,705 | 24,861,314 |

21 OTHER ASSETS

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Other financial assets | | |
| Values to be recovered | 5,216,668 | 105,161 |
| Various debtors - net | 4,527,313 | 4,984,826 |
| Incomes to be received - net | 2,597,930 | 5,007,386 |
| Total | 12,341,911 | 10,097,373 |
| Other non-financial assets | | |
| Inter-bank settlements | 3,083,352 | 1,663,678 |
| Advances to personnel | 1,455 | 428 |
| Deductible/recoverable VAT | 12,280 | 1,667 |
| Other receivables regarding the state budget | 1,517,081 | 471,756 |
| Prepaid expenses | 5,465,006 | 3,703,500 |
| Other settlement accounts | 910,412 | - |
| Materials and other consumables | 107,453 | - |
| Total | 11,097,039 | 5,841,029 |

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20. OTHER ASSETS (continued)

| Nature of the assets | December 31, 2020 | December 31, 2019 |
|------------------------------|-------------------|-------------------|
| Sundry debtors - gross | 9,049,722 | 7,474,304 |
| Provision | -4,522,409 | -2,489,478 |
| Net carrying amount | 4,527,313 | 4,984,826 |
| Gross incomes to be received | 2,699,562 | 5,303,615 |
| Provision | -101,632 | -296,229 |
| Net carrying amount | 2,597,930 | 5,007,386 |

The movement of the provision for sundry debtors is as follows:

| | December 31, 2021 | December 31, 2020 |
|------------------------|----------------------|----------------------|
| Opening balance | 2,489,478 | 438,460 |
| Increases | 2,041,012 | 2,434,700 |
| Decreases | -391,412 | -383,682 |
| FX differences | 383,331 | |
| Closing balance | 4,522,409 | 2,489,478 |

The movement of the provision for income to be received is as follows:

| | December 31, 2021 | December 31, 2020 |
|------------------------|----------------------|----------------------|
| Opening balance | 296,229 | 125,801 |
| Increases | - | 170,428 |
| Decreases | -194,597 | - |
| Closing balance | 101,632 | 296,229 |

22 DEPOSITS FROM BANKS

| | 2020 | 2019 |
|-------------------------------|---------------|---------------|
| Correspondent accounts (Loro) | 44,089 | 29,053 |
| Maturity deposits | 2,715 | - |
| Total | 46,804 | 29,053 |

In 2021, for inter-banking deposits drawn, expressed in RON, interest rates ranged between 0.90% and 1.70% (2020: 2.45%). For inter-bank deposits denominated in EUR, the interest rates were 0.00% (2020: 0.10%).

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23 CUSTOMERS' DEPOSITS

| | 2021 | 2020 |
|---------------------|----------------------|----------------------|
| Current accounts | 1,801,937,240 | 829,913,241 |
| Savings accounts | 33,326,975 | |
| Sight deposits | 14,970,652 | 125,714,859 |
| Maturity deposits | 4,221,922,291 | 2,040,396,261 |
| Collateral deposits | 182,836,902 | 50,296,573 |
| Total | 6,254,994,060 | 3,046,320,934 |

The interest rates regarding customers deposits in 2021 varied between 0% and 1.55% (2020: between 0% and 4.45%) on deposits denominated in RON and between 0.00% and 2.75% (2020: between 0.00% and 2.85%) on deposits denominated in EUR.

24 LOANS FROM BANKS

| | 2021 | 2020 |
|------------------|-------------------|-------------|
| Loans from banks | 42,073,842 | - |
| Total | 42,073,842 | - |

On September 10, 2019, Credit Agricole entered into a loan agreement with the European Bank for Reconstruction and Development ("EBRD") to stimulate the lending of micro-enterprises and small and medium-sized enterprises that meet certain eligibility criteria stipulated by the EBRD Financing Policy, in amount of RON 94,600,000. The loan was granted in 2 equal tranches with a repayment term of 5 years and a variable interest rate consisting of ROBOR 6M plus a 0.26% margin annually (at the date of first draw).

On October 30, 2019 the Bank received tranche A of the loan in amount of RON 47,300,000 repayable in 5 years with a grace period of 2 years and equal bi-annual repayments for the following 3 years at an interest rate of 2.4910% and an application fee of 1%. In 2020, the bank received the second tranche of the loan, which had the same value.

On September 10, 2019, the Bank entered into a loan agreement with the European Bank for Reconstruction and Development ("EBRD") to stimulate the lending of micro-enterprises and small and medium-sized enterprises that meet certain eligibility criteria stipulated by the EBRD Financing Policy, in amount of RON 94,600,000. The loan was granted in 2 equal tranches with a repayment term of 5 years and a variable interest rate consisting of ROBOR 6M plus a 0.26% margin annually (at the date of first draw).

On October 30, 2019 the Bank received tranche A of the loan in amount of RON 47,300,000 repayable in 5 years with a grace period of 2 years and equal bi-annual repayments for the following 3 years at an interest rate of 2.4910% and an application fee of 1%. In 2020, the bank received the second tranche of the loan, which had the same value.

In 2021, Credit Agricole started to pay the EBRD loan as per the repayment schedule agreed upon by EBRD and the Bank, so that tranche B was repaid in full (in amount of RON 47,300,000) on September 16, 2021 by the old shareholder and the first capital portion of tranche A was repaid in November 2021 (in amount of RON 5,255,556). The interest margin related to tranche A was also revised in 2021.

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25 SUBORDINATED LOANS

| | 2021 | 2020 |
|--------------------------------------|-------------------|-------------------|
| Subordinated loans on undefined term | 66,624,545 | 19,831,783 |
| Total | 66,624,545 | 19,831,783 |

Subordinated loans have the following structure within the Group:

- Vista Bank - The amount represents the equivalent of USD 5 million, relating to two subordinated loans granted for a period of 5 years by Mr. Goulandris Nicholas John (USD 2 million), and by EDEN SHIPHOLDING LTD (USD 3 million) due on June 3, 2026, at an interest rate of LIBOR 3M + 3% margin.
- Credit Agricole – subordinated loan taken over from the group Credit Agricole SA, worth EUR 9,022,899 granted in 2011, with a variable interest rate consisting of EURIBOR 3M plus a 1.80% margin. Further to sale of the bank of September 16, 2021, the loan was transferred to Optima Bank Greece, and the interest margin was increased through an addendum then dated to 3% from 2.17% as of November 27, 2021.

In 2021, the Group did not operate any drawdowns or repayments of its subordinated loans. The increase of the year is due to the impact of exchange rates.

Subordinated liabilities are treated as part of the Group's own funds

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26 FINANCE ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2021 | 2020 |
|---|----------------|---------------|
| Finance liabilities at fair value through profit or loss | | |
| Foreign exchange swaps | | 50,739 |
| Finance liabilities at fair value through profit or loss | | |
| Foreign exchange swaps | 451,681 | - |
| Total | 451,681 | 50,739 |

The amount represents unrealised gain on a foreign exchange swap. The swaps are made for liquidity purposes for foreign exchange management.

| At December 31, 2021 | within 1 month | 1-3 months | 3 – 12 months |
|--|-----------------------|-------------------|----------------------|
| Finance liabilities at fair value through profit or loss (swap) | | | |
| Unrealised gain (asset) | - | 451,681 | - |
| Unrealised loss (liability) | | | - |
| At December 31, 2020 | within 1 month | 1-3 months | 3 – 12 months |
| Finance liabilities at fair value through profit or loss (swap) | | | |
| Unrealised gain (asset) | | 50,739 | - |
| Unrealised loss (liability) | | | - |

Off-balance sheet foreign exchange positions for swaps are as follows:

| Off-balance sheet foreign exchange positions | 2021 | | 2020 | |
|---|-------------------|--------------------|-------------------|--------------------|
| | Assets | Liabilities | Assets | Liabilities |
| RON | 74,500,500 | | | |
| USD | - | - | - | - |
| GBP | - | - | - | 37,885,977 |
| EUR | - | 74,221,500 | 31,748,488 | - |
| Total | 74,500,500 | 74,221,500 | 31,748,488 | 37,885,977 |

27 CURRENT FISCAL ASSETS/LIABILITIES AND DEFERRED TAX FISCAL ASSETS/LIABILITIES

Current income tax

| | 2021 | 2020 |
|--------------------|----------------|----------------|
| Current tax assets | 871,140 | 773,707 |
| Total | 871,140 | 773,707 |

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27 CURRENT FISCAL ASSETS/LIABILITIES AND DEFERRED TAX FISCAL ASSETS/LIABILITIES (continued)

Deferred tax

| | <u>2021</u> | <u>2020</u> |
|--------------------------|-------------------------|--------------------------|
| Deferred tax receivables | 18,761,782 | 11,083,045 |
| Deferred tax liabilities | -9,677,915 | - |
| Total | <u>9,955,007</u> | <u>11,083,045</u> |

The movement of deferred tax assets and liabilities is presented in Note 9.

