



**VISTA BANK**

# **VISTA BANK (ROMANIA) S.A.**

## **Report Regarding Disclosure and Transparency Requirements Related to the Year 2019**

## CONTENTS

|   |    |
|---|----|
| 1. GENERAL ASPECTS.....   | 4  |
| 2. INFORMATION UNDER THE BANK’S PROPERTY AND CONFIDENTIAL INFORMATION ...   | 4  |
| 3. INFORMATION REGARDING THE ADMINISTRATION FRAMEWORK OF<br>THE ACTIVITY IN VISTA BANK (ROMANIA) SA.....  | 5  |
| 3.1 The bank committees, their responsibilities and structure.....  | 5  |
| 3.2 Corporate governance.....   | 13 |
| 4. APECTS REGARDING THE STRATEGY AND ORGANISATIONAL STRUCTURE OF THE<br>BANK.....   | 16 |
| 4.1 Bank Strategy .....   | 16 |
| 4.2 Shareholders’ Structure .....   | 17 |
| 4.3 Organisational Structure of Vista Bank (Romania) SA.....  | 17 |
| 4.4. Organization of the management structure.....  | 20 |
| 4.4.1 Supervisory function bodies .....   | 20 |
| 4.4.2 Management function bodies.....   | 21 |
| 4.4.3 Number of mandates held by the members of the management structure.....   | 21 |
| 4.4.4 The recruitment policy for the selection of members of the management structure and<br>the knowledge, skills and their effective expertise .....  | 22 |
| 4.4.5 The policy regarding the diversity in the selection of members of the management structure,<br>objectives and any relevant targets set out in the policy, and the extent to which they<br>achieved the objectives and the respective targets..... | 23 |
| 4.4.6 Organization of the Internal Control Functions.....   | 23 |
| 5. OBJECTIVES AND POLICIES OF THE BANK REGARDING RISK MANAGEMENT.....   | 26 |
| 5.1 Strategy of Vista Bank Romania SA regarding Risk Management.....  | 26 |
| 5.2 Policies regarding the risk management for each risk category .....   | 26 |
| 5.2.1 Credit Risk.....  | 26 |
| 5.2.2 Market Risk .....   | 27 |
| 5.2.3 Liquidity Risk.....   | 28 |
| 5.2.4 Operational Risk.....   | 30 |
| 5.3 Information on the structure and organization of the risk management function.....  | 31 |
| 5.4 Transactions with affiliated entities.....  | 31 |
| 6. THE BASIS OF CONSOLIDATION OF THE BANK .....   | 31 |
| 7. SIGNIFICANT INFORMATION REGARDING THE FINANCIAL AND OPERATIONAL<br>RESULTS .....   | 33 |
| 8. INFORMATION REGARDING THE OWN FUNDS .....  | 33 |
| 9. INFORMATION RELATED TO THE CAPITAL ADEQUACY.....   | 35 |
| 9.1. Capital requirements.....  | 35 |
| 9.2 Internal Capital Adequacy Assessment Process (“ICAAP”).....   | 39 |
| 9.3 Stress Testing Policy .....   | 40 |
| 10. COUNTERPARTY CREDIT RISK EXPOSURE .....   | 41 |
| 11. ADJUSTMENTS FOR CREDIT RISK (EXPECTED CREDIT LOSSES).....   | 42 |
| 11.1 Definitions and general information.....   | 42 |



|   |    |
|---|----|
| 11.2 Expected credit loss calculation (Adjustments for impairment).....   | 43 |
| 11.2.1 Expected credit loss for non-financial Customers .....   | 43 |
| 11.2.2 Bank & Sovereign exposures .....   | 43 |
| 11.3 Credit risk mitigation techniques.....   | 43 |
| 11.3.1 Revaluation of material collaterals .....  | 44 |
| 11.4 General quantitative information on credit risk.....   | 46 |
| 12. MARKET RISK EXPOSURE.....   | 67 |
| 13. EQUITY EXPOSURES NOT INCLUDED IN THE TRADING BOOK.....  | 67 |
| 14. INTEREST RATE RISK.....   | 67 |
| 15. LEVERAGE EFFECT.....  | 68 |
| 16. REMUNERATION POLICY .....   | 69 |
| 16.1 Incentives and remuneration/ compensation structure of the Bank.....   | 69 |
| 16.2 Information related to compensation policies and practices for those categories of staff whose professional activities have a significant impact on the risk profile .....                       | 70 |
| 16.2.1 Information on the relationship between the total remuneration and performance .....   | 70 |
| 16.2.2 Design features of the remuneration system.....  | 70 |
| 16.2.3 The relationship between the fixed and the variable remuneration .....   | 71 |
| 16.2.4 Information regarding the performance criteria underpinning the right to shares, options or other variable components of remuneration .....  | 71 |
| 16.2.5 Variable remuneration .....  | 72 |
| 16.2.6 Aggregate quantitative information on remuneration, per field of activity .....  | 72 |
| 16.2.7 Aggregated quantitative information on remuneration to the members of the management and members of staff whose actions have a significant impact on the risk profile of the institution ..... | 72 |
| 16.2.8 Number of employees who received a remuneration of EUR 1 million or more per financial year  | 73 |
| ANNEXES.....  | 74 |

- **Annex 1** The Statement of Vista Bank (Romania) SA Management regarding the risk profile of the bank in 2019
- **Annex 2** The Statement of Vista Bank (Romania) SA Management regarding the adequacy of the risk administration framework in 2019
- **Annex 3** The Statement of the Vista Bank (Romania) SA Management for 2019, regarding the activities which are not usually performed or are not transparent
- **Annex 4** The Statement of Vista Bank (Romania) SA Management regarding the measures adopted to ensure adequate and efficient corporate governance in 2019
- **Annex 5** Reconciliation of own funds elements with the balance sheet in the audited financial statements of the Bank
- **Annex 6** Reconciliation of the leverage ratio total exposure measure to the relevant information in published financial statements



## 1. GENERAL ASPECTS

The present Report has been drawn up with the purpose to meet the requirements to ensure an adequate level of transparency, by publishing the significant information on Vista Bank (Romania) SA (hereinafter referred to as the Bank)' risk profile and strategy, as per the provisions of NBR Regulation no. 5/2013 regarding the prudential requirements for credit institutions with the further modifications and of the EU Regulation 575/2013 on prudential requirements for credit institutions and investment firms with the further modifications.

The information included in this document is related to the year 2019 and have as reference date the date of 31.12.2019.

The following disclosure requirements provided by the EU Regulation 575/2013 are not applicable at the bank level:

- art 73 - Distributions on own funds instruments, paragraph (6) disclosure of the broad market indices on which their capital instruments rely
- art.439 - Exposure to counterparty credit risk
- art 441 - Indicators of global systemic importance
- art 443 - Unencumbered assets
- art 444 - Use of ECAIs
- art 447 - Exposures in equities not included in the trading book
- art 448 - Exposure to interest rate risk on positions not included in the trading book
- art 449 - Exposure to securitisation positions
- art 452 - Use of the IRB Approach to credit risk
- art 454 - Use of the Advanced Measurement Approaches to operational risk
- art 455 - Use of Internal Market Risk Models

## 2. INFORMATION UNDER THE BANK'S PROPERTY AND CONFIDENTIAL INFORMATION

As per the EU Regulation 575/2013 on prudential requirements for credit institutions and investment firms with the further modifications, related to the definition of the information under bank's property, as well as of the confidential information, the following information are:

**Bank's property** (their disclosure may produce material and/or competition related damages in case of their publishing):

- The general business strategy;
- The way to determine and monitor the bank's risk profile;
- The internal regulation system (strategies, policies, plans, norms, manuals, procedures);
- The detailed description of the limits system used at the risk management;
- Any other strategic information.

**Confidential** (their disclosure may produce material and image damages for the Bank, for clients, providers, and business partners):

- Information included in the contracts concluded with the clients and other business partners or

- providers of the Bank;
- Any kind of information on the architecture and functions of the IT system used by the Bank;
- Any information on the clients, business partners or providers without their express consent.

Considering the above, all the information included in this report is significant within the meaning of art. 432, point 2 of the Regulation 575/2013.

### **3. INFORMATION REGARDING THE ADMINISTRATION FRAMEWORK OF THE ACTIVITY IN VISTA BANK (ROMANIA) SA**

The administration framework of the Bank (bank governance) is regulated through the Constitutive Deeds, internal procedures and manuals and the Internal Regulation Manual and it refers to responsibilities of the management from the perspective of establishing the business objectives and the risk administration strategy and the risk profile, ways of organizing the activities, assigning responsibilities and competencies, establishing the reporting lines and the related information, as well as the organization of the internal control system.

The Internal Regulation Manual defines, in compliance with the legal requirements and the corporate governance principles, the following:

- The organization structure of the Bank;
- The duties and responsibilities of the Executive Managers of the Bank;
- The responsibilities of the Board of Administration, Management Committee, Audit and Risk Management Committee, Assets and Liabilities Management Committee and other Committees of the Bank;
- The objectives and responsibilities of each department of the Bank's Head Office, the duties and responsibilities of the departments' managers;
- The responsibilities of the territorial units the duties and responsibilities of the Retail Network/Marketing Department;
- Principles of internal control (the culture of internal control, risk assessment, control activities and segregation of duties, information and communication, monitoring and remediation of the deficiencies) as well as the organization of the internal control functions.

The administration framework of the Bank is adapted to the nature, extension and complexity of the performed activity.

#### **3.1 The bank committees, their responsibilities and structure**

Responsibilities and operational terms of the Committees established as instruments for achieving management's objectives, are detailed within bank's Internal Regulation Manual and Organizational Chart.

The structure of the Bank's Committees is as follows:

## Management Committee

The Management Committee is the main forum with executive management responsibilities subordinated to the Board of Administration. The Executive Directors (Managers) of the Bank - the General Manager and the two Deputy General Managers - ensure the daily management of the Bank.

The General Manager and the Deputy General Managers are the members of the Management Committee having attributions and responsibilities as defined by the Articles of Association of the Bank, the Companies Law, the Regulations of the Management Committee, approved by the Board of Administration, as well as any other bank's internal regulations or legal provisions in force.