28 LEASE LIABILITIES

| Lease liabilities | <u>2021</u> | <u>2020</u> |
|------------------------------|--------------------------|--------------------------|
| Lease liabilities – vehicles | 1,821,556 | 1,149,534 |
| Lease liabilities – rentals | 54,293,808 | 41,191,513 |
| Associated liabilities | 622 | 1,097 |
| Total | <u>56,115,986</u> | <u>42,342,144</u> |

Maturities of lease liabilities at December 31, 2021

| RON | <u>Vehicles</u> | <u>Land and buildings</u> | <u>Total</u> |
|---------------|-------------------------|---------------------------|--------------------------|
| Within 1 year | 1,108,787 | 10,555,769 | 11,664,556 |
| 1 - 5 years | 713,391 | 32,704,156 | 33,417,547 |
| Over 5 years | - | 11,033,883 | 11,033,883 |
| Total | <u>1,822,178</u> | <u>54,293,808</u> | <u>56,115,986</u> |

Maturities of lease liabilities at December 31, 2020

| RON | <u>Vehicles</u> | <u>Land and buildings</u> | <u>Total</u> |
|---------------|-------------------------|---------------------------|--------------------------|
| Within 1 year | 506,115 | 7,114,372 | 7,620,487 |
| 1 - 5 years | 644,516 | 22,709,721 | 23,354,237 |
| Over 5 years | - | 11,367,420 | 11,367,420 |
| Total | <u>1,150,631</u> | <u>41,191,513</u> | <u>42,342,144</u> |

Changes in lease liabilities in 2021

| | <u>Vehicles</u> | <u>Land and buildings</u> | <u>Total</u> |
|-----------------------------------|-------------------------|---------------------------|--------------------------|
| Balance at January 1, 2021 | <u>1,150,631</u> | <u>41,191,513</u> | <u>42,342,144</u> |

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| | | | |
|---------------------------------------|------------------|-------------------|-------------------|
| Interest expenses | 9,007 | 1,139,514 | 1,148,521 |
| Lease payments (principal + interest) | -682,181 | -9,765,856 | -10,448,037 |
| New leases | 1,322,465 | 12,751,955 | 14,074,420 |
| Amended leases | - | 6,963,218 | 6,963,218 |
| FX impact | 22,256 | 2,025,120 | 2,047,376 |
| Cessation /Annulment | - | -11,656 | -11,656 |
| Balance at December 31, 2021 | 1,822,178 | 54,293,808 | 56,115,986 |

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28. LEASE LIABILITIES (continued)

Changes in lease liabilities in 2020

| | Vehicles | Land and buildings | Total |
|---------------------------------------|------------------|--------------------|-------------------|
| Balance at January 1, 2020 | 1,620,796 | 44,181,084 | 45,801,880 |
| Interest expenses | 12,906 | 1,116,405 | 1,129,311 |
| Lease payments (principal + interest) | -515,066 | -7,728,764 | -8,243,830 |
| New leases | - | - | - |
| Amended leases | - | 2,783,255 | 2,783,255 |
| FX impact | 31,995 | 839,533 | 871,528 |
| Cessation /Annulment | - | - | - |
| Balance at December 31, 2020 | 1,150,631 | 41,191,513 | 42,342,144 |

29 OTHER LIABILITIES

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Other financial liabilities | | |
| Other due amounts | 5,226,965 | 11,625,201 |
| Sundry creditors | 3,736,716 | 520,165 |
| Expenses payable | 1,816,140 | 379,575 |
| Total | 10,779,821 | 12,524,941 |
| Other liabilities | | |
| Collected/payable VAT | 226,084 | 55,437 |
| Other taxes and social benefits payable | 3,958,303 | 2,134,911 |
| Income registered in advance | 1,699,856 | 804,738 |
| Other regulatory accounts and differences | 10,375 | 191,838 |
| Total | 5,894,618 | 3,186,924 |

Other financial and non-financial liabilities presented above are estimated to be paid in the following 12 months.

30 OTHER PROVISIONS

| | 2021 | 2020 |
|---|-------------------|------------------|
| Provisions for loan commitments, financial guarantees and other given commitments | 9,141,849 | 1,619,826 |
| Litigation provisions | 1,121,296 | 745,222 |
| Provisions for employees' benefits | 4,944,524 | 1,831,760 |
| Other provisions | 804,758 | - |
| Total | 16,012,427 | 4,196,808 |

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30 OTHER PROVISIONS (continued)

The risk provision value is based on the best estimate of the necessary amount for the settlement of the obligation, taking into consideration the associated risks.

Once the Company adopted IFRS 9 as of January 1, 2018, it calculated additional provisions according to the methodology in force, for crediting commitments and financial guarantees.

Litigation provisions refer to risks of legal disputes related to abusive clauses (risks of increases of interest rates and the collection of application, administration and restructuring fees).

The litigation provisions are recognised for all the situations where the following conditions are met: there is a legal or constructive obligation as a consequence of a past event, the possibility that an outflow incorporating economic benefits necessary for the settlement of the obligation is more likely than the possibility of not being necessary and a reliable estimate may be done regarding the value of the obligation.

The provisions for employees' benefits refer mainly to provisions registered for employees' legal holidays, not taken.

The changes in **total provisions for risks and charges** are presented below:

| | 2021 | 2020 |
|---|-------------------|------------------|
| Balance at the beginning of the year | 4,196,808 | 3,093,628 |
| Increases | 18,246,041 | 5,068,940 |
| Decreases | -6,430,894 | -3,980,884 |
| FX differences | 90,472 | 15,124 |
| Balance at the end of the year | 16,012,427 | 4,196,808 |

The changes in the **provisions for loan commitments, financial guarantees and other given commitments** are presented below:

| | 2021 | 2020 |
|---|------------------|------------------|
| Balance at the beginning of the year | 1,619,826 | 1,256,520 |
| Increases | 10,517,962 | 2,491,958 |
| Decreases | -2,986,005 | -2,143,776 |
| FX differences | -9,934 | 15,124 |
| Balance at the end of the year | 9,141,849 | 1,619,826 |

The changes in the **litigation provisions** are presented below:

| | 2021 | 2020 |
|---|------------------|----------------|
| Balance at the beginning of the year | 745,222 | - |
| Increases | 404,495 | 745,222 |
| Decreases | -28,918 | - |
| FX differences | 90,497 | - |
| Balance at the end of the year | 1,121,296 | 745,222 |

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30 OTHER PROVISIONS (continued)

The changes in the **provisions for employees' benefits** are presented below:

| | 2021 | 2020 |
|---|------------------|------------------|
| Balance at the beginning of the year | 1,831,760 | 1,837,108 |
| Increases | 6,482,849 | 1,831,760 |
| Decreases | -3,379,994 | -1,837,108 |
| FX differences | 9,909 | - |
| Balance at the end of the year | 4,944,524 | 1,831,760 |

Litigation provisions are due to the elimination of risks regarding the litigation on abusive clauses (risks correlated with the increase of the interest rates and charging commissions for granting, managing, and restructuring).

31 SHARE CAPITAL

| | 2021 | 2020 |
|---|--------------------|--------------------|
| Shared capital registered with the Trade Registry | 468,582,594 | 468,582,594 |
| Adjusting the share capital with inflation (IAS 29) | 36,171,458 | 36,171,458 |
| Share capital according IFRS | 504,754,052 | 504,754,052 |
| Shareholder | 2021 | 2020 |
| | (%) | (%) |
| Barniveld Enterprises Limited | 99.72 | 99.72 |
| Shareholders – legal entities | 0.17 | 0.17 |
| Shareholders - natural persons | 0.11 | 0.11 |
| Total | 100.00 | 100.00 |

The Group's share capital consists of 4,685,825,940 (2020: 4,685,825,940) ordinary shares allocated and paid in full in the amount of RON 0.1 each share (2020: RON 0.1 each). Every share represents a vote.

On September 25, 2019 and October 16, 2019, the share capital was increased by EUR 10 million, as per the Resolution of the General Meeting of Shareholders of September 3, 2019, which resulted in securing proper rates as regards the level of the Group's own funds.

In 2021 and 2020, no share capital increase took place.

On September 16, 2021 Vista Bank Romania acquired Credit Agricole Bank Romania. Consequently, Vista Bank (Romania) SA owns 99.94% of the shares by taking over the shares previously held by IUB Holding SA (part of Credit Agricole group) and Barniveld Enterprises Limited owns 0.06% by taking over 0.06% of the total shares from Credit Agricole SA.

32 RESERVES

| | 2021 | 2020 restated |
|--|-------------------|----------------------|
| Legal reserve | 7,711,584 | 6,896,589 |
| General reserve for banking risks | 7,568,063 | 7,568,063 |
| Other reserves | - | 847,046 |
| Differences from changes in the fair value of financial assets at fair value through other comprehensive income – Credit Office | 20,162 | 22,599 |
| Differences from the alterations of the fair value of equity instruments at fair value through other comprehensive income – securities | -1,606,710 | 1,203,833 |
| Total | 13,693,099 | 16,538,130 |

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32 RESERVES (continued)

The changes in reserves are detailed as follows for each reserve category:

| Legal reserve | 2021 | 2020 |
|---|------------------|------------------|
| Balance at the beginning of the year | 6,896,589 | 6,872,948 |
| Transfer as profit allocation | 814,995 | 23,641 |
| Balance at the end of the year | 7,711,584 | 6,896,589 |

Differences from changes in the fair value of equity instruments at fair value through other comprehensive income:

| | 2021 | 2020 |
|--|---------------|---------------|
| Balance at the beginning of the year | 22,599 | 29,257 |
| Registering the differences regarding the fair value | -2,437 | -6,658 |
| Balance at the end of the year | 20,162 | 22,599 |

According to the Romanian legislation regarding the bank institutions and operations, the Group must distribute the profit as dividends or to perform a transfer in the reported result (reserves) based on the financial statements concluded in accordance with Order 27/2010. The transferred amounts in the reserve accounts must be used for the purposes defined at the time of the transfer.

According to the Romanian bank legislation, the Group has the obligation to create a legal reserve of 5% of the gross income, until the total reserve reaches 20% out of the issued and fully paid share capital.

According to the legislation issued by the National Bank of Romania, in the past the Group had the obligation to create a general reserve for banking risk, out of the gross income. This reserve may be used to cover losses from loans. At present, the reserve is not used until a clarification is issued regarding this regulation by the National Bank of Romania.

The amounts transferred in reserves must be used for the purpose defined at the time of the transfer. According to the national legislation, these reserves cannot be used for other purposes.

After reducing taxes and eliminating statutory and general reserves as previously presented, the remaining balance out of the net income may be distributed to the shareholders. Only the dividends from the current statutory income may be declared.

The legal reserves may be distributed with the approval of the Annual General Meeting of Shareholders, but they shall be subject to 16% taxation at the distribution time.