The Management Committee has the authority to decide on the following, but not limited to them:

- Approval of the internal norms and procedures of the Bank within its approval competence. The Management Committee also pre-approves all internal rules and procedures within the competence of the Board of Administration, evaluating and approving / rejecting Credit Applications that fall under the local approval limits (of the Management Committee) or of the higher approval authorities in compliance with bank procedures;
- The members of the committee are responsible to the Board of Administration and the Shareholders for the operations carried out in their capacity as Executive Directors. If they delegate part of their responsibilities, they remain accountable to the Board of Administration and the Shareholders, together with the employees to whom these responsibilities have been delegated;
- Besides the daily attributions, the Executive Directors (the General Director and the 2 Deputy General Directors) may have other attributions and responsibilities established by decisions of the Board of Administration;
- Appoint the Directors of Departments, Directors and Deputy Directors of the territorial units;
- Approves the signature rights of the bank's employees;
- At least once a year they have the task to review and if necessary they will send for approval to the Board of Administration, the proposals to modify the Organizational Structure, the present regulation, as well as the internal regulations of the bank;
- Analyses the reports issued by the Internal Audit, Risk Management departments and the Compliance & Money Laundering Prevention Department, adopting the measures considered necessary;
- Prepares and submits to the Board the annual report on compliance risk management;
- Approves modelling of sensitivity analysis or crisis scenarios;
- Agrees, approves and submits to the Board of Administration the Annual Report on the manner in which the Internal Control is performed, having a detailed presentation of the aspects regarding the risk management, compliance and internal audit;
- Agrees, approves and transmits to the Board of Administration the Report on the results of the internal process of capital adequacy to risks (ICAAP) and the results of crisis simulations;
- Agrees, approves and transmits to the Board of Administration the Annual Report on the measures taken regarding the management of the significant risks to which the bank is exposed;
- Adopts the necessary measures following the analysis of the results of the crisis scenarios performed;
- Agrees, approves and sends to the Board of Administration the report on the activities that are not normally carried out or that are not transparent;
- Agrees, approves and transmits to the Board of Administration the statement regarding the adequacy of the institution's risk management framework, to ensure that the existing risk management systems are adequate taking into account the profile and strategy of the institution;
- Agrees, approves and sends to the Board of Administration the risk statement, in which to briefly



describe the general risk profile of the institution associated with the business strategy. This statement should include key indicators and data to provide external stakeholders with a comprehensive overview of how the institution manages its risks, including how the institution's risk profile interacts with the risk tolerance established by the institution's structure. lead;

- Implements the strategies approved by the Board of Administration and ensures that they are communicated to the authorized persons;
- Ensures that policies and procedures related to the identification, assessment, monitoring and control of risks are properly communicated to the involved employees;
- Maintains adequate systems exposures and other risk elements reporting;
- Establishes the bank's exposure to risks limits, including limits for critical situations, in relation to the size, complexity and financial situation of the bank;
- Ensures the Internal Control System efficiency and effectiveness;
- Analyses outsourced activities in terms of risks;
- Ensures the existence of a qualified staff that has the necessary knowledge and experience;
- Ensures a correlation between the staff remuneration policy and the bank's risk strategy;
- Ensures the existence of a permanent communication to the Board of Administration regarding the recommendations to modify the risk management strategies and policies, when it is considered necessary, in order to reflect any modification of the internal and external factors, taking into account in particular the environmental changes. macroeconomic in which the bank operates;
- It has to ensure that the Internal Control System provides an adequate separation of responsibilities, with the aim of preventing conflicts of interest;
- Establishes those strategies and policies that ensure the maintenance of an appropriate capital and equity level, so as to cover the risks;
- Periodically monitors and analyses the effectiveness of the bank's management framework;
- Includes capital planning and capital management in the general approach to risk management;
- Analyses the procedures for managing and measuring the risks under their attribution;
- Analyses, at least annually, the information contained in the Report on Publication and Transparency Requirements of the Bank and submits it for approval to the Board of Administration. Approves, based on the information provided by the departments involved, the frequency of publication of this information;
- Ensures that the Internal Capital Adequacy Assessment Process is an integral part of the Bank's administration and decision-making process;
- Approves Auctions based on the documentation and proposals received from the Administrative and Repossessed Assets Department;
- Evaluates and approves the development and promotion of new products / services, as well as the modification of the characteristics of existing products / services. The approval will be granted based on the analysis of the documentation presented by the respective business line, documentation that must contain the product characteristics, the competition research, the target market to which the product is addressed and the approximate value of the volume to be reached, as well as taking into account relevant within the bank, according to the above flow;
- Approves all new projects that will be started within the bank based on the Feasibility Studies presented for the respective projects and the selection of offers;
- In connection with the financial recovery plan, informs the Board of Administration about the circumstances of the Bank's situation and the options considered for its implementation;
- At least one member of the Management Committee will be part of the working group for the Financial Recovery Plan. Examination of complaints received from customers during the analysed period;
- Monitoring the efficient and timely resolution of complaints and adopting corrective measures where

- appropriate;
- Identifying any suggestions or proposals for improving the products / services offered to customers;
  - Analysis of the causes that generated serious complaints;
  - If applicable, issuing recommendations and decisions regarding the improvement of certain workflows and / or responsibilities within the Bank's procedures;
  - Recommending and approving, if necessary, the improvement or updating of the Complaints Policy;
  - Evaluating and approving / rejecting credit applications within the competences of the committee and evaluating and recommending the approval / rejection of credit applications within the competence of a higher approval authority. If the request is within the limits of the Committee and is rejected by the committee, it will not be submitted to the Higher Approval Authority for evaluation. Decisions are taken by vote. In case of parity votes, the request will be sent to the next approval authority.

### **Audit and Risk Management Committee**

The standard composition of the Committee consists of three non-executive independent members of the Board of Administration.

Due to the requirements of the applicable legislation in force the Chairman of the Board of Administration cannot be also the Chairman of the Committee. The requirements of independence of a Committee's member are identical to the requirements of independence of a Board of Administration's member laid down in the applicable legislation in force.

At least one Committee member should have competences in accounting and statutory audit area, as evidenced by specific qualification papers for the respective areas.

The members of the Committee should all times possess, individually and collectively, the necessary knowledge, skills and expertise to fully understand the duties to be performed by the committee;

The members of the Audit and Risk Management Committee as a whole shall have recent and relevant practical experience in the field of financial markets or need to have obtained, from their background business activities, sufficient professional experience directly related to financial markets activity. The Chairman of the Audit and Risk Management Committee shall have specific knowledge and experience in applying accounting principles and internal control processes;

The Chairman of the Committee must be independent.

### **The committee has the following attributions and responsibilities:**

#### **Financial Reporting**

- Supervise the setup of accounting policies by the Bank
- Monitor and analyses the financial reporting process (e.g. annual financial statements and the quarterly financial reports), submitting recommendations aimed at ensuring its integrity;

#### **Internal Control System**

- Assess the efficiency and adequacy of the Bank's Internal Control System, especially with regards to internal control, internal audit and risk management;





- Monitor and verify the effectiveness of the Internal Control System and its compliance with applicable laws and local regulations, by obtaining regular updates from the Management of the Bank, and the Head of Compliance & AML Department;
- Verify that all the control functions (in particular Risk Management, Internal Audit, Compliance & Anti-Money Laundering) are independent and properly skilled, in order to accomplish their functions;
- Examine and approve the scope and frequency of the internal audit;
- Approve the appointment, remuneration and revocation of the managers of Internal Control System functions;
- According with the provisions of the applicable regulations and professional standards for audit area the Head of Internal Audit Department must confirm to the Committee and further to the Board of Administration, at least annually, the organizational independence of the internal audit activity;
- Heads of internal control functions should not be revoked without the prior approval of the management body in its supervisory function;
- The remuneration of the internal control functions' staff should not be linked to the performance of the activities the internal control function monitors and controls, and not otherwise likely to compromise their objectivity;
- To examine the periodic reports of the Heads of Risk Management, Internal Audit, Compliance and Anti-Money Laundering;
- To monitor the adoption of the remedial actions recommended both by the Bank Internal Control Functions and by the Committee;
- To examine the results of any audit activity performed by the Supervisory Authorities and/or by other Control Authorities;
- Verifying the timely adoption by the top management of the corrective measures in order to remediate the weaknesses related to control, non-compliance with the legal and regulation frame, policies, as well as with other issues identified by the auditors;
- Advise and support the management body in its supervisory function regarding the monitoring of the Bank's overall actual and future risk appetite and strategy, taking into account all types of risks, to ensure that they are in line with the business strategy, objectives, corporate culture and values of the Bank;
- Assist the management body in its supervisory function in overseeing the implementation of the Bank's risk strategy and the corresponding limits set;
- Oversee the implementation of the strategies for capital and liquidity management as well as for all other relevant risks of the Bank, such as market, credit, operational (including legal and IT risks) and reputational risks, in order to assess their adequacy against the approved risk appetite and strategy;
- Provide the management body in its supervisory function with recommendations on necessary adjustments to the risk strategy resulting from, inter alia, changes in the business model of the Bank, market developments or recommendations made by the risk management function;
- Provide advice on the appointment of external consultants that the supervisory function may decide to engage for advice or support;
- Review a number of possible scenarios, including stressed scenarios, to assess how the Bank's risk profile would react to external and internal events;
- Evaluates, based on the monthly and/or quarterly risk reports:
- The bank's activity compliance with risk policies



- Adequacy and efficiency of the bank's risk management policies, focusing on compliance with the resistance level to risk adopted by the bank and compliance with regulatory requirements;
- The opportunity of the various limits, the adequacy of expected credit losses according to the level of risk assumed by the bank.
- Verifies whether the prices of the assets and liabilities products granted to the customers fully consider the business model and the bank's risk strategy. If prices do not adequately reflect the risks according to business model and risk strategy, the Committee must submit a plan to remedy the situation;
- Verifies whether the incentives offered by the remuneration policy take into account the risks, capital, liquidity and the likelihood and timing of profits, in order to support the establishment of sound remuneration policies and practices and
- Assess the recommendations of internal or external auditors and follow up on the appropriate implementation of measures taken.

## Statutory Audit

- Inform the Board of Administration of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what was the effective role of the Audit and Risk Committee in that process;
- Monitor the financial reporting process and submit recommendations or proposal as to ensure its integrity and efficacy;
- Monitor the effectiveness of the internal control and risk management systems and the adequacy of internal audit regarding the financial reporting;
- Monitor and supervise the statutory audit of the financial statements, in particular, its performance, by taking into account any findings and conclusions from the competent authority and attend meetings at least annually with the statutory auditors
- Examine the activities carried out by the statutory auditors, including the working plan, and to assess the results presented in: the audit report, the additional report to the Committee, the management letter and in any other significant document, by discussing the relevant issues
- Review and monitor the independence of the statutory auditors and in particular the appropriateness of the provision of non-audit services to the Bank in accordance with the applicable legislation in force;
- Recommend the approval for appointing, remuneration and revocation of the external auditors;
- Review the audit scope and frequency of the statutory audit of annual accounts.

## Other responsibilities

- Perform additional tasks such as giving opinions/advice on matters of its competence, as well as for any claims risen by the Board of Administration;
- Periodically review the adequacy of the Internal Audit Charter/Statute by submitting the proposed changes for the approval of the Bank's competent body as determined by laws or regulations of the Bank itself;
- The Committee should submit each year to the Board of Administration a report including the allocation to the auditors of substantial assistance and consultative duties either according to how important these are for the company or any sister companies, if it is the case, or according to the amount of remuneration;



- Assigns, at least once every five years, the assessment of the adequacy of its internal control systems to external auditors, preferably a firm other than the bank's current statutory auditors, who possess the necessary expertise in carrying out the required assessment;
- Reviews and monitors the independence of external auditors, in particular the appropriateness of the provision of non-audit services to the Bank in accordance with the article 5 regarding non-performance of services which are not audit of EU Regulation no.537/2014 regarding specific statutory audit requirements of the public entities;
- Makes appropriate inquiries of management and Managers of Internal Control System functions to determine whether there are inappropriate scope or resources limitations;

## **Nomination Committee**

The Committee is appointed by the Board of Administration; it is composed of at least three non-executive directors.

The Manager/ Deputy Manager of the Human Resources Department will perform the secretarial duties required by the Secretary of the Nomination Committee.

The representation in Nomination Committee is not possible.

The attributions and responsibilities of the Committee are as follows:

- identify and recommend to the approval of the management body, candidates to occupy the vacant positions within the management body, to assess the balance of knowledge, skills, diversity and experience within the management body and prepare a description of the roles and abilities with a view to appoint an individual on a particular position and assess the expectations as regards the time allocated to that end;
- to assess on a regular basis, but at least once a year, the structure, size, composition and performance of the management body and make recommendations to the management body with respect to any changes;
- to assess on a regular basis, but at least once a year, the knowledge, skills and experience of each member of the management body and of the management body as a whole and report to the management body accordingly;
- to review on a regular basis the policy of the management body as regards the selection and appointment of members of senior management and make recommendations to the management body.
- to decide with respect to a target concerning the representation of the male or female gender, poorly represented in the structure of the management body and draw up a policy concerning the means for increasing the number of these individuals in the structure of the management body in order to achieve the target concerned.
- to contribute actively also to the fulfilment of the Bank's responsibilities concerning the adoption of internal policy on assessment of the adequacy of the members of the management body and of key function holders as per the legal provisions.
- to take into account, if possible and on an ongoing basis, the need to ensure that the decision-making process of the management body is not dominated by any individual or small group of individuals in a manner prejudicing the interests of the Bank as a whole.



## Assets and Liabilities Management Committee (ALCO)

- To assist in managing the Balance Sheet with a view in achieving efficient allocation and utilization of all assets and liabilities and to ensure their prudent management.
- To monitor and frequently review the following balance sheet risks at a local level and ensure their prudent management (credit risk, interest rate risk, liquidity risk, funding risk, portfolio and equity risk).
- To monitor the external environment and to measure the impact on profitability of factors such as:
  - Interest rate volatility/ trends/ stress/ tests/ sensitivity/ VaR.
  - Market liquidity.
  - Exchange rate volatility/ trends/ stress tests/ sensitivity/ VaR.
  - Monetary and fiscal policies and other economic developments.
  - Competition and market strategies and market shares.
- To monitor department/ product profitability.
- To monitor department/ product profitability, including capital allocation and cost
- Reviews the bank's current and projected capital structure.
- Reviews current performance against bank's budget and guidelines/ policies.
- Reviews structure, overall sourcing and allocation of funds and defines the financing policies for the loan activity
- Reviews the Bank's structure and quality of the loan portfolio.
- Reviews and recommends actions for the following:
  - Pricing strategy
  - Asset/ liability distributions and maturity
  - Position and size of interest rate gap
  - Size of foreign exchange positions overall and per each currency
  - Stress testing and sensitivity analysis.
  - Liquidity analysis and liquidity ratios.
- Reviews general economic and banking environment.
- Proposes to the Board of Administration to define the strategy in Assets and Liabilities Management to optimize the profitability.
- Analyses of the dynamic of customer accounts and deposits, the rate of lines and limits utilization
- Analyses and makes comparisons with regards to the interest rates on the market versus the own interest rates and makes proposal for their adjustment.
- Analyses the Bank's position – global and by currency – to be maintained within the approved limits and to increase its profitability.
- Reviews and modifies the assessment of risks related to the asset and liability management
- Reviews the business strategy, as well as financial and capital planning and ensure that they are in line with the asset and liability policies.

- Analyses and approves the prices of the new products/ services and/ or the modifications to the pricing of the existing products/ services, based on the economic assumptions submitted by respective business line and how profitability will be improved by selling of new product. In this purpose, the secretary of the committee will present during the meeting the minutes of the Management Committee with regards to the subject new products/ services or modifications to existing ones, minutes that will include the opinions of all involved departments.
- In discharging the above duties, ensure adherence to strategies, guidelines, the Executive Committee or the Board of Administration.
- Examines the liquidity position of the Bank through internal reports.
- Performs various liquidity simulation using Liquidity Analysis Simulator.
- Proposes and approves appropriate actions in cases of deviations from the targeted liquidity ratios.

### **Classified Loans Committee**

Analyses the situation of the customers which meet the criteria to be registered as problematic clients, and address appropriate measures.

### **Information Security Committee & Access Control Committee**

- Propose strategic and tactical direction for security initiatives and activities;
- Ensure security initiatives (existing and future) are aligned with, and enable, business objectives;
- Define and propose for approval the Applications Access Control Rights Policy.

### **Business Continuity & Crisis Management Committee**

Ensure the control, maintenance and review of the business continuity plan that will be installed in the bank, as well as the enforcement of corrective measures in case of detection of weaknesses.

### **Health and Safety at Work Committee**

Analyse and make proposals regarding the safety and health at work and plan of prevention and protection, according to internal rules.

## **3.2 Corporate governance**

Vista Bank Romania SA has developed and permanently updated an internal system of corporate governance with the purpose to follow the fulfilment of the interests of all relevant parties: shareholders, employees, providers, administrators, and clients etc., being a mechanism for monitoring the Bank's actions, policies and decisions.

The Bank's corporate governance framework has the following principal elements:

- The Bank's constitutive deed – document that defines the Bank's object of activity, the relations between the shareholders, the management and administration bodies and the competences granted to them, as well as the main directions on the representation, control and financial administration;
- The management frame, periodically evaluated and properly revised, containing the concept on



the bank's structure and organization (at level of Head Office and of the branches/ agencies network), management bodies and management levels, as well as the related principles and functioning rules;

- The internal regulation procedure
- The internal control system with the 3 components, i.e. the internal audit, compliance and risk management activities;
- The Policy for Management of Significant Risks
- The Strategy for Management of Significant Risks
- The Policy and Procedure for Operational Risk
- The Fraud Management Policy
- The Compliance Policy
- The Conflicts of Interest Policy
- The Whistleblowing Policy
- The Code of Ethics
- The system of delegating the authority limits for decision and signing of the patrimony related documents
- The communication principles with shareholders, clients, employees, public and regulatory institutions.

## **The Policy for Management of Significant Risks**

The policy regarding the management of significant risks was concluded in order to settle the general frame for the management of significant risks within the Bank, according to the provisions of the EGO no. 99/2006 with its further amendments of the regulations issued by the European Parliament and Council, of the NBR Norms Regulations and of all the Internal Procedures of the Bank.

The following types of significant risks are treated: credit risk (including concentration risk and risk arising from currency lending to unhedged borrowers), residual risk, foreign exchange risk, interest rate risk in the banking book, liquidity risk, operational risk, legal risk and reputational risk, compliance risk, information security risk, strategic and business risk, risk due to outsourcing activities, excessive leverage risk, uncontrollable risk, securitization risk and settlement risk.

## **The Strategy for Management of Significant Risks**

The strategy regarding the management of significant risks was concluded in order to establish the risk profile of the Bank and to settle the general frame for the management of significant risks within the Bank, according to the provisions of the EGO no. 99/2006, as further amended, of the NBR Norms and Regulations, of the European Directives and regulations and of all the Internal Procedures of the Bank.

In order to establish the significant risks, the Bank performed a comprehensive internal risk assessment, as an integral part of the Internal Capital Adequacy Assessment Process.

Through this process all material risks of the Bank along with the relevant management activities were identified.

In order to monitor and mitigate the significant risks, the Bank has established internal limits which are permanently monitored.

## **The Policy and Procedure for Operational Risk**

The procedure has the role to establish the methodology for the management of the operational risk, meaning the identification, assessment and control of such risk.

In order to achieve the objectives set for an efficient management of operational risks, the Bank has established the following modalities, in accordance with the methodology based on risk identification:

- Risk and control self-assessment (RCSA) workshops
- Risk awareness training programs
- Collection of Operational Loss Data (Operational Loss Database)
- Setting up of key risk indicators (KRIs)

A key characteristic of proper Operational Risk Management is that it involves the entire spectrum of Bank's activities.

Hence, the management of Operational Risk is the responsibility of all managers and staff members of the Bank (risk ownership).

## **The Fraud Management Policy**

The purpose of the current Policy is to set out the basic principles underlying the management of fraud risk within the Bank.

The underlying aim is to minimize the impact of possible fraud related losses.

Fraud risk is an important risk facing the bank and financial institutions in general, particularly in the current economic environment.

The risk of fraud is one of the most important risks facing a bank both in terms of potential number of events as well as total cost. A serious fraud incident can damage an organization severely, not only in terms of direct monetary loss but also in terms of reputation, trust, loss of morale, loss of business and other indirect/ opportunity costs. A fraud incident may severely impact customer perceptions, lead to regulatory penalties and constraints and lead to significant time and resource impacts on investigations and incident management.