33 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period, as presented in the statement of cash flows, may be reconciled with the related items in the reporting position, as follows:

| | 2021 | 2020 |
|--|----------------------|--------------------|
| Cash and balances with the central banks at amortised cost (Note 11) | 1,018,842,992 | 338,550,897 |
| Loans and advances to banks at amortised cost (Note 12) | 695,516,342 | 531,678,637 |
| Total | 1,714,359,334 | 870,229,534 |

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34 RELATED PARTY TRANSACTIONS

The nature of the relationship with related parties for those related parties with which the Group concluded significant transactions or registered significant balances as at December 31, 2021 is herein presented.

In 2021, until September 16, 2021, Credit Agricole Romania was owned by IUB Holding SA (part of the Credit Agricole group), which owned 99.95% of the total shares, and Credit Agricole SA, which owned 0.05%.

After the acquisition of September 16, 2021, at December 31, 2021 Credit Agricole Romania is owned by Vista Bank (Romania) SA, which owns 99.95% of the total shares, and Barniveld Enterprises Limited, which owns 0.05%.

Barniveld Enterprises Limited is the parent company of the Group.

The main related parties of the Group are as follows:

- Mr. Ioannis Vardinogiannis – Greek citizen, ultimate beneficial owner of 100% of the share capital of Gem Force Investments Limited.
- Gem Force Investments Limited owns 100% of the share capital of Barniveld Enterprises Limited
- Barniveld Enterprises Limited, owns 99.72% of the share capital of Vista Group

| 2021 | Management* | Key positions* | Parent bank | Other related parties |
|-----------------------------|--------------------|-----------------------|--------------------|------------------------------|
| Assets | | | | |
| Current accounts with banks | - | - | - | 922,173 |
| Placements with banks | - | - | - | - |
| Customers' loans | 764,282 | 2,154,600 | - | 76,922,829 |
| Banks' loans | - | - | - | - |
| Total assets | 764,282 | 2,154,600 | - | 77,845,002 |
| Liabilities | | | | |
| Current accounts with banks | - | - | - | 44,089 |
| Deposits of banks | - | - | - | - |
| Customers' deposits | 3,976,978 | 4,287,851 | 201,537 | 611,722,596 |
| Subordinated loans | - | - | - | 66,624,437 |
| Total liabilities | 3,976,978 | 4,287,851 | 201,537 | 678,391,122 |

| 2020 | Management* | Key positions* | Parent bank | Other related parties |
|-----------------------------|--------------------|-----------------------|--------------------|------------------------------|
| Assets | | | | |
| Current accounts with banks | - | - | - | 3,425,490 |
| Placements with banks | - | - | - | - |
| Customers' loans | 79,835 | 2,183,943 | - | 95,937,717 |
| Total assets | 79,835 | 2,183,943 | - | 99,363,207 |
| Liabilities | | | | |
| Current accounts with banks | - | - | - | 29,053 |
| Deposits of banks | - | - | - | 19,831,783 |
| Customers' deposits | 1,023,552 | 2,898,547 | 393,861 | 480,132,358 |
| Total liabilities | 1,023,552 | 2,898,547 | 393,861 | 499,993,194 |

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34. RELATED PARTIES TRANSACTIONS (continued)

In 2018, the majority shareholder of the Group became Barniveld Enterprises Limited with 58 Arch. Makarios III, Iris Tower, 8th floor, 1075, Nicosia, Cyprus.

On May 20, 2019, the Bank changed its name from Marfin Bank (Romania) SA to Vista Bank (Romania) SA.

On September 16, 2021, the Bank acquired 99.95% in the share capital of Credit Agricole Bank Romania SA, at which date it also obtained control.

| | <u>2021</u> | | | | <u>2020</u> | | | |
|--------------------------------|--------------------|-----------------------|--------------------|------------------------------|--------------------|-----------------------|--------------------|------------------------------|
| | <u>Management*</u> | <u>Key positions*</u> | <u>Parent bank</u> | <u>Other related parties</u> | <u>Management*</u> | <u>Key positions*</u> | <u>Parent bank</u> | <u>Other related parties</u> |
| Income | | | | | | | | |
| Bank placement interest | - | - | - | 49,727 | - | - | - | 190,402 |
| Customers' loans interest | 19,264 | 74,383 | - | 2,482,367 | - | 58,069 | - | 2,256,911 |
| Banks' loans interest | - | - | - | 230,645 | - | - | - | - |
| Total income | 19,264 | 74,383 | - | 2,762,739 | - | 58,069 | - | 2,447,313 |
| Expenses | | | | | | | | |
| Bank deposit interest | - | - | - | - | - | - | - | 5,308 |
| Customer deposit interest | 28,270 | 29,263 | - | 1,488,056 | 9,594 | 34,406 | - | 953,978 |
| Interest on subordinated loans | | | | 670,000 | | | | 398,838 |
| Expenses with salaries | 2,296,831 | 5,356,384 | - | - | 1,738,144 | 4,375,613 | - | - |
| Total expenses | 2,325,101 | 5,385,647 | - | 2,158,056 | 1,747,738 | 4,410,019 | - | 1,358,124 |

In 2021, the Group paid salaries to management in amount of RON 7,653,215 (December 31, 2020: RON 6,113,757).

*Management comprises all members of the Executive Board.

**Key positions are held by the managers of the following departments: Financial Controlling, Risk, Internal Audit, Treasury, Compliance, Legal, Sales, IT, Operations and Human Resources

35 COMMITMENTS AND CONTINGENT LIABILITIES

Taxation

The Romanian tax system suffered multiple alterations over the last years and now is in the phase of adjusting to the European Union jurisdiction. Therefore, there are still different interpretations of the tax legislation. In certain situations, the tax authorities may treat differently certain aspects, performing the calculation of some additional fees and taxes and of the related interest and delay penalties (at the present time the penalties established according to the delay period, plus 0.01% per day default interest). In Romania, the fiscal year remains opened for tax verification for 5 years. The Group's management considers that the tax liabilities included in these financial statements are adequate.

Transfer pricing

The Romanian tax legislation includes the "market value" principle, according to which the trades between the related parties must be performed at the market value. The local contributors performing transactions with the related parties must draw up and to put at the disposal of the Romanian tax authorities, at their written request, the documentation file of the transfer prices. Failure to present the documentation file or the incomplete presentation of such may cause penalties for noncompliance; additional to the content of the documentation file of the transfer prices, the tax authorities may interpret the transactions and circumstances different from the management's interpretation, therefore, they may impose additional tax liabilities resulted out of the adjustment of the transfer prices. The Group's management considers that the Group will not have any losses if a tax control should occur for the assessment of the transfer prices. Nevertheless, the impact of the different interpretations of the tax authorities may not be reliably appraised. It can be significant for the Group's financial position and/or operations.

Tax risk

The Romanian tax system is in the phase of consolidation and adjustment with the European Union legislation. However, there are still different interpretations of the tax legislation. In certain situations, the tax authorities may treat differently certain aspects, performing the calculation of some additional fees and taxes and of the related interest and delay penalties. In Romania, the fiscal year remains opened for tax verification for 5 years. The Bank's management considers that the tax liabilities included in these financial statements are adequate and they are not aware of any circumstances which may cause significant liability in this respect.

Loan commitments

The main purpose of these instruments is to ensure the availability of the funds to respond to the customers' requirements.

The guarantees and standby letters of credit, which constitute an irrevocable assurance that the Group will make the payments if a customer is not able to fulfil its liabilities towards a third party, are exposed to the same loan risk as the loans.

The commercial and documentary letters of credit representing written commitments of the Group for the benefit of a customer and authorising a third party to draw instalments on Group within the limit of a stipulated amount and within specific terms and conditions are guaranteed by the related assets delivery presenting accordingly a considerably lower risk than the direct loans.

The loan extension commitments represent unused segments loan extension authorisations under the form of loans, guarantee letters or letters of credit. Regarding the credit risk related to the expansion commitments of the loan, the Group is potentially exposed to a loss equal with the total unused commitments.

Nevertheless, probable volume of the loss, although difficult to be quantified, is significantly lower than the total unused commitments since most of the expansion commitments of the loan are conditioned by the observance by the customers of certain specific credit standards. The Group monitors the credit maturities because, in general, the long-term commitments present a higher degree of credit risk than the short-term credit commitments.

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35 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Loan commitments (continued)

The outstanding amounts are as follows:

| | 2021 | 2020 |
|---|--------------------|--------------------|
| Commitments in favour of the customers (irrevocable unused credit facilities) | 163,248,850 | 60,527,592 |
| Guarantees for customers | 209,107,134 | 40,372,329 |
| Total | 372,355,984 | 100,899,921 |

Performance guarantees

Details regarding the letters of guarantee on December 31, 2021 and December 31, 2020 are presented below:

| | 2021 | 2020 |
|--------------------------------|--------------------|-------------------|
| Letters of financial guarantee | 174,448,266 | 22,310,828 |
| Performance bond letters | 34,658,868 | 18,061,501 |
| Total | 209,107,134 | 40,372,329 |

In 2021 and 2020, the Group had no pledged securities.

36 MEASURES TAKEN IN 2021 TO SUPPORT CLIENTS IN THE CONTEXT OF THE COVID PANDEMIC

At the end of the first quarter of 2020, a global COVID-19 pandemic broke out that had a global and national impact on the economy and the financial and banking industry, causing disruptions to businesses and economic activities. On March 11, 2020, the World Health Organization declared the coronavirus epidemic a pandemic, and the President of Romania declared a state of emergency on March 16, 2020.

In order to support customers whose financial situation was affected by the Covid-19 pandemic and to limit the adverse effects of the health crisis on loan portfolios, the Group offered the possibility to postpone the repayment of instalments due both by applying a legislative moratorium, based on GEO 37 / 2020, as well as by implementing non-legislative moratoriums in accordance with the provisions of EBA Guide 02/2020 on legislative and non-legislative moratoriums applied to the payment of loans in the context of the Covid-19 crisis.