Fraud can originate from a multitude of sources within and outside an organization.

Although no organization can assume that its internal controls and other safeguards can provide total protection from the risk of fraud, such controls should be as effective and as comprehensive as possible to mitigate this important risk.

It is generally accepted that individuals who commit fraud do so when three factors are present: opportunity, pressure and rationalization.

## **The Compliance Policy**

The Compliance Policy is the internal document presenting the vision, strategy and values underlying the achievement of the compliance activity within VISTA BANK. The policy ensures the organization of a Permanent Compliance Function and regulates its status, purpose and role, as well as the basic principles regarding the management of the compliance risk to be followed at the Bank level by all staff.

In the same time, the compliance risk includes also the risk of money laundering and terrorist financing which is making subject to the Policy for the administration and mitigation of the risk of money laundering and terrorist financing aiming to establish the internal framework for managing the risks associated with money laundering phenomena, financing terrorism, avoiding the Bank's involvement in illegal operations.

## **The Code of Ethics**

The Code of Ethics aims to describe a set of values, principles and ethical norms that are necessary to make correct professional decisions both in relation to the Bank's clients, partners and employees, as well as in relation to the Supervisory and Control Authorities, while leading the way of dealing with ethical aspects and description of the values to be followed in the decisions that the Bank has taken.

## **The Conflicts of Interest Policy**

The purpose of this Policy is to ensure compliance with the legal framework and the protection of the bank's reputation by establishing the basic requirements for the prevention, identification and management of conflicts of interest, control of access to information, as well as the proper control and review of transactions made in its own name by the bank's employees. Also the objectives of the policy on conflicts of interest aim to strengthen the internal control framework of the bank by identifying the potential areas (relationships, services, activities, transactions) of conflicts of interest between the bank's employees their relatives and the Bank, by establishing measures and procedures for preventing and managing conflicts of interest (barriers to the flow of information, appropriate separation of taxes, etc.). , by assigning roles and responsibilities for the implementation of this policy and by ensuring compliance with the relevant legislative and regulatory framework at national and European level.

## **The whistleblowing policy**

The purpose of this policy is to establish the general framework on the working flows and communication to employees of specific instructions on the incidents of non-compliance with the internal procedures, as well as to provide guidelines for approaching the reports on third parties related whistleblowing cases. The bank commits itself to observe the highest standards of honesty, openness, transparency and responsibility. Thus, at the Board of Administration level, it was approved this Policy in order to ensure the framework for employees, directors, agencies and contracting parties in order to bring to the superior management's attention the activities that are defined as illegal behaviour or professional negligence.

## **4. APECTS REGARDING THE STRATEGY AND ORGANISATIONAL STRUCTURE OF THE BANK**

### **4.1 Bank Strategy**

Vista Bank business strategy was built based on the business model that includes main targeted market segments.

Vista Bank (Romania) S.A. is a small to medium universal bank having as at 31.12.2019 the 20<sup>th</sup> position in the Romanian Banking System with 0.52% market share.

The Bank provides a complete range of products and services to private individuals, small and medium-sized enterprises (SMEs) and large companies, via banking outlets, as distribution channels.

Vista Bank (Romania) SA customers includes Romanian companies as well as subsidiaries of foreign Groups on Corporate Business and Romanian individuals and foreign citizens on Retail Banking Business. In Romania Vista Bank operates through a network that covers 22 cities across the country.



The following elements represent the foundation of Vista Bank's Strategy.

1. Building long-term added value for shareholders, employees and clients will be achieved by providing high quality services through well trained and dedicated professionals who work in an environment which enable them to excel.

2. Culture and values;

- Honesty and integrity;
- Credibility;
- Fairness and respect;
- High Quality Service;
- Staff Professionalism;
- Social responsibility.

#### **4.2 Shareholders' Structure**

During 2019 the share capital was increased by EUR 10 million, according to the Decision of the General Meeting of Shareholders of 03.09.2019, share capital that was fully subscribed and paid-up by Barniveld Enterprises Limited.

The share capital subscribed and paid-up of the Bank at 31.12.2019 registered with the Trade Register was RON 468,582,594.

#### **4.3 Organisational Structure of Vista Bank (Romania) SA**

The organizational chart of the Bank was elaborated so that the organizational structure is adequate and transparent. The Bank's organizational chart must promote efficiency and must be developed taking into account the principles of prudence.

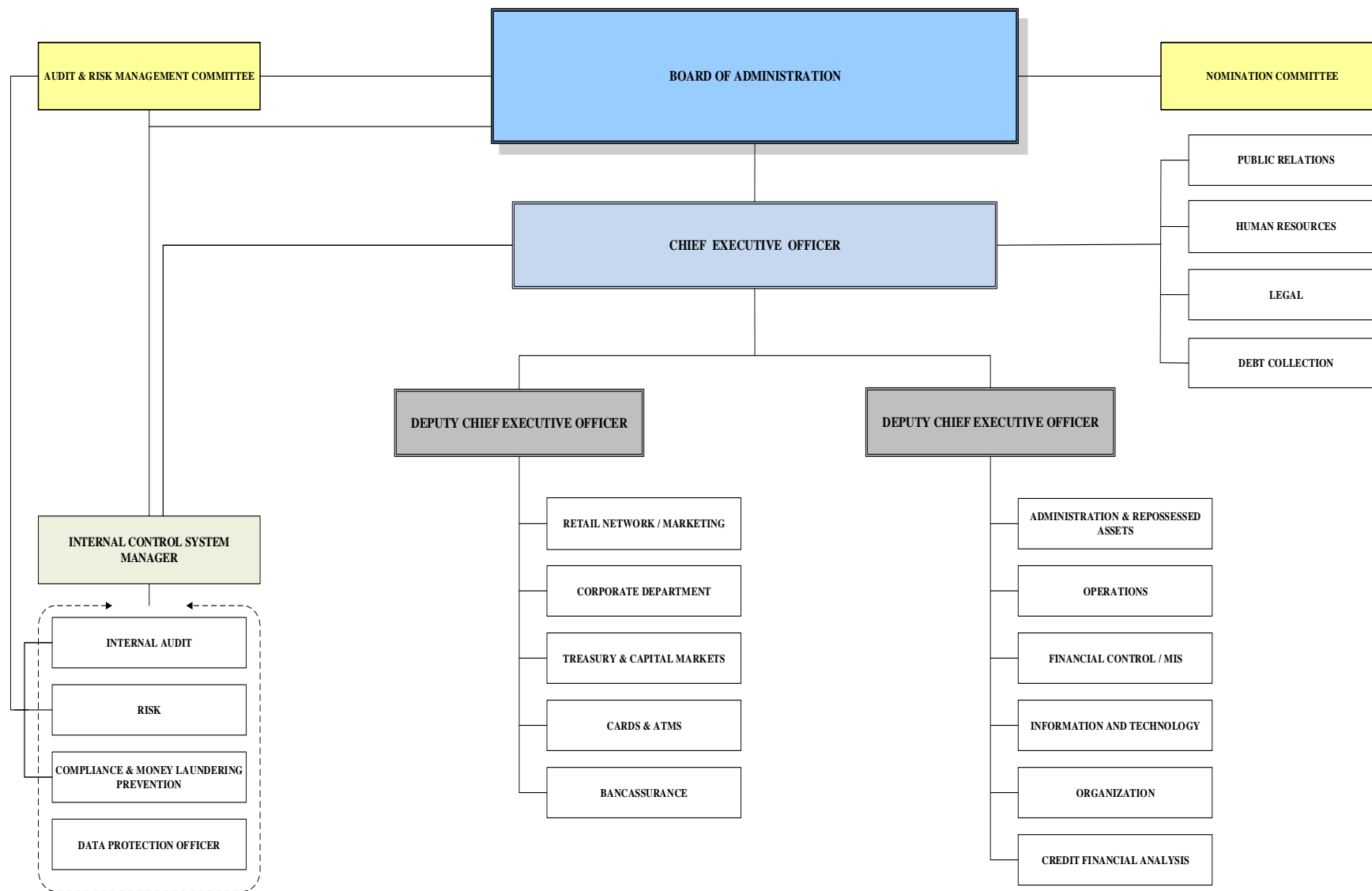
The Bank is headed by a General Manager and two Deputy General Managers and is organized in departments at the level of the Bank's Headquarters and in territorial units within the national network.

The departments can be organized in services, depending on the characteristics of the activity carried out.

The organization of such units is approved by the Board of Administration.

The organizational structure of the bank is described in the organizational chart of the Bank.

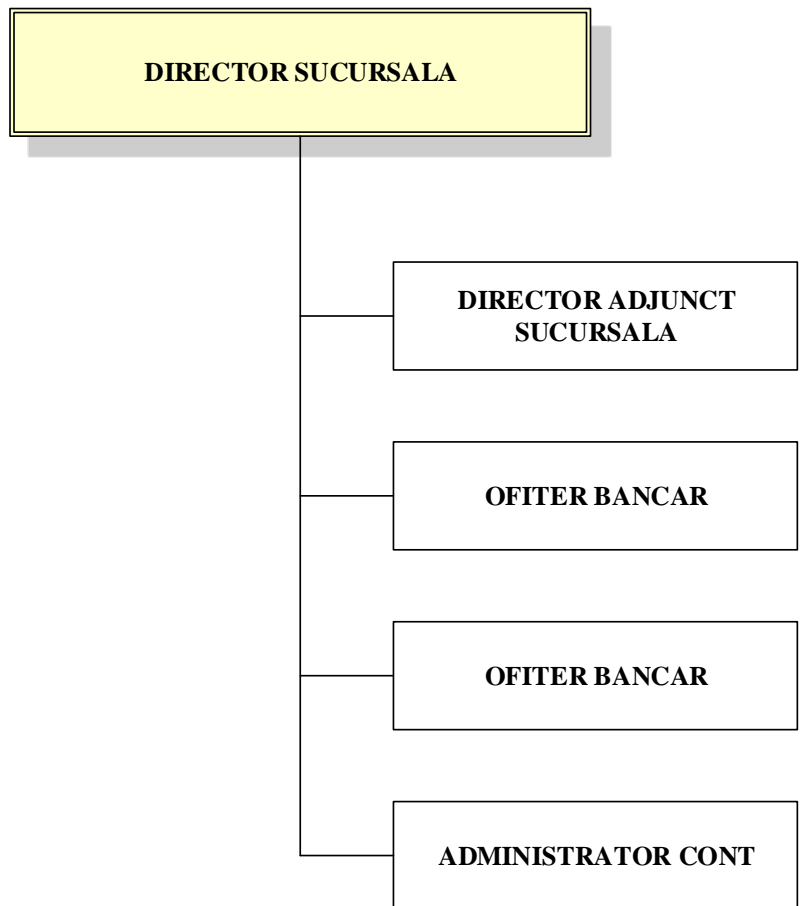
The organizational chart of the Bank describes in detail the internal structure of the Headquarters, the subordination of the committees and the structure of the territorial units.



\*Management Committee consists of Chief Executive Officer and two Deputy Chief Executive Officers

Also, the Bank Network included in 2019 a number of 30 branches and agencies in Romania, with the following organizational structure:

SUCURSALA STANDARD



#### 4.4. Organization of the management structure

Vista Bank (Romania) S.A. is functioning under unitary governance structure, namely the Board of Administrators, which is responsible to supervise the Bank's activity as implemented by the management and the Management Committee which ensures the operational management of the bank. Both Bodies carries out their activities in accordance with the applicable legal and regulatory framework and the provisions of the Constitutive Act.

The Board of Administrators has, currently, seven members nominated by the General Assembly of the Shareholders out of which three members are the Executive Directors. The Board of Administrators has two consultative committees, composed of non-executive directors: Audit and Risk Management Committee and Nomination Committee.

The Management function is consisted from the Chief Executive Officer (CEO) and 2 (two) Deputy Chief Executive Officers. The bank is organized in Departments at the Head Office level and Network Units (Branches, Agencies). The Management Committee is formed of the senior management of the Bank, its Chairman is the Chief Executive Officer (CEO) and the members are the 2 (two) Deputy CEOs.

##### 4.4.1 Supervisory function bodies

The Board of Administration consists of 5 to 9 members appointed by the General Assembly of the Shareholders and approved by the National Bank of Romania. The Board of Administration approves the Bank's strategy, products and new services to be offered, internal procedures, organization of the Bank and its development in accordance with the strategy in force. The Board of Administration approves the annual budget and monitors the Bank's financial results and the activity of the Directors.

The Board's activity is governed by the provisions of Company Law no. 31/1990 as amended and supplemented, regulations issued by the National Bank of Romania, internal norms and procedures of the Bank, including but not limited to the Internal Regulation Manual and the Regulation of the Board of Administration.

As of 31.12.2019, the Board was composed of the following Members:

| Nr crt | Name                    | Function  |
|--------|-------------------------|-----------|
| 1.     | Stavros Lekkakos        | President |
| 2.     | Antonios Mouzas         | Member    |
| 3.     | Georgios Athanasopoulos | Member    |
| 4.     | Theodor Cornel Stanescu | Member    |
| 5.     | Pavlina Tavridaki       | Member    |
| 6.     | Theodoros Efthys        | Member    |

The Board members have participated actively and effectively in the exercise of their responsibilities during 2019, the Board holding 17 meetings, resulting at least a monthly meetings frequency. Meetings were held with the participation of membership required for the meeting according to the legal provisions in force and the Bank's Constitutive Deeds.

#### 4.4.2 Management function bodies

Regarding the bodies with management function, they are represented by the Management Committee which consists of Bank's Directors, respectively one CEO and two Deputy CEOs which are appointed by the Board of Administrators and approved by the National Bank of Romania. The CEO and the two Deputy CEOs hold also the position of Members of the Board of Administration of the Bank. The Meetings of the Management Committee are very frequent, the Committee having responsibilities for the management of the current activity of the Bank.

As of 31.12.2019, the structure of the Management Committee was the following:

- Mr. Antonios Mouzas CEO
- Mr. Georgios Athanasopoulos Deputy CEO
- Mr. Theodor Cornel Stanescu Deputy CEO

The duties and responsibilities of the bodies that provide the management function, respectively the Directors members of the Management Committee are detailed in the Bank's Constitutive Deeds, the Regulation of the Management Committee and the Internal Regulation Manual.

#### 4.4.3 Number of mandates held by the members of the management structure

Members of the Bank's management structure hold the following mandates:

| <b>Nr crt</b> | <b>Name</b>             | <b>Function</b> | <b>Mandates within the Bank</b> | <b>Period</b>       |
|---------------|-------------------------|-----------------|---------------------------------|---------------------|
| 1.            | Stavros Lekkakos        | President       | 2                               | 2019;2020           |
| 2.            | Antonios Mouzas         | Member          | 3                               | 2018;2019;2020      |
| 3.            | Georgios Athanasopoulos | Member          | 15                              | 2010-2020           |
| 4.            | Theodor Cornel Stanescu | Member          | 2                               | 2018-2019;2019-2020 |
| 5.            | Pavlina Tavridaki       | Member          | 2                               | 2019;2020           |
| 6.            | Theodoros Efthys        | Membru          | 2                               | 2019;2020           |

- The Chairman of the Board holds a non-executive mandate (as chairman of the board);
- Each of the Board members holds one non-executive mandate, with the exception of the CEO and Deputy CEO who, in addition to a non-executive mandate (as a member of the board) hold also an executive mandate (as CEO of the bank and Deputy CEO of the bank).

Members of the management structure hold, at collective level, the knowledge, skills and adequate experience to be able to understand bank activities, including its major risks so they can take decisions being fully informed on all aspects of which must decide according to their competences.

#### **4.4.4 The recruitment policy for the selection of members of the management structure and the knowledge, skills and their effective expertise**

The activities related to recruitment and selection of the employees and the members of the management structure are performed in accordance with current Romanian legislation and practices, the collective agreement (if available) and bank`s policies and procedures, and in a manner which ensures the suitability and integrity of the new recruit.

When establishing the composition of the Board of Administration members and Executive Management of the Bank are taken into account the requirements and criteria provided by the applicable legislation for the companies, as well as special legal provisions for credit institutions, taking into account that there is always an adequate number of members and an appropriate structure which contains a sufficiently wide range of relevant professional experience.

The BOA members and Executive Management of the Bank must have, collectively, knowledge, skills and experience to be able to understand the activities of the bank, including their major risks and to decide in full knowledge on all aspects according to their competencies.

The members of The BOA and Executive Management of the Bank are evaluated, pursuing the fulfilment of the conditions and criteria mentioned above, provided that a future reevaluation of the members` adequacy is performed when certain events take place that request this action.

The Bank has a Board of Administration whose members are appointed by the General Shareholders Assembly and which exercises all the duties and competencies stipulated by the law on the trading companies and banking legislation, with the purpose of performing the bank object of activity.

The persons appointed as members to the BOA must have reputation and experience adequate to the nature, extent and complexity of the Bank`s activity as well as to the assigned responsibilities, in order to ensure a sound and prudent bank management.

They must have an academic degree in related fields such as economics, finance, accounting or legal etc., as well as experience directly relating to the Bank`s activities. The persons appointed must be fluent in the English language.

The Executive Management and the members of the Board of Administration must be approved by the National Bank of Romania prior to exercising their responsibilities, according to the legal requirements issued in this respect.

The persons appointed to the Executive Management and as members to the BOA must have good knowledge of the strategy, practices, policies of the Bank, as well as, the legislation and regulations in force in the financial-banking sector.

They must be able to take decisions and make their own judgments to be reliable, objective and independent

#### **4.4.5 The policy regarding the diversity in the selection of members of the management structure, objectives and any relevant targets set out in the policy, and the extent to which they achieved the objectives and the respective targets**

Ethnicity, age and gender diversity, sustained by meritocracy represent a key focus for the employment and the same principle is applied to the composition of our Board of Administrators and Executive Management.

The persons appointed as members to the BOA and Executive Management must have reputation and experience adequate to the nature, extent and complexity of the Bank's activity as well as to the assigned responsibilities, in order to ensure a sound and prudent bank management

All Board of Administration/ Executive Management appointments are based on meritocracy with the prime consideration being to maintain and enhance the overall effectiveness of the Board and Management. Within this, we recognize that gender diversity, is an important factor to take into consideration.

The selection of female candidates to join the Board of Administrators/Executive Management will be dependent on the pool of female candidates with the necessary attributes: knowledge of the strategy, practices, policies of the Bank, as well as, the legislation and regulations in force in the financial-banking sector.

The ultimate decision will be based on merit and contribution the chosen candidate will bring to the Board of Administrators/ Executive Management.

The recruitment policy is based on gender diversity, proven also by women proportion in the Bank: 60% of head office managerial positions are managed by women and 59% of the branches are managed by women. The Bank is committed to increasing the proportion of women within the executive positions.

We believe that diversity, including gender diversity, is a very important factor which reflects in the Bank's performance and effectiveness. In this respect, within the Board of Administration from 17<sup>th</sup> of April, 2019, the updated version of the Gender Diversity Policy has been approved, in which has been set a target to appoint at least one feminine person in the Bank's management body.

#### **4.4.6 Organization of the Internal Control Functions**

The internal control framework targets the institution as a whole, including the activities of all operational units, of the support and control functions and consists of appropriate internal regulations, mechanisms and plans that contribute to identifying the internal and external risks to which the bank is exposed.

For a prudent management of these risks, the central organizational unit that manages an area of activity of the bank, elaborates and implements internal regulations corresponding to the managed activity formalizing all processes and control activities to be carried out within respective area of activity.

The organizational units and the support functions have the main responsibility for establishing and maintaining adequate internal control procedures.

In order to provide the framework for the internal control, the verification and validation of compliance with these policies and procedures by the independent control functions, is mandatory.

Within Vista Bank (Romania) SA Internal Control is structured on three levels:

**The first level of controls is** implemented so as to ensure that the Bank's current activities and operations are properly performed, in accordance with internal legislation and procedures. The controls are carried out by the structures within which the daily activities, respectively territorial units, business departments and their support are carried out.

**The second level of control is:**

a) The Risk Management function (ensures identification, risk management and compliance with risk policies);

b) the Compliance function (identifies, evaluates, monitors and reports the related compliance risks of the activities performed at the Bank level);

**The third level of controls is** represented by the Internal Audit function which ensures that the Bank's policies and processes are respected in all activities and structures, it reviews the control policies, processes and mechanisms so that they remain sufficient and appropriate to the Bank's activity.