The Covid-19 health crisis continued in 2021, with the only difference that this year the vaccination of the population started. As of March 8, 2022 the state of alert was no longer extended.

The Group continues to maintain the necessary measures to ensure business continuity and customer support in these unprecedented times.

The Group constantly monitors the situation of the clients that have applied for the postponement of the repayment of the due instalments by applying both the public and private moratorium and applies optimal negotiation measures with them.

At December 31, 2021 there were no more clients with active moratoria, the last of which expired in November 2021.

The situation of deferred payments (number of debtors and value of exposures by activity segments), at December 31, 2021 and December 31, 2020, is presented as follows:

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36 MEASURES TAKEN IN 2021 TO SUPPORT CLIENTS IN THE CONTEXT OF THE COVID PANDEMIC (continued)

| Client segment | Number of debtors | | | | | |
|----------------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
| | Public moratorium | | Private moratorium | | TOTAL | |
| | December 31, 2020 | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 | December 31, 2021 |
| Individuals | 197 | 0 | 4 | 0 | 201 | 0 |
| Legal entities | 38 | 0 | 1 | 0 | 39 | 0 |
| TOTAL | 235 | 0 | 5 | 0 | 240 | 0 |

| Client segment | Value of postponed loans (RON) | | | | | |
|----------------|--------------------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| | Public moratorium | | Private moratorium | | TOTAL | |
| | December 31, 2020 | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 | December 31, 2021 |
| Individuals | 69,583,426 | 0 | 376,529 | 0 | 69,959,955 | 0 |
| Legal entities | 171,006,104 | 0 | 17,788,284 | 0 | 188,794,388 | 0 |
| TOTAL | 240,589,530 | 0 | 18,164,813 | 0 | 258,754,343 | 0 |

The amounts in the tables above refer only to Vista Bank. Credit Agricole does not register moratoria in 2021.

37 ACQUISITION OF CREDIT AGRICOLE BANK ROMANIA SA

On January 4, 2021 Vista Bank Romania SA signed the contract for the acquisition of the majority package of shares (99.94%) owned by Credit Agricole SA and IUB Holding in the share capital of Credit Agricole Bank Romania SA, further to which Barniveld Enterprises Limited acquired 0.06% of the shares of Credit Agricole Bank Romania SA (non-controlling interests)

In the following period, the necessary approvals were obtained for concluding the acquisition transaction from: the Competition Council (Decision no. 20 of March 30, 2021 on the economic concentration operation through which Vista Bank Romania SA will acquire sole direct control over Crédit Agricole Bank Romania SA), Supreme Council of National Defence (April 28, 2021), opinion issued by CASA Group European Work Council (March 25, 2021), as well as the approval of the National Bank of Romania (Letter of non-objection of August 30, 2021).

The Group took control of the Company on September 16, 2021, when the consideration was transferred in exchange for the shareholding held by IUB Holding and Credit Agricole SA.

Purpose of the acquisition

Vista Bank considers that the banking market in Romania has a high development potential and offers growth opportunities. The main purpose of the merger with Crédit Agricole Bank Romania is expansion on the local banking market. In order to obtain a constant profitability, but also higher, it is imperative to increase the customer portfolio and expand the range of products offered to them. Due to the size of the business, but also to the customers' preference for digitalization, larger banks have an advantage, having low costs, high productivity, but also the opportunity to invest in new technologies. The consolidation process has a beneficial role for the local market, contributing to the increase of profitability and attractiveness, but also to the improvement of the offer for the clients, in the conditions of improving the efficiency of the activity.

The acquisition price was influenced by the decision of the former shareholder to liquidate its operations in Romania, which contributes to the Bank's inability to continue its activity without an additional capital infusion in order to meet the prudential requirements required by the NBR.

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37. ACQUISITION OF CREDIT AGRICOLE BANK ROMANIA SA (continued)

Thus, French giant Crédit Agricole wanted to exit the Romanian market, as it did in Greece, where it reached an agreement in this regard with Vardinogiannis group for the sale of Crédit Agricole Bank Romania.

The merger will basically allow Vista Bank to increase its market share but also to improve its offer of products to customers, incorporating the AGRI sector in its product range (loans for purchase of agricultural land, loans for purchase of agricultural equipment, etc.).

To conclude, the purpose of the acquisition of Credit Agricole Bank Romania SA by Vista Bank was strategic, namely, to increase the market share and gain access to SMEs operating in the agricultural sector, through the acquisition of the majority shareholding of Credit Agricole Bank Romania SA.

In the three-month period up to December 31, 2021 (effective merger date), Credit Agricole Bank Romania SA brought revenues of RON 12.8 million and a profit of RON 2.11 million to the Group's results. If the acquisition had taken place on January 1, 2021, management estimates that the impact of Credit Agricole in the consolidated profit would have been a loss of RON -10.04 million for total revenues of RON 137.2 million. The revenues are mainly from interest and fees. This estimate assumes that the fair value adjustments registered at the acquisition date would not have been different had the acquisition taken place on January 1, 2021.

Consideration transferred

The fair value of the consideration transferred is EUR 0.99 (RON 4.8998) and was paid in full at the date of finalisation of the acquisition and takeover of control, September 16, 2021. At the date of takeover of control, all the amounts for the acquisition of Credit Agricole Bank were paid and there is no contingent consideration left to pay.

Gain on acquisition

| | 2021 | 2020 |
|---------------------|--------------------|-------------|
| Gain on acquisition | 250,007,844 | - |
| Total | 250,007,844 | - |

Acquisition of ownership

Cash flows from investing activities:

| | |
|--------------------------|--------------------|
| Acquisition of ownership | 631,065,635 |
|--------------------------|--------------------|

Amounts from Credit Agricole on September 30, 2021

| | |
|--|--------------------|
| Cash and cash equivalents at central banks | 290,832,774 |
| Bank deposits | 340,232,866 |
| Total | 631,065,640 |

| | |
|---|---------------------|
| Total acquisition price paid | 4,8988 |
| less: cash and cash equivalent of acquired subsidiary | 631,065,640 |
| Total cash taken over at acquisition | -631,065,635 |

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37. ACQUISITION OF CREDIT AGRICOLE BANK ROMANIA SA (continued)

Assets acquired and obligations assumed

The table below summarises the amounts recognised at acquisition date in terms of acquired assets and assumed obligations:

| In thousand RON | Book value | Adjustments | Fair value |
|--|-------------------|--------------------|-----------------------|
| Cash, cash equivalents and deposits at central banks | 228,868 | - | 228,868 |
| Loans and advances to credit institutions | 386,466 | - | 386,466 |
| Capital instruments | 1,579 | - | 1,579 |
| Treasury bills | 149,029 | - | 149,029 |
| Loans and advances to customers | 1,897,387 | 33,112 | 1,930,499 |
| Intangible assets | 12,922 | 6,987 | 19,909 |
| Property, plant and equipment | 19,158 | 10,178 | 29,336 |
| Other assets | 11,208 | - | 11,208 |
| Deferred tax assets | - | 14,815 | 14,815 |
| Customer relations | - | 8,500 | 8,500 |
| Payables to credit institutions | -254,626 | - | -254,626 |
| Customers' deposits | -2,198,815 | -2,745 | -2,201,561 |
| Subordinated loans | -44,536 | - | -44,536 |
| Other liabilities | -20,362 | - | -20,362 |
| Deferred tax liabilities | - | -8,965 | -8,965 |
| Total net assets acquired, | 188,276 | 61,882 | 250,158 |
| of which | | | |
| - <i>net assets acquired attributable to Bank's shareholders (99.94%)</i> | | | <u>250,008</u> |
| - <i>net assets acquired attributable to non-controlling interests (0.06%)</i> | | | <u>150</u> |

The amount of non-controlling interests in Credit Agricole Bank Romania SA was recognised at the acquisition date, using the pro rata method.

Method of determining fair value of assets and liabilities acquired in the business combination

Intangible assets resulting from the business combination

The identifiable intangible assets were valued by an individual independent valuer. Based on the valuation report, the following elements were included in the allocation of the acquisition price:

- relation with customers regarding bank loans
- relation with customers regarding deposit contracts

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37. ACQUISITION OF CREDIT AGRICOLE BANK ROMANIA SA (continued)

Determination of the fair value of assets and liabilities acquired in the business combination

The fair value of assets and liabilities acquired was determined as follows:

- 1) **Treasury bills:** fair value is represented by the market price; a reasonableness analysis was performed to determine the differences between the book value and the market value, the conclusion being that the difference between the two is reasonable and the book value is in line with the market value (**RON 149,029 k**);
- 2) **Loans and advances to customers:** in order to determine the fair value, the portfolio of loans and advances to customers was divided into:
 - high-performing exposures (which have a fundamentally different source of repayment than non-performing exposures; for the purpose of analysing the market value, the premise of “going concern” is assumed (it is assumed that the contractual terms regarding the debt service will be respected); contractual cash flows will be discounted using an appropriate market rate);
 - non-performing exposures (for which it is unlikely to fully reimburse cash flows, without capitalizing on collateral, if any); thus, for the purpose of analysing the market value, the calculations are based on the “gone concern” assumption (cash flows estimated to be obtained from the realization of the collateral reflecting the discount assumptions on the market value as a result of the liquidation, legal status, the costs of performing the guarantees, the recovery rates, as well as the average rate of return expected).

The fair value of “Loans and advances to customers” purchased was RON 1,930,499 k. The gross amount according to the contracts was RON 1,962,833 k, of which RON 65,446 k is estimated as unrecoverable, as detailed in the table below:

| In thousand RON | Gross value at acquisition date | Expected loss at acquisition date | Net book value at acquisition date | Adjustments | Fair value |
|---------------------------------|---------------------------------|-----------------------------------|------------------------------------|-------------|------------|
| Loans and advances to customers | 1,962,833 | -65,446 | 1,897,387 | 33,112 | 1,930,499 |

Method of determining market value

1. For performing exposures, the income-based method was considered appropriate for determining the market value of the portfolio (this method involves determining the value of the asset based on its potential to generate cash flows); of the techniques of the income-based method, for loan instruments without an active market, the discounted amount techniques, such as the discounted cash flow method, are the most widely used. This method indicates that the value of the loan is based on the present value of the cash flows expected to be generated in the future by the loan. To calculating the market value of performing exposures, contractual cash flows (gross of any expected credit losses) were discounted at a market rate of return for such cash flows, reflecting the time value of the money and the uncertainty of collecting such cash flows.