The functions of the Bank's Internal Control System are independent of the lines of activity that they monitor and control.

### **Independent control functions**

The risk management function is a central component within the Bank and is structured so that it can implement risk policies and control the risk management framework. The Bank is constantly concerned with strengthening the culture of risk management, extended to both the level of its structures, as well as at the level of the lines of activity.

The responsibility for risk management lies with the staff in all lines of activity, not being limited only to the level of specialists in the field of risks or control functions.

The risk management function shall ensure that all significant risks are properly identified, measured and reported and shall be actively involved in the development of the Bank's risk management strategy in all significant risk management decisions.

The general framework for risk management comprises the entire policy process, procedures and systems that allow the bank to prudently manage the potential risks that may be generated by the activity carried out, thus ensuring their inclusion in the Bank's risk appetite.

On each line of activity, risk management is ensured through various levers / instruments, among which we mention: supervision / control provided by the Bank's management structure, the Bank's standing committees, separation of responsibilities, the principle of double verification (of the four eyes), policies and procedures dedicated to each area of activity.

The Compliance function advises the management body on the provisions of the legal and regulatory framework and on the standards that the bank must meet and assesses the possible impact of any changes in the legal and regulatory framework on the credit institution's activities.

The compliance function is provided by the Compliance and Money Laundering Prevention Department (hereinafter referred to as the "Compliance Department"), which is responsible for managing the compliance risk within the Bank.

The role of the compliance function is to identify, assess, monitor and report on the compliance risk to the management body. The findings of the compliance function must be taken into account by the management body in the decision-making process.

The compliance function also has the role of verifying whether the new products and the new procedures are in accordance with the regulatory framework in force and with any amendments thereto included in adopted normative acts whose provisions will become applicable later.



The Internal Audit function assesses whether the quality level of the internal control framework is both effective and efficient.

The internal audit function assesses the compliance of all the bank's activities and operational units (including the risk management function and the compliance function) with the credit institution's policies and procedures. In this sense, the internal audit function is independent of the other two control functions mentioned above.

The internal audit function also assesses whether existing policies and procedures remain appropriate and comply with the requirements of the legal and regulatory framework.

Control functions are set at an appropriate hierarchical level and direct reporting lines to the governing body are defined.

The internal control functions shall periodically submit to the management body official reports on the major deficiencies identified. The type and frequency of these reports is defined in the specific regulations. These reports shall include follow-up to previous findings and, for any new major deficiencies identified, relevant risks involved, an impact assessment and recommendations. The management body must act on the findings of the control functions in a timely and effective manner and must request appropriate remedial action.

The departments at which the functions related to the internal control framework are exercised, respectively the Internal Audit Department, the Compliance Department and the Risk Management Department have a separate line of subordination, being coordinated by a person who is not a member of the management structure, respectively the Internal Control System Coordinator. .

Also, one of the organizational principles of the Bank's internal control system includes the direct involvement of the Board of Administration and the Executive Managers in the organization and administration of the internal control system. The Management Body has the responsibility to ensure the independence of the three functions of internal control, to ensure that they have an adequate number of qualified staff with appropriate authority, that they benefit from continuous training, and the staff of these functions has at their disposal appropriate data and support systems, with access to internal and external information needed to fulfil their responsibilities.

### **The culture of the Internal Control System**

The principles of the Bank's Management are based on promoting integrity and high ethical values, by developing a real control environment, defining and presenting to all employees the importance and role of each and everyone in the internal control processes.

The control environment is the basis of the other components of the internal control function.

In accordance with their responsibilities, the Board and the Bank's Executive Management develop the Internal Control System, by creating an organizational structure that is appropriate to the Bank's purpose and complexity, by clearly defining responsibilities, reporting lines, delegation of responsibilities and policies.

## **5. OBJECTIVES AND POLICIES OF THE BANK REGARDING RISK MANAGEMENT**

The Bank acknowledges the need for good management and control of risks, for which the Risk Management Department was established in order to adequately measure, analyse, manage and control the risks involved in all its activities. The main responsibilities of Risk Management Department are:

- Development and review of the risk management strategy and decisional process related to the management of significant risks;
- Analysis of transactions with affiliated parties, in order to identify and adequately assess the current and potential risks that they may cause to the Bank;
- Identification of risks generated by the complexity of the legal structure of the Bank;
- Assessment of significant changes;
- Measurement and internal risk assessment;
- Assuring that all identified risks can be effectively monitored by the operational units, periodical monitoring of actual risk profile of the bank and assessment in relation with the strategic objectives and risk tolerance/appetite of the bank;
- Aspects related to not approved exposures, meaning independently analysing any breach or non-compliance with the strategies, the risk tolerance/appetite, or risk related limits, taking adequate measures against fraudulent internal or external behaviour and violation of the code of ethics.

### **5.1 Strategy of Vista Bank Romania SA regarding Risk Management**

In order to determine significant risks, the Bank performs a comprehensive internal evaluation of the risks, as part of the Internal Capital Adequacy Assessment Process. During this process all significant risks of the Bank were identified, together with relevant management activities. Based on the above assessment, the following risks are considered to be significant: credit risk, residual risk, concentration risk, credit risk related to foreign currency lending to unhedged debtors, market risk, interest rate risk the banking book, liquidity risk, operational risk, legal and reputation risk, compliance risk, information security risk, business and strategic risk, risk due to outsourcing activities, excessive leverage risk, uncontrollable risk, securitization risk and settlement risk.

### **5.2 Policies regarding the risk management for each risk category**

The policy regarding the management of significant risks regulates the general frame for the management of significant risks within the Bank, according to the provisions of the EGO no. 99/2006 and its further amendments, the regulations issued by the European Parliament and Council, the NBR Norms and Regulations and the Internal Procedures of the Bank.

#### **5.2.1 Credit Risk**

Regarding the Credit Risk management, from the perspective of identifying, assessing and monitoring the process, the Bank applied starting with 01.01.2008 the Standardized Approach and seeks after the improvement and the amendment of the internal procedures and policies with reference to the credit activity, based on the Regulation (EU) no 575/2013 of the European Parliament and of the Council of 26

June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, the Norms and Regulations of the National Bank of Romania, especially those of Regulation no. 5/2013 regarding prudential requirements for credit institutions and its further amendments and other NBR Regulations regarding the credit risk for the credit institutions.

Credit risk management has as object the limitation of losses caused by the depreciation of debtor's situation. A permanent information to the management regarding the result of the process of the loan portfolio and off-balance sheet exposures quality analysis is needed, in order to detect and correct those with potential problems in due time.

The analysis of the loan portfolio and off-balance sheet exposures is a permanent process which includes two stages: the first stage is for the prevention of the risk generating events 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.

One of the methods used by the bank in order to diminish credit risk is loan portfolio diversification and avoidance of excessive risk exposure, by limiting the concentrations on activity sector of the debtor, duration of facility, type of facility, residence of the debtor, company size and duration of activity, geographic area, type of product, loan currency, financial performance of the debtor, the real beneficiary of the debtor and the collateral type for legal entities and the concentrations on the type of product, the geographical area and customer residence for private individuals/PFA/PL.

The Bank monitors the exposures towards a client or group of connected clients and exposures towards affiliated persons.

The Bank also monitors the exposures to issuers of letters of guarantee collaterals (credit institutions). The Bank monitors the volume of restructured exposures.

Another method of risk mitigation is the booking of Expected Credit Losses (ECL) in order to cover potential losses and to ensure a reserve for banking risks. ECL are booked in order to cover possible exposures which, after analysing the financial performance of the debtors and the indebtedness degree, present uncertainty related to their repayment.

The Bank uses also as a method of mitigating the credit risk partially or totally transferring the risk towards the client through partially financing the acquisition, partially financing the project, insurance policies for buildings and construction site in case of a construction project, assignment of debtor's income and/or constitution of collateral deposits for partially or totally covering the debtor's payment obligations or towards the collateral issuers through letters of guarantee and/or collateral deposits.

### **5.2.2 Market Risk**

Regarding the Market Risk management, from the perspective of identifying, assessing and monitoring the process, the Bank applied starting with 01.01.2008 the Standardized Approach.

The market risk management includes position monitoring and limit control, identification, measurement and monitoring of market risks, i.e. FX risk, interest rate risk, etc., including country and counterparty risk, analysis and monitoring of market conditions relating to the above risks.



The Bank prevents the appearance of the market risk by:

- Minimizing the systematic risk component from market risk by maintaining a hedged position on maturities and currencies, and increasing of portfolio quality;
- Minimizing the unsystematic risk component from market risk by expanding the clients' portfolio.

The Bank uses as techniques for mitigating of the market risk the following:

- continuous monitoring of the FX position and the relevant movements of the currency market;
- setting up open position limits for both intraday and overnight purposes;
- ensuring compliance with the established limits, i.e. individual exposure limit from FX operations;
- monitoring maturity limits, total borrowing limit,;
- periodical re-evaluation of the trading limits;
- respecting the procedure for positions reconciliation of the accounts involved in the FX position (NOSTRO, internal accounts).

For limiting and mitigating the market risk, the Bank establishes, according to the market environment and the Bank's risk appetite, limits for FX exposure per currency.

The currency risk management is performed in a specific framework, which includes:

- The transactions' performing and the risk management in the Treasury & Capital Markets Department;
- The processing and the control of the transactions in the Treasury Back-Office Department;
- The analysis, the monitoring and the risk control of the transactions in the Risk Management Department;

Currency risk management is typically performed via foreign currency position management.

The objective of the interest rate risk management is to increase the Bank's profit with the condition to maintain interest rate risk exposure within authorized limits.

The methods used for managing the interest rate risk are based on the reprising GAP analysis through the relevant GAP report and on the Stress Testing on interest rate. The GAP method shows the net difference between assets and liabilities on a specific date for certain predetermined time periods, i.e. up to 1 month, 1-2 months, 2-3 months, 3-4 months, 4-5 months, 5-6 months, 6-9 months, 9-12 months, 1-3 years, 3-5 years, 5-10 years, over 10 years.