As regards the impact of credit risk on the fair value of loans, the provisioning procedure for Credit Agricole was analyzed and it was concluded that the adjustments for the expected losses estimated by the Bank under this procedure are reasonable and adequately reflect the credit risk for Stage 1 and 2 loans. Therefore, no additional credit risk adjustments were made compared to those already recorded by CABR at the Valuation Date;

2. For non-performing exposures, considering the high level of provisioning for loans classified in Stage 3 according to IFRS 9, namely 65.2% for all non-performing loans, the analysis of the fair value of non-performing loans focused on estimating expected credit losses; no adjustments were made due to differences between contractual and market interest rates. Based on the above and the analysis of collateral, it was concluded that the carrying amounts of non-performing loans represent a reasonable estimate of their market values, except for some exposures for which a positive adjustment of RON 5.019 k was suggested.

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37. ACQUISITION OF CREDIT AGRICOLE BANK ROMANIA SA (continued)

Valuation results

The fair value of the total portfolio of loans, before expected credit losses, was estimated at August 31, 2021 at **RON 1,990.9 million**, resulting a total positive adjustment of **RON 33.11 million**, of which RON 28.11 million for Stage 1 and 2 loans and RON 5 million for Stage 3 loans. The fair value of the loan portfolio after considering the expected credit losses was **RON 1,930.5 million**.

3) Tangible and intangible assets

The following valuation techniques were used to evaluate the main categories tangible and intangible assets:

- **Land and vehicles:** market approach/ market comparison method

For land, the market value was determined according to the offers existing on the local market for similar land. Resulted a market value of **RON 1,939 thousand**;

For vehicles, the market value was determined according to the offers collected from specialized websites, for vehicles comparable with the ones owned by the Bank. Resulted a market value of **RON 538 thousand**;

- **Buildings owned by Credit Agricole:** income-based approach / income capitalization

The valuation was based on rentals of comparable buildings, collected from the market, also considering the vacancy rates, the weight of the owners' expenses in the annual gross income and the capitalization rate. It resulted a market value of **RON 8,757 thousand**;

- **Improvements of rented buildings and equipment - IT/other & intangible assets (IT software)** – cost-based approach – depreciated replacement cost method.

For the valuation, the following steps were made:

- estimation of new replacement cost of assets
- estimation of asset amortization/depreciation
- calculation of depreciated replacement cost (fair value) as new replacement cost less depreciation.

It resulted an estimated market value for improvements of rented buildings and equipment - IT/other of **RON 11,164 thousand**, and for intangible assets (IT software) of **RON 19,662 thousand**;

IT development project: the book value of the IT projects under development was considered a proper approximation of their market value, as they are in their final stages of development. It resulted a total market value of **RON 146 thousand**;

The total intangible assets in the table above contain, in addition to the amounts mentioned, an amount of RON 101k, recognised both in the book value, and in the fair value of intangible assets.

- 4) Customer relations:** the income-based method (The Multi-Period Excess Earnings Method) was applied to determine the fair value of customer relations, considering the number of active customers. This method estimates the fair / market value based on the value of cash flows attributable to intangible assets, net of normal return on other assets (fixed assets, net working capital and other identified and valued intangible assets) that contributed to the generation of those cash flows.

The main element in assessing the customer relation is the estimation of the cash flows that will be generated by the existing customer portfolio at the valuation date, i.e. the future benefits from loans and deposits related to the customer base in question. The estimated market value for customer relations was **RON 8.5 million**.

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37. ACHIZIȚIE CREDIT AGRICOLE BANK ROMÂNIA S.A. (CONTINUARE)

5) Customers deposits: only term deposits were considered for fair value valuation.

Thus, the book value of current accounts was considered a good approximation of their fair value (the interest offered by most banks for current accounts is low / close to zero).

The fair value of term deposits was estimated by discounting the expected cash flows at an appropriate discount rate, using the average interest rates in the Romanian banking system offered on the Valuation Date for new deposits. As interest rates on Crédit Agricole deposits are slightly above average market rates, the carrying amount of deposits (including interest accrued at August 31, 2021) is slightly lower than their fair value. As such, a positive adjustment of the fair value for term deposits in amount of RON 2,745 k was estimated. The estimated market value for deposits was **RON 2.2 million**.

6) Deferred tax assets: In accordance with IAS 12 Income Tax, an entity shall recognize a deferred tax asset in respect of the amount of unused tax losses to the extent that it is anticipated that there will be a taxable profit in the future against which such unused tax losses may be used.

Given the historical losses recorded by CABR, the Bank did not anticipate a positive fiscal result that would provide the chance to use the accumulated tax losses, so that a deferred tax asset was not recognized. However, it was assumed that the tax losses recorded by CABR in the period 2015-2021 will be used by Vista Bank following the merger process expected to take place during 2022, given that Vista's future profits (after the merger with CABR) will be greater than the above amounts. As such, at August 31, 2021, a total deferred tax was estimated at RON **14,815 k**, on the basis on the 16% corporate tax and the tax losses of CABR in fiscal years 2015 – 2021.

7) Deferred tax liabilities: IFRS 3 "Business combinations" provides that the assets acquired and liabilities assumed in a business combination must be measured at fair value at the acquisition date, with the purpose of recognizing these amounts in the consolidated financial statements. According to the same standard, "*The acquirer shall account for the potential tax effects of temporary differences and carryovers of an acquiree that exist at the date of acquisition or that arise as a result of the acquisition in accordance with IAS 12.*" Although IAS 12 "Income Taxes" exempts the initial recognition of a deferred tax asset or liability arising from the recording of an asset or liability, this exemption does not apply to assets and liabilities acquired in the context of a business combination.

Thus, income tax liabilities worth RON **8,965 k** were recognized in accordance with the requirements of IFRS.

Gain on acquisition

The results of the Group for the financial year ended December 31, 2021 include the gain on the acquisition of Credit Agricole Bank Romania SA in amount of RON 250,158 k. it is presented in the consolidated statement of profit or loss in a separate line, *Gain on acquisition*.

The gain on the acquisition was determined as the difference between the final consideration (RON 0.005 k) and the portion of the fair value of assets and liabilities of Credit Agricole Bank Romania SA held by the Bank at the date of control takeover (in amount of RON 250,158 k). This amount represents a gain (positive difference between the fair value of the net asset of Credit Agricole Bank Romania SA and the consideration paid at the acquisition date).

The acquisition costs are the costs incurred by the Group in carrying out the business combination. These costs include intermediation, advisory, legal, accounting, valuation and other professional or consultant fees, as well as the general administrative costs generated in the integration process.

The associated costs of the acquisition and integration of Credit Agricole Bank Romania SA were of RON 1,929 k, which are included in the Income statement in the *Other operating expenses* line, detailed in Note 9 in Other third-party services. The integration costs for 2022 are estimated at RON 2,405 k.

38 SUBSEQUENT EVENTS

1. Covid health crisis

The Covid-19 health crisis continued in 2022.

The Group continues to maintain the necessary measures to ensure business continuity and customer support in these unprecedented times.

Thus, all the necessary precautions are taken for the protection of both employees and customers to mitigate the risk generated by the Covid-19 virus.

To reduce the risk of contamination, work from home is continued for most employees in the central office.

The activity takes place in normal parameters, focusing on digitization and coordination of remote work teams and providing banking services at the same standard.

The Bank's infrastructure and IT applications work without problems, without qualitative decreases in the banking services provided.

IT solutions for registering the related contractual changes for payment deferrals were implemented.

Liquidity indicators and the evolution of deposits are constantly monitored, to prevent any disturbances in activity.

There were no qualitative decreases in services, the Group relying on the ability to keep the online platforms functional and uninterrupted.

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(all amounts are expressed in RON, unless otherwise stated)

34 SUBSEQUENT EVENTS (continued)

At the moment, the Group has no unpaid debts, all the obligations regarding taxes and social contributions have been paid on time. The potential deviation from the budgeted estimates does not affect the quality of the services and does not affect the level of the prudential ratios.

The Group has all the tools and support from the group to continue the activity without disruptions.

2. Ukraine crisis

On February 24, 2022, the Russian Federation engaged in military actions on the territory of Ukraine. However, the Bank does not have direct exposure to entities from the Russian Federation, Ukraine or Belarus.

However, the current political and economic environment in Ukraine can lead to increasing global uncertainty, a shortage of energy supply and a potential decline in economic growth.

The Group closely monitors developments that may affect financial markets, including sanctions, government action and developments in Ukraine. The Group will continue to assess the impact of the crisis in Ukraine and will take any potential action needed, as the facts and circumstances may change.

At the date of preparation and approval for publication of the financial statements, the Group's management assessed the current political and economic framework and the measures already taken or planned by the Government of Romania, the National Bank of Romania and the European Council, which could have a negative impact on the Group. Based on this assessment and the publicly available information currently available, management does not expect the economic impact of current developments to significantly affect the company's going concern ability. Given the uncertain nature of current developments, it is still premature to quantify the potential impact on the company's financial results for 2022 and beyond. Any economic impact on the company and its customers that have economic links with this geographical area at risk will depend primarily on the duration of the war and the intensity of the political and economic measures taken, as well as the restrictions implemented.

A potential negative impact on the Group's medium-term financial position and performance cannot be ruled out given the economic environment in which the company operates. Management closely monitors any developments and is prepared to take appropriate action. These possible future measures, taken by the company, could cover the areas of accounting estimates and calculation methods for adjustments for expected losses and provisions for credit risk. However, at the date of preparation of the financial statements, the Group continues to meet its obligations when due and, based on the assessment of current events and potential developments, the Group applies the going concern principle.