### 5.2.3 Liquidity Risk

As part of the Bank's Liquidity management strategies, the Bank aims to:

- Maintain a diversified and stable funding base;
- Establish strong and lasting relationships with depositors;
- Avoid the excessive reliance on any one counterparty or any one product or funding market;
- Maintain a government securities portfolio to be used in case of liquidity needs to access Lombard facility with NBR, to access the NBR Repo facility, to sell in the market, or use them into repurchase agreement with current banking counterparties.;
- Obtaining a stand-by liquidity agreement to access it in case of liquidity problems;
- Perform currency swaps operations to cover specific liquidity needs on certain currencies;

- Have the knowledge over the accrued amount on interest rate sensitive assets and over the roll-overed deposits;
- Know the applicable market haircuts to liquidate the assets positions under stressed conditions.

Assets and Liabilities Committee has the responsibility to monitor the liquidity of the bank and its evolution on each category of assets and liabilities.

The Treasury Department has the responsibility to monitor and to assure the day to day liquidity of the bank's operations.

In considering liquidity risk, in addition to the contingency measures in case of liquidity crisis, the level of the stable deposit base was monitored.

For monitoring the impact of the liquidity risk, the bank employs the following methodologies:

- monitors the Liquidity Gap Report;
- monitors regulatory and internal liquidity indicators;
- monitors the Large Providers of Funds.

A set of early warning indicators is calculated and monitored daily.

The bank's objective regarding the liquidity risk is to maintain an adequate liquidity level provided that the necessary resources are ensured to support the budget objectives. For the purpose of maintaining adequate liquidity levels, the bank aims to maintain the liquidity ratio, calculated as per NBR norms, at values above 1.25, and the LCR ratio at a level above 100%.

Two new regulatory liquidity indicators have been introduced in 2014 – the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). A minimum level of 100% for LCR was imposed for each significant currency and for total.

The levels registered by the Bank as of 31st of December 2019 were as follows:

- LCR: 165.08%
- NSFR: 97.30%

Are presented below the data related to LCR in accordance with EBA Guide EBA/GL/2017/01:

| million RON                              |                              | Total unweighted value (average) |             |             |             | Total weighted value (average) |             |             |             |
|--|------------------------------|----------------------------------|-------------|-------------|-------------|--------------------------------|-------------|-------------|-------------|
|  |                              | 31.03. 2019                      | 30.06. 2019 | 30.09. 2019 | 31.12. 2019 | 31.03. 2019                    | 30.06. 2019 | 30.09. 2019 | 31.12. 2019 |
| <b>Quarter ending on (DD Month YYYY)</b> |                              |                                  |             |             |             |                                |             |             |             |
|  |                              | <b>TOTAL ADJUSTED VALUE</b>      |             |             |             |                                |             |             |             |
| 21                                       | LIQUIDITY BUFFER             |                                  |             |             |             | 361.78                         | 400.54      | 488.37      | 512.00      |
| 22                                       | TOTAL NET CASH OUTFLOWS      |                                  |             |             |             | 98.23                          | 132.04      | 263.42      | 270.15      |
| 23                                       | LIQUIDITY COVERAGE RATIO (%) |                                  |             |             |             | 370.50%                        | 315.14%     | 191.90%     | 192.03%     |

## 5.2.4 Operational Risk

Regarding the Operational Risk management, from the perspective of identifying, assessing and monitoring the process, the Bank applied starting with 01.01.2008 the Basic Indicator Approach.

Internal regulations regarding operational risk are intended to establish this risk management framework within the Bank to meet legislative requirements in force.

The Bank's operational risk management is based on a quantitative and qualitative approach offering a more comprehensive perception of risks arising from activities undertaken within each process.

The main objective of operational risk management refers to:

- Defining and implementing specific policies and procedures;
- Obtaining bank-wide transparency regarding risk management arising from improper operation or implementation of processes, systems or due to human errors, external events or legal uncertainties, and to obtain information about possible losses associated therewith;
- Defining and implementing stress test scenarios for operational risk;
- Optimization of operational risk management, permanent following of risk / return approaches;
- Strengthen and increase efficiency identification and assessment method of operational risks, to mitigate these risks and improve the Bank's risk profile;
- Prevention of events and minimizing losses through effective monitoring and control in the permanent monitoring;
- Raising awareness and incorporation of operational risk management processes daily;
- Increasing the quality of services offered to clients;
- Reducing capital requirement for operational risk in the context of improving operational efficiency and customer service quality;
- Increased credibility in relationships with customers, rating agencies, shareholders and regulators.

In order to achieve the targets set for the effective management of operational risk, the Bank established according to the methodology based on identifying, measuring, reporting/ monitoring and risk management, the following methods:

- Risk identification through training sessions conducted to raise awareness of the effects of operational risk through self-assessment and risk control measures (RCSA) and recording events/ collection data regarding losses - identifying and reporting operational risk events;
- Reporting/ monitoring risks through early warning system based on key indicators for measuring risks;
- Risk management by:
  - Avoiding risk - by failure to engage in significant risk-bearing activities or difficult to monitor and predicting future events that may cause the loss and the prevention of loss events - e.g. interruption of risky activities;
  - Mitigating risk by preventing or specific impact of a particular event; ex. intensifying the control actions, restructuring processes, replacing IT systems, contingency management;
  - Transfer risk to third parties through insurance policies and outsourcing contracts;
  - Acceptance of risk;
  - The process of escalation and continuation of the activity/ crisis management.

### **5.3 Information on the structure and organization of the risk management function**

The risk management function, part of the Bank's internal control system is exercised in the Risk Management Department, which reports to Board of Administration and has functional subordination reporting to the General Director for daily activities. During 2019, within the Risk Management Department have carried out its activity nine employees, organized within the following units: Credit Risk Unit, Market Risk, Operational Risk, Credit Appraisal Unit and Information Security Unit.

Risk Management Department informs monthly Board of Administration and the Bank Management, and on a quarterly basis or whenever necessary the Risk Management Committee, on the significant risks to which the Bank is exposed.

In 2019 three Risk Management Committee meetings and one Audit and Risk Management Committee were held regarding the monitoring of risks.

### **5.4 Transactions with affiliated entities**

Affiliated entities include at least:

- a. any entity in which the Bank holds control;
- b. any entity in which the Bank has holdings in the capital;
- c. any entity which holds control on the Bank;
- d. any entity in which the entities mentioned at point c. either holds control or has holdings in the capital;
- e. shareholders possessing qualifying holdings in the Bank's capital;
- f. any entity in which the entities mentioned at point e), either holds control or has holdings in the capital;
- g. members of the Bank's management body, as well as relevant key management personnel, together with:
  - entities which those have/possess direct or indirect interests in and;
  - close members of their family, who may be expected to influence or be influenced by them in their dealings with the Bank -they may include: the individual's domestic partner and children; children of the individual's domestic partner; dependents of the individual or of the individual's domestic partner.

A number of banking transactions with affiliated parties were performed in the normal course of operations and were concluded at the market price.

## **6. THE BASIS OF CONSOLIDATION OF THE BANK**

The basis of prudential consolidation of Vista Bank Romania (SA) as of 31.12.2019 included only Vista Bank Romania SA 100%.

The financial statements are individual, according to international and Romanian accounting standards. The responsible authority for supervision on individual basis of the Bank is National Bank of Romania.



**Template 1: UE LI1** allows identification of the differences between the accounting and prudential consolidation perimeters and puts in correspondence the categories of items presented in the financial statements with the regulated risk categories.

|  | a   | b   | c                                    | d                            | e                                       | f                                    | g  |
|--|---|---|--------------------------------------|------------------------------|---|--------------------------------------|--|
|  | Carrying values as reported in published financial statements | Carrying values under the scope of regulatory consolidation | Subject to the credit risk framework | Subject to the CCR framework | Subject to the securitisation framework | Subject to the market risk framework | Not subject to capital requirements or subject to deduction from capital |
| <b>Assets</b>  |   |   |                                      |                              |   |                                      |  |
| Cash and balances at central banks   | 361,158,875.00  | 361,158,875.00  | 361,158,875.00                       | -                            | -                                       | -                                    | -  |
| Placements to banks  | 295,700,332.00  | 295,700,332.00  | 295,700,332.00                       | -                            | -                                       | -                                    | -  |
| Loans to customers   | 1,280,929,303.00  | 1,280,929,303.00  | 1,280,929,303.00                     | -                            | -                                       | -                                    | -  |
| Held-to-maturity financial investments   | 325,156,574.00  | 325,156,574.00  | 325,156,574.00                       | -                            | -                                       | -                                    | -  |
| Receivables regarding the current tax on profit  | -   | -   | -                                    | -                            | -                                       | -                                    | -  |
| Receivables regarding the deferred tax on profit                                       | 10,948,417.00   | 10,948,417.00   | 5,474,208.00                         | -                            | -                                       | -                                    | 5,474,209.00   |
| Financial assets measured at fair value through other elements of comprehensive income | 4,677,809.00  | 4,677,809.00  | 4,677,809.00                         | -                            | -                                       | -                                    | -  |
| Intangible assets  | 3,534,731.00  | 3,534,731.00  | -                                    | -                            | -                                       | -                                    | 3,534,731.00   |
| Tangible assets  | 8,756,200.00  | 8,756,200.00  | 8,756,200.00                         | -                            | -                                       | -                                    | -  |
| Right-of-use assets  | 44,377,838.00   | 44,377,838.00   | 44,377,838.00                        | -                            | -                                       | -                                    | -  |
| Investment properties  | 97,509,284.00   | 97,509,284.00   | 97,509,284.00                        | -                            | -                                       | -                                    | -  |
| Other financial assets   | 2,727,796.00  | 2,727,796.00  | 2,727,796.00                         | -                            | -                                       | -                                    | -  |
| Repossessed assets held for selling  | 140,505,215.00  | 140,505,215.00  | 140,505,215.00                       | -                            | -                                       | -                                    | -  |
| Other assets   | 4,235,344.00  | 4,235,344.00  | 4,235,344.00                         | -                            | -                                       | -                                    | -  |
| <b>Total assets</b>  | <b>2,580,217,718.00</b>                                       | <b>2,580,217,718.00</b>                                     | <b>2,571,208,778.00</b>              | -                            | -                                       | -                                    | <b>9,008,940.00</b>  |
| <b>Liabilities</b>   |   |   |                                      |                              |   |                                      |  |
| Deposits from banks  | 77,655,050.00   | -   | -                                    | -                            | -                                       | -                                    | 77,655,050.00  |
| Deposits from customers  | 2,125,226,023.00  | 2,125,226,023.00  | 38,514,435.00                        | -                            | -                                       | -                                    | 2,086,711,588.00   |
| Derivative instruments   | 314,885.00  | 314,885.00  | -                                    | -                            | -                                       | -                                    | 314,885.00   |
| Subordinated debts   | -   | -   | -                                    | -                            | -                                       | -                                    | -  |
| Other financial liabilities  | 4,412,201.00  | 4,412,201.00  | -                                    | -                            | -                                       | -                                    | 4,412,201.00   |
| Other liabilities  | 2,822,132.00  | 2,822,132.00  | -                                    | -                            | -                                       | -                                    | 2,822,132.00   |
| Leasing liabilities  | 45,801,880.00   | 45,801,880.00   | -                                    | -                            | -                                       | -                                    | 45,801,880.00  |
| Provizioane pentru riscuri si cheltuieli   | 3,093,628.00  | 3,093,628.00  | -                                    | -                            | -                                       | -                                    | 3,093,628.00   |
| <b>Total liabilities</b>   | <b>2,259,325,799.00</b>                                       | <b>2,181,670,749.00</b>                                     | <b>38,514,435.00</b>                 | -                            | -                                       | -                                    | <b>2,220,811,364.00</b>  |