The financial statements were approved in the General Meeting of Shareholders of May 13, 2022 and signed by:

Georgios Athanasopoulos
General Manager

Marilena Eparu
Financial Control & MIS Manager



**CONSOLIDATED REPORT OF THE BOARD OF ADMINISTRATION
ON THE ACTIVITY CARRIED OUT IN 2021**

VISTA BANK (ROMANIA) S.A., Romanian legal entity, having the headquarters in 90-92 Emanoil Porumbaru Street, Bucharest, district 1, Romania, is registered with the Trade Registry under no. J40/4436/1998, having the unique registration code RO 10556861, share capital RON 468,582,594, and is registered at the National Bank of Romania Registry no. RB-P-JR-40-044 dated 18.02.1999.

Budget - 2021

In line with the revised Budget, the following levels of principal elements have been estimated for 2021:

- Total assets - RON 7.723 mil;
- Customer loans - RON 4,911 mil;
- Instruments – RON 906 mil;
- Customer deposits – RON 7,071 mil.

Profit & Loss account:

- Net interest income - RON 145 mil;
- Net commission income - RON 15 mil;
- Net FX earning - RON 8 mil;
- Operational costs - RON 158 mil.

The Group focuses on the following objectives:

- the limitation of losses due to the depreciation of the debtor's quality by monitoring the loan portfolio, which is a permanent process that includes two stages: the first stage is for the prevention of the events which may cause risks and takes place before taking the decision of financing potential clients, being followed by the credit risk monitoring stage which takes place after the loan financing and until the full repayment.
- to speed up the selling of the repossessed assets (Vista Bank);
- to increase the collections related to the non-performing portfolio.
- to detect and correct the occurred problems in due time.
- the improvement and amendment of the Procedures of the Group according to the legislation in force.
- increase of the level of the professional qualification of our employees by participating at external and internal training programs.
- improving the IT System in order to minimize the risks of the Group.
- expand the cards products portfolio for both companies and private individuals and POS acquiring.
- continue to offer the retail product "First House" for granting of housing loans
- implementation of the AGRI product taken over from Credit Agricole;

- ❑ focus on expanding the retail lending in local currency, as a strategy the Group will focus on medium and high net individuals that are not so sensitive at current market fluctuation.
- ❑ moderate lending expansion to new corporate customers with focus on financing of the current activity of the companies; as a strategy the Group will focus on medium & large corporate customers with solid financial statement that can sustain their business in the current market conditions.

To have a balanced loan portfolio the Group will focus on sectors related to real economy such: food, services, trade with primary products, agriculture, energy, distribution, constructions, real estate etc.

- ❑ focus on expanding the corporate and especially SME lending in local currency and convert existing exposure from foreign currency into local currency.
- ❑ avoid investment loans in real estate project or in non-productive projects for corporate clients;
- ❑ focus in co-financing the projects with EU Structural funds option for corporate and SME clients;
- ❑ granting working capital credit lines addressed to SMEs with state guarantee;
- ❑ increasing the turnover of our customers through our account – better monitoring of quality of services;
- ❑ improving the capital base and the prudential ratios;
- ❑ attract new deposits from the customers that have funds availability;

Corporate Banking Division serves a wide range of clients, legal entities from all the sectors of the economy.

The products and services provided to clients support a mutually beneficial relation, with the purpose of contributing to the Group's profitability and to cover clients' needs.

The main objectives of Corporate Banking for 2021 were the following:

- offering support to the network selling channels for enlarging the corporate portfolio by attracting new clients with acceptable risk and profitability;
- monitoring constantly the market evolution in order to adjust the corporate financing to the clients' needs and improve products offered to customers;
- Improving the structuring, negotiation, execution and performance of loan facilities and contributing to the minimization of losses from lending activity.

Retail Banking Division offers a variety of lending and savings products for individuals. Retail Banking has developed a range of savings products to improve the Group's liquidity and attract financial resources from the population.

On the Retail segment, the Group focuses on the following types of loans:

- Real estate investment loans, mainly "Prima Casa" loans
- Consumer loans
- Credit cards
- Overdrafts

The main objectives of Retail Banking for 2021 were the following:

- improving the efficiency of the loan approval process by improving the automation of related operations;
- continuous improvement of existing products, both loans and deposits, to adapt the offer to the new market requirements and consumers;
- developing of creative savings products to diversify resources and increase the customers' base;
- expanding client portfolio by attracting customers according to risk strategy;
- optimizing the cross-selling customer's portfolio.

Risk management

The risk management activity is a process focused on the analysis of the risk profile, to achieve a balance between the level of undertaken risks and the profitability related thereto, in the purpose of ensuring the development of the Group's activity on solid grounds. In this way, the Bank's capital will be protected and the added value for shareholders will increase.

The main risks which the Group is facing result from the performance of the banking activity on the Romanian territory, as well as with foreign counterparties.

The most important financial risks to which the Group is exposed are the credit risk, the operational risk, the liquidity risk, the market risk and the reputation risk. The market risk includes the currency risk, the interest risk and the price risk.

a) The credit risk

The Group is exposed to the credit risk, namely to the risk of undergoing losses or not realizing the estimated profits, as a consequence of the counterparty's default in fulfilling its contractual obligations. The credit risk source is not represented only by the classic credit activity, this occurring in any activity which involves a counterparty risk. In this sense, the identification, assessment, management and control of the credit risk are concerned both with the activities emphasized in the balance sheet and with those off-balance sheet, which are subject to this risk.

The credit risk is treated, managed and monitored differently, based on the nature of the counterparty to which it is exposed: non-banking clients, respectively private individuals and legal entities (classic credit risk) and credit institutions (the limitation of exposure towards other banks and the correspondent relations).

At Group's overall level, the emphasis is placed on the degree of concentration of the portfolio function of various factors, such as: a) for legal entities: activity sector, facility duration, facility type, country of origin, company size, geographical area and b) for private individuals: product type and geographical area as well as the interdependencies between such, the final objective being that of holding a diversified credit portfolio, which allows the control and management of the undertaken risks and the avoidance of the deterioration of its quality, due to the similarities between the composing elements.

To limit the counterparty risk to the level of placements or correspondent banking account with other banks, the Group establishes and monitors the compliance with the maximum limits of exposure for each bank on the money market and foreign exchange markets, in correlation with the risk of such counterparties, and also to the level of the Group's own funds.

b) The operational risk

The operational risk - the risk of undertaking losses or of failing to realize the estimated profits, which may be determined by internal factors (the inadequate development of certain internal activities, the existence of an inadequate staff or systems, etc.) or of external factors (economic conditions, changes in the bank environment, technological processes, etc.).

To manage operational risk, the Group monitors the operational risk events by establishing Key Risk Indicators and maintaining a Loss Database with the losses generated by these events.

At the same time, the management of the legal risk is considered component of the operational risk, which occurs as a consequence of the failure to apply or of the incorrect application of the legal or contractual obligations, which has a negative influence on the Bank's operations or situation.

To manage legal risk, the bank monitors the litigations in which it is involved as plaintiff, as defendant or as garnished third party.

c) Liquidity risk

The liquidity risk is the risk of undergoing losses or of not realizing the estimated profits, which results from the Group's impossibility to honour at any time the short-term payment obligations, without these involving costs or losses which cannot be borne by the Bank.

The structure of assets and liabilities was analysed based on the period remaining until the contractual due date. The Group wants to keep a balance between the maturity dates of placements and the due dates of the attracted sources. The essence of managing the liquidity risk means the certainty that the Group holds or may access liquid funds to be able to satisfy the operational needs in regular activity conditions which needs additional sources of liquidities, but also in unpredictable situations.

d) Currency risk

The currency risk, the component of the market risk, is generated by miscorrelations between the Group's receivables and

commitments in a certain currency (represented in the Bank's balance sheet and in elements outside the balance sheet). The main currencies held by the Group are EUR, USD and GBP.

e) Interest rate risk

The interest rate risk, component of the market risk, results from the GAP between the Group's assets and liabilities which carry interest and the spread between them per band and cumulative.

The sources of the interest risk are the miscorrelation between the re-pricing date of assets and liabilities which carry interest, unfavourable evolutions in the shape and inclination level of the interest efficiency curves (non-parallel evolutions of the efficiencies of the Bank's interests payable and to be collected), the non-correlation of the evolutions between reference interests to which the Bank's payable interests and interests to be collected are added, as well as the options incorporated into the Group's products, options which the clients may exert (the anticipated refunding of credits, the withdrawal before the due date of term deposits).

To limit the interest risk at the level of the credit activity, the Group generally practices for loans variable interests, based on the Group's policy and based on certain reference interests on the market (EURIBOR, LIBOR, and ROBOR). To limit the interest risk at the level of attracted sources, the Bank practices for deposits fixed interests. Based on the amount of the deposit as well as the market conditions, the Bank may negotiate the interest for such deposits.

f) Price risk

The price risk, component of the market risk, occurs from the market fluctuations of the price in the movable valuables, goods and derived financial instruments.

The Group does not hold at the end of the financial year, a trading portfolio and consequently it is not subject to the price risk.

g) Reputation risk

The reputation risk, the risk of undergoing losses or of not realizing the estimated profits, as a consequence of lack of trust in the Group's integrity.

The management of the reputation risk is concerned with the permanent insurance, based on reality, of a positive image on the market with the clients, the other financial institutions in the system, the shareholders, the State's institutions, the supervision control, and the media.

Actual figures at the end of 2021 are presented below, underlying the main items of assets and liabilities from the Balance sheet and Profit & Loss account:

Actual 2021 Balance sheet

Due from banks

The total due from banks amounted to RON 1,723.22 million representing 24.58% from the total assets and has the following structure:

- Balances with National Bank of Romania amounted to RON 949.75 million, out of which the local currency reached the level of RON 491.96 million and the foreign currency reached EUR 92.52 million. Minimum mandatory reserves at December 31, 2021 were: RON 265.54 million and EUR 19.18 million;
- Funds in the correspondent accounts amounted to RON 203.17 million, of which ROM 0.57 million represents funds in domestic banks and RON 202.60 million represents funds at the banks abroad.
- Placements represented RON 501.25 million, with local banks.

Allowances for expected loss are set up in accordance with IFRS and amount to RON 0.15 million.

Customer loans

The loans granted to customers at a value net of provisions, including the related accruals, represent 56% from the total assets and amounted to RON 3,934.45 million. Their gross value is RON 4,028.69 million, out of which:

- RON 2,850.54 million legal entities (71%)

- ❑ RON 1,178.15 million private individuals (29%)

Specific risk provisions are constituted as per the IFRS regulations, amounting to RON 93.24 million.

Fixed assets

The fixed assets amounted to RON 59.00 million, representing 0.8% from the total assets.

The Group's Board of administration decided on using the straight-line amortization method, during the life spans specified in the legislation in force per each category.

Constructions are represented by works carried out at the Group's headquarters and at the leasehold improvements for the spaces rented for the activity of branches, an office building (for Deva Branch), as well as a villa purchased for the Group's representatives. These expenses are capitalized and are amortized over a period of 50 years for the purchased real estate and respectively, over the number of years for the duration of rental contracts.

Due to banks

- ❑ deposits from banks are in amount of RON 0.05 million.

Customer deposits

- ❑ liabilities to customers amount to RON 6,254.99 million represent 89% of the total funds attracted, out of which:
 - RON 3,537.23 million – granted to legal entities (57%)
 - RON 2,717.77 million – granted to individuals (43%)

Subordinated loan

- ❑ The subordinated loans are in EUR and USD, for a defined period of time of 5 – 7 years and amount to RON 66.62 million

SHARE CAPITAL

The Vista Group share capital registered at Trade Registry, amounting to RON 468.58 million and consists of 4,685,825,944 shares, with a face value amounting to RON 0.1 each, which grant legal rights to their holders.

The adjustment for inflation in accordance with IAS 29 amounts to RON 36.17 million and the Group's share capital presented in the Financial Statements amounting to RON 504.75 million.

Actual 2021 Income statement

The total income for 2021 amounting to RON 428.20 million, out of which:

- ❑ RON 146.35 million - interest income received;
- ❑ RON 12.89 million - income from commissions;
- ❑ RON 5.09 million - net profit from exchange operations;
- ❑ RON 250.01 million – gain on acquisition;
- ❑ RON 13.86 million - other income.

The total expenses related to the income realized in 2021 amounted to RON 200.95 million, out of which the expenses from Group's operations are RON 58.87 million, are as follows:

- ❑ RON 55.55 million - interest expenses paid;
- ❑ RON 3.32 million – commissions expenses;

The net interest income is RON 90.80 million, and net commission income is RON 9.57 million.

Other operating costs amounting to RON 117.83 million have the following structure:

- ❑ RON 52.79 million expenses with the staff members;

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for the activity carried out in 2021

- ❑ RON 39.36 million represent administrative expenses;
- ❑ RON 17.02 million expenses with the depreciation and revaluation of fixed assets;
- ❑ RON 8.66 million impairment of assets and provisions.

As at 31.12.2021, the Group registered a profit of RON 227.25 million.

Other information

At December 31, 2021, the Group operates in 45 branches (31 Vista Bank branches and 14 Credit Agricole branches) that employ a total of 560 people (312 Vista Bank employees and 248 Credit Agricole employees).

For the end of 2021, the Group has registered the following financial performance indicators presented comparable with 2020:

| Ratios/ Reporting data | Dec-21 | Dec-20 |
|--|-------------|-------------|
| | RON | RON |
| Own funds | | |
| Own funds Tier 1 | 498,117,767 | 307,688,154 |
| Own funds Tier 2 | 63,974,469 | 19,830,000 |
| Total own funds | 562,092,236 | 327,518,154 |
| Capital adequacy ratios | | |
| Capital adequacy ratio Tier 1 | 15.92% | 19.23% |
| Total capital adequacy ratio | 17.97% | 20.47% |
| Debt-to-Equity ratio | 6.91% | 8.78% |
| Liquidity ratios | | |
| Liquidity ratio | n/a | 2.94 |
| Quick ratio | 42.80% | 47.82% |
| Liquidity coverage ratio (LCR) | 186.82% | 247.63% |
| Profitability ratios | | |
| Return on Assets (ROA) | 3.24% | 0.01% |
| Return on Equity (ROE) | 41.56% | 0.15% |
| Total expenses to total revenues | 45.43% | 90.70% |
| Ratios on the quality of the assets | | |
| Non-performing loans ratio | 1.95% | 4.60% |
| Impaired receivables/Total credits | 2.75% | 6.84% |
| Other ratios | | |
| Granted loans/attracted deposits | 62.92% | 54.30% |
| Total debt/Total equity | 11.82 | 9.77 |

The obligations to social insurances and to the State budget were paid entirely and within the terms established by the regulations in force.

The evaluation of assets and liabilities expressed in currency is made at the exchange rates on the currency market, communicated by the National Bank of Romania, on the last working day of the month.

The realization of the obligations stipulated by the law regarding the organizing and fair and to-date accountancy is in compliance with the accounting principles (prudence, permanence of methods, going concern, independence of the financial year, intangibility of the opening balance sheet, non-compensation).

The bookkeeping records are kept in Romanian and in the national currency. The accountancy of operations performed in currency is kept both in national currency and in foreign currency. The bookkeeping records are made based on documents prepared legally, chronologically and systematically. Any patrimonial operation is written down, when it is made, in a document which constitutes the base of bookkeeping records, thus acquiring the capacity of supporting document.

The internal control system is organized as a separate activity within the Group being composed by the following: risk administration

department, compliance department and internal control department, having as purpose the application of procedures and of internal norms, and the compliance with the legal banking norms in force.

The exchange rates as at 31.12.2021 were the following:

- RON/EUR – 4.9481
- RON/USD – 4.3707

Going concern

The financial statements of the Group have been prepared in accordance with the activity continuity principle, which implies activity pursue on the part of the Group in the foreseeable future.

External context

2020-2021 was a difficult period for the world economies because it was marked by the economic crisis caused by the effects of the COVID-19 pandemic.

All throughout Europe, governments implemented substantial fiscal packages to support households and companies, coming with job retention programs. At the same time, central banks undertook to offer substantial monetary facilities both through conventional and unconventional means to support the credit flow and to prevent disturbances on the financial market. The macro-prudential measures taken have also facilitated the absorption of the impact of the crisis on banks and debtors alike.

Still, towards the end of 2021, the cases of Covid-19 grew as a result of a new variant that emerged and the low rate of vaccination especially in emerging countries. In addition, most prices in the energy sector and the disruptions of production chains have created new pressure on the economies, which were already affected by the pandemic.

Given the successive emergence of Covid-19 waves, in 2021, the European Central Bank maintained a series of measures to make sure that banks under its direct supervision may still fulfil their role in financing the real economy, given the economic effects of Covid-19.

At national level, the National Bank of Romania has continued its policy started in 2020, maintaining a series of measures meant to mitigate the adverse effects of the crisis generated by the pandemic on Romanian households and companies.

Thus, the NBR further reduced the monetary policy interest to 1.25% as of January 18, 2021 and maintained at this low level up towards the end of the year, when once the impact of Covid-19 lessened significantly, the global and national economies started facing high inflation rates.

In the same period, the NBR lowered the deposit facility rate to 0.75%, and the lending (Lombard) facility rate to 1.75%.

The effect of such measures was a reduction of interest rates on the monetary market and therefore, through the transmission mechanism, a reduction of interest on loans granted to companies and households, favouring economic recovery. The NBR continued to properly manage liquidities in the market, by providing liquidity to credit institutions via repo transactions, if needed, and by purchasing RON-denominated government securities on the secondary market to ensure the smooth financing of real economy and the public sector. The minimum reserve requirements for foreign exchange liabilities remained at 5% and at 8% for liabilities in RON.

With the decrease of the last pandemic wave, and in the context of rising inflation, the NBR began to gradually increase the monetary policy interest rate. Thus, by the end of 2021, this was 1.75% with a corridor for the facility, extended to +/- 0.75%.

During 2021, the RON / USD and RON / EUR exchange rates continued to fluctuate considerably, in the face of uncertainty on the international financial markets, global economic developments and signals of prolonged central banks' tight monetary policy.

Thus, the RON / EUR exchange rate registered a constant increase during 2021, registering a value of 4.9481 at the end of 2021, compared to 4.8694 at the end of 2020.

Regarding the Romanian banking system, in 2021 the deposits of the real sector consolidated their dominant position in the liabilities of credit institutions and represent approximately two thirds of the value of the aggregate balance sheet of the banking sector.

The liquidity related to the Romanian banking sector maintained its prudent position, the credit institutions having a consistent stock of liquid assets able to manage liquidity shocks and to contribute to the reduction of risks from the real sector.

In terms of liquidity indicators, Romanian banks have managed to keep them well above the specific requirements in force throughout

the period since the beginning of the COVID-19 pandemic.

The IRCC or the Consumer Credit Reference Index has replaced the ROBOR in calculating the interest rate for variable interest loans. Since its introduction, the IRCC has steadily declined to 1.17 at the end of the third quarter of 2021.

Internal context

Vista Bank is a universal bank, of low size and complexity, ranking the 17th bank at December 31, 2021 in terms of assets (0.70% of the total banking assets of the Romanian banking system).

In addition to the external context, one must also consider the internal factors related to the size and performance of Vista Bank:

- The total value of assets increased by 29% at December 31, 2021 compared to December 31, 2020, namely from RON 3,448.76 million to RON 4,455.09 million;
- As regards the evolution of liabilities, they increased especially due to the increase of customer deposits (by 31%, namely RON 943.4 million);
- The final result for 2021 is a profit of RON 9.19 million, compared to RON 0.47 million in December 2020.

During December 2020 – December 2021, the own funds of the credit institution remained relatively constant, while the rate of total own funds decreased against the background of increasing assets, namely from 20.47% to 17.25%.

As regards the quality of assets, the rate of non-performing exposures (NPE) decreased significantly, below the average of the banking system at December 31, 2021 (2.10% v. 3.35%). The provision coverage rate was below the system's average at December 31, 2021 (51.18% vs. 66.07%).

As regards processes and their quality, it is worth mentioning that they were not affected by the COVID-19 pandemic, and the telework did not have adverse effects on communication inside the organisation or on the quality of work.

Conclusion

The main conclusion of these external and internal evolutions is that Vista Bank is a solid bank, which has the capacity to manage work processes and to adapt to market changes, which holds a base of stable customers. Given the elements mentioned above, the pandemic crisis offered the Bank the opportunity and the context to extend its business, by diversifying the portfolio of clients and products, reflected in the acquisition of Crédit Agricole Romania.

Measures taken by the Bank in the context of the Covid-19 pandemic

The main measures taken by Vista Bank in the context of Covid-19 are described below:

- All going concern management scenarios have been fully implemented (all critical processes with BCM alternatives are now in place, with a special focus on work from home for most headquarters employees), and employee protective materials are available on large-scale, weekly sanitation takes place in all branches and headquarters with special antiviral materials;
- The Group continued to be concerned with the customer experience, ensuring the continuity of basic services in real time, with prompt intervention, constant communication with customers and accelerated the digitization process;
- Close monitoring of the evolution of liquidity and solvency and isolation of elements with high volatility potential;
- Active monitoring of market evolution and liquidity, as well as customer behaviour;
- In addition to public moratorium measures, the Group has decided to support its clients through other dedicated loan forbearances, in accordance with the specific needs of clients.

Financial impact of the pandemic on the Group's financial and prudential position

Due to the resilient activity and the results obtained in the last years, the Group managed to maintain a good position even in this context, with adequate levels of capital and liquidity. In 2020, the Group included in the provisions for losses on lending activities the effect of the new macro-economic scenarios, and the rate of non-performing loans dropped below 5%. All other prudential indicators of the Bank were within the regulated limits. Even in the pandemic context, the Group registered an increase on all levels of activity, both in terms of the Group's assets and liabilities (customer loans, securities, customer deposits), and in the structure of the profit and loss account.

Strict cost discipline is one of the factors that generated positive financial results for the Group in 2021, while the additional administrative costs associated with Covid-19 were absorbed entirely.

The Group had a reasonable estimate of the impact of Covid-19 on its future financial position and conducted an analysis in this respect.

The Group considers that the assessment of the going concern principle is adequate and there is no going concern risk over the new 12 months.

Liquidity and solvency position

The Group regularly assesses the impact of Covid-19 in its activity, risk profile and prudential and performance indicators. In this sense, the Group evaluates its performance based on stress testing scenarios on key performance and prudence indicators, strict monitoring of position and liquidity indicators (mainly liquidity coverage ratio and immediate liquidity ratio), monitoring the evolution of the interest rates of government bond due to the high level of market volatility and its impact on the capital base and monitoring the simulations of solvency ratios. The results of the stress tests are comfortable both in terms of solvency and in terms of liquidity. The Group expects to maintain a solid position compared to the regulated minimum levels.

Liquidity

In 2021, the following actions were taken:

- Strict monitoring of the evolution of volumes (loans, deposits, unused credit facilities);
- Strict monitoring of liquidity ratios with main emphasis on active observation of market evolution and customer behaviour and simulation of various dynamic scenarios;
- Managing financing initiatives to meet the liquidity needs of affected customers;
- Maintaining a sufficient stock of liquid assets to compensate for possible cash outflows in the event of a crisis.

Liquidity indicators comfortably exceed the minimum regulatory requirements, and the Group estimates that they will remain above 100% in the future.

Solvency

The Group has adopted several measures to conserve capital due to the impact of the pandemic, as follows:

- strict monitoring of the capital position and isolation of potential elements with high volatility;
- periodic simulations by using stress testing methodologies regarding the increase of the exchange rate, the increase of the interest rate and the increase of default probabilities.

Financial impact of the Covid-19 pandemic on the operating costs and capital expenditure of the Group

As a result of the adoption of new safety and legal measures, the Group incurred some administrative expenses (sanitary materials, face masks, hygiene kits, disinfection products, thermometers for the branches, protective Plexiglas, etc.), which were already recognized in the income statement. However, the additional costs due to the Covid-19 situation were partially offset by savings in other areas, such as advertising and marketing, protocol, training courses, fuel, travel etc.

Subsequent events and going concern

1. Acquisition of Credit Agricole Romania

On 04.01.2021 the contract was signed for the acquisition of 100% (99,94% Vista Bank Romania SA and 0,06% Barniveld Enterprises Limited) of the shares of Credit Agricole Bank Romania SA, a credit institution registered at the Bucharest Trade Register under no. J40/3797/1996, holding tax code 8490099, with its registered office at 19 Berzei St., District 1, Bucharest, Romania.

The transfer of ownership of the shares operated after the necessary approvals were obtained from the competent authorities (NBR and Competition Council).

Legal-wise, Credit Agricole Bank Romania SA continued to exist as a standing legal entity after the approval of the acquisition until the merger process was finalised.

2. Covid health crisis

At the end of the first quarter of 2020, a global COVID-19 pandemic broke out that had a global and national impact on the economy and the financial and banking industry, causing disruptions to businesses and economic activities. On March 11, 2020, the World

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Health Organization declared the coronavirus epidemic a pandemic, and the President of Romania declared a state of emergency on March 16, 2020.

In order to support customers whose financial situation was affected by the Covid-19 pandemic and to limit the adverse effects of the health crisis on loan portfolios, the Group offered the possibility to postpone the repayment of instalments due both by applying a legislative moratorium, based on GEO 37 / 2020, as well as by implementing non-legislative moratoriums in accordance with the provisions of EBA Guide 02/2020 on legislative and non-legislative moratoriums applied to the payment of loans in the context of the Covid-19 crisis.

The Covid-19 health crisis continued in 2021, with the only difference that this year the vaccination of the population started. As of March 8, 2022 the state of alert was no longer extended.

The Group continued to maintain the necessary measures to ensure business continuity and customer support in these unprecedented times.

The Group constantly monitors the situation of the clients that have applied for the postponement of the repayment of the due instalments by applying both the public and private moratorium and applies optimal negotiation measures with them.

At December 31, 2021 there were no more clients with active moratoria, the last of which expired in November 2021.

The situation of deferred payments (number of debtors and value of exposures by activity segments), at December 31, 2021 and December 31, 2020, is presented as follows:

| Client segment | Number of debtors | | | | | |
|----------------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
| | Public moratorium | | Private moratorium | | TOTAL | |
| | December 31, 2020 | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 | December 31, 2021 |
| Individuals | 197 | 0 | 4 | 0 | 201 | 0 |
| Legal entities | 38 | 0 | 1 | 0 | 39 | 0 |
| TOTAL | 235 | 0 | 5 | 0 | 240 | 0 |

| Client segment | Value of postponed loans (RON) | | | | | |
|----------------|--------------------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| | Public moratorium | | Private moratorium | | TOTAL | |
| | December 31, 2020 | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 | December 31, 2021 |
| Individuals | 69,583,426 | 0 | 376,529 | 0 | 69,959,955 | 0 |
| Legal entities | 171,006,104 | 0 | 17,788,284 | 0 | 188,794,388 | 0 |
| TOTAL | 240,589,530 | 0 | 18,164,813 | 0 | 258,754,343 | 0 |

The amounts in the tables above refer only to Vista Bank. Credit Agricole does not register moratoria in 2021.

3. *Ukraine crisis*

On February 24, 2022, the Russian Federation engaged in military actions on the territory of Ukraine. However, the Group does not have direct exposure to entities from the Russian Federation or Ukraine.

However, the current political and economic environment in Ukraine can lead to increasing global uncertainty, a shortage of energy supply and a potential decline in economic growth.

The Group closely monitors developments that may affect financial markets, including sanctions, government action and developments in Ukraine. The Group will continue to assess the impact of the crisis in Ukraine and will take any potential action needed, as the facts and circumstances may change.

At the date of preparation and approval for publication of the financial statements, the Group's management assessed the current political and economic framework and the measures already taken or planned by the Government of Romania, the National Bank of Romania and the European Council, which could have a negative impact on the Group. Based on this assessment and the publicly

available information currently available, management does not expect the economic impact of current developments to significantly affect the company's going concern ability. Given the uncertain nature of current developments, it is still premature to quantify the potential impact on the company's financial results for 2022 and beyond. Any economic impact on the company and its customers that have economic links with this geographical area at risk will depend primarily on the duration of the war and the intensity of the political and economic measures taken, as well as the restrictions implemented.

A potential negative impact on the Group's medium-term financial position and performance cannot be ruled out given the economic environment in which the company operates. Management closely monitors any developments and is prepared to take appropriate action. These possible future measures, taken by the company, could cover the areas of accounting estimates and calculation methods for adjustments for expected losses and provisions for credit risk. However, at the date of preparation of the financial statements, the Group continues to meet its obligations when due and, based on the assessment of current events and potential developments, the Group applies the going concern principle.

Proposals

As a result of activity performed during the financial year 2021, the Management of the Group requests for approval to the General Shareholders' Meeting:

- Report of the Board of Administration regarding the development and activities of the Vista Bank (Romania) SA group and its financial position for the year ended December 31, 2021.

Stavros Lekkakos
Chairman of the Board of Administration

By proxy Georgios Athanasopoulos
in accordance with the decision of the Board of Administration of Vista Bank (Romania) SA of March 30, 2022