**Template 2: EU LI 2** presents the main sources of differences between the accounting values presented in the financial statements and the exposure values used for regulatory purposes.

|  | a                       | b                       | c             | d                        | e                     |
|--|-------------------------|-------------------------|---------------|--------------------------|-----------------------|
|  | Total                   | Credit risk framework   | CCR framework | Securitisation framework | Market risk framework |
| <b>Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)</b> | 2,580,217,718.00        | 2,580,217,718.00        |               |                          |                       |
| Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)   | -                       | -                       |               |                          |                       |
| Total net amount under the regulatory scope of consolidation   | 2,580,217,718.00        | 2,580,217,718.00        |               |                          |                       |
| Off-balance-sheet amounts  | 188,309,124.00          | 188,309,124.00          |               |                          |                       |
| Differences in valuations  | -                       | -                       |               |                          |                       |
| Differences due to different netting rules than those already included in row 2                          | -                       | -                       |               |                          |                       |
| Differences due to consideration of provisions   | -                       | -                       |               |                          |                       |
| Differences due to prudential filters  | (5,474,209.00)          | (5,474,209.00)          |               |                          |                       |
| Differences due to intangibles   | (3,534,731.00)          | (3,534,731.00)          |               |                          |                       |
| <b>Exposures amounts considered for regulatory</b>   | <b>2,759,517,902.00</b> | <b>2,759,517,902.00</b> | -             | -                        | -                     |



## **7. SIGNIFICANT INFORMATION REGARDING THE FINANCIAL AND OPERATIONAL RESULTS**

The significant information regarding the financial results of the bank for the year 2019 are presented in the annual individual Financial Statements for the year 2019, prepared in accordance with IFRS, which are published on the bank's web-site and contain the following main elements:

- Balance sheet
- Income statement
- Cash flows
- Movements of the equity
- Notes

As at the end of the year 2019, the level of the key-indicators registered by the bank was presented in the annual individual Financial Statements for the year 2019 prepared in accordance with IFRS, which are published on the bank's web-site.

## **8. INFORMATION REGARDING THE OWN FUNDS**

The components elements of the Total own funds as well as the main objectives of the Bank in this respect are mentioned in the note 3.7 from the annual individual Financial Statements for the year 2019 published on the bank's web-site.

The Own Funds of the Bank consist of Tier1 and Tier 2 items. The Tier 1 capital of an institution consists of the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the bank.

Common Equity Tier 1 items of the bank consist of the following:

- share capital
- retained earnings;
- other reserves (legal, general banking risk, etc.);

Bank deducts from the Tier 1 items the following:

- carried losses
- intangible assets
- deferred tax assets

Bank does not have Tier 2 items. The subordinated debts that were qualified in previous years as Tier 2 instruments have been converted into share capital.

Subject to the legislation in force, bank shall at all times satisfy the following own funds requirements:

- Common Equity Tier 1 capital ratio of 7.67 %;
- Tier 1 capital ratio of 10.22 %;
- Total capital ratio of 13.63 %.

Bank shall calculate the capital ratios as follows:

- Common Equity Tier 1 capital ratio is the Common Equity Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;
- Tier 1 capital ratio is the Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;
- Total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount.

Total risk exposure amount shall be calculated as the sum of:

- the risk weighted exposure amounts for credit risk
- the own funds requirements, determined for foreign-exchange risk;
- the own funds requirements, determined for operational risk;

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.

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).

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 2019 at a rate of 2.5%, or capital buffer for 2% systemic risk at consolidated level as of 30.06.2019).

Reconciliation of the Common Tier 1 and Supplementary Tier 1, as well as elements of Tier 2, prudential filters and deductions applicable in line with articles 32-35, 36, 56, 66 and 79, from Regulation UE 575/2013, of the Total Own Funds with the elements of the Financial Statements of the Bank is presented in the Appendix 5 of the present report.

## 9. INFORMATION RELATED TO THE CAPITAL ADEQUACY

### 9.1. Capital requirements

The capital requirements are calculated using the approaches defined by the European Committee through specific regulations for credit risk, market risk and operational risk. The Bank uses the standardized approach to determine the minimum capital requirements for credit risk. The calculation of capital requirements is conducted in accordance with Regulation 575 / 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms with subsequent modifications and NBR Regulation No. 5 / 12.20.2013 on prudential requirements for credit institutions with subsequent modifications.

The Bank determines minimum capital requirements, where applicable, for the trading, counterparty and currency risk in accordance with Regulation 575 / 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms with subsequent modifications.

In order to determine the minimum capital requirement for operational risk, the Bank adopted the basic indicator approach. The calculation of capital requirements is conducted under the provisions of Regulation 575 / 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms with subsequent modifications.

The table below shows the total risk weighted assets of VISTABANK (Romania) SA as of 31.12.2019:

#### Template 4: EU OV1 – Overview of RWAs

|  |    | RWA  |               | Capital requirements |             |
|--|----|--|---------------|----------------------|-------------|
|  |    | 31.12.2019   | 31.12.2018    | 31.12. 2019          |             |
|  | 1  | Credit risk (excluding CCR)  | 1,482,115,235 | 983,275,539          | 118,569,219 |
| Article 438 (c) and (d)                | 2  | Of which the standardised approach                                     | 1,482,115,235 | 983,275,539          | 118,569,219 |
| Article 438 (c) and (d)                | 3  | Of which the foundation IRB (FIRB) approach                            | -             | -                    | -           |
| Article 438 (c) and (d)                | 4  | Of which the advanced IRB (AIRB) approach                              | -             | -                    | -           |
| Article 438 (d)                        | 5  | Of which equity IRB under the simple risk-weighted approach or the IMA | -             | -                    | -           |
| Article 107<br>Article 438 (c) and (d) | 6  | CCR  | -             | -                    | -           |
| Article 438 (c) and (d)                | 7  | Of which mark to market  | -             | -                    | -           |
| Article 438 (c) and (d)                | 8  | Of which original exposure   | -             | -                    | -           |
|  | 9  | Of which the standardised approach                                     | -             | -                    | -           |
|  | 10 | Of which internal model method (IMM)                                   | -             | -                    | -           |



|  |           |  | RWA                  |                      | Capital requirements |
|--|-----------|--|----------------------|----------------------|----------------------|
|  |           |  | 31.12.2019           | 31.12.2018           | 31.12. 2019          |
| Article 438 (c) and (d)                    | 11        | Of which risk exposure amount for contributions to the default fund of a CCP | -                    | -                    | -                    |
| Article 438 (c) and (d)                    | 12        | Of which CVA   | -                    | -                    | -                    |
| Article 438 (e)                            | 13        | Settlement risk  | -                    | -                    | -                    |
| Article 449 (o) and (i)                    | 14        | Securitisation exposures in the banking book (after the cap)                 | -                    | -                    | -                    |
|  | 15        | Of which IRB approach  | -                    | -                    | -                    |
|  | 16        | Of which IRB supervisory formula approach (SFA)                              | -                    | -                    | -                    |
|  | 17        | Of which internal assessment approach (IAA)                                  | -                    | -                    | -                    |
|  | 18        | Of which standardised approach   | -                    | -                    | -                    |
| Article 438 (e)                            | 19        | Market risk  | -                    | -                    | -                    |
|  | 20        | Of which the standardised approach   | -                    | -                    | -                    |
|  | 21        | Of which IMA   | -                    | -                    | -                    |
| Article 438 (e)                            | 22        | Large exposures  | -                    | -                    | -                    |
| Article 438 (f)                            | 23        | Operational risk   | <b>104,405,686</b>   | <b>91,146,943</b>    | <b>8,352,455</b>     |
|  | 24        | Of which basic indicator approach  | 104,405,686          | 91,146,943           | 8,352,455            |
|  | 25        | Of which standardised approach   | -                    | -                    | -                    |
|  | 26        | Of which advanced measurement approach                                       | -                    | -                    | -                    |
| Article 437 (2), Article 48 and Article 60 | 27        | Amounts below the thresholds for deduction (subject to 250% risk weight)     | -                    | -                    | -                    |
| Article 500                                | 28        | Floor adjustment   | -                    | -                    | -                    |
|  | <b>29</b> | <b>Total</b>   | <b>1,586,520,921</b> | <b>1,074,422,482</b> | <b>126,921,674</b>   |

## Anti-cyclic shock buffer of the credit institution's specific capital

The anti-cyclic capital buffer is a macro-prudential tool for preventing and limiting excessive credit growth and indebtedness to the nongovernmental sector.

Credit institutions shall maintain a specific countercyclical buffer, equivalent to the institution's total exposure amount, multiplied by the weighted average of the rates of the countercyclical damping. This buffer shall consist of own basic Tier 1 holdings in addition to the requirements imposed by Regulation (EU) No. 575/2013.

The rate of the counter-cyclical buffer of the credit institution shall be equal to the weighted average of the rates of the anti-cyclical buffer applied in the jurisdictions in which the relevant credit exposure of the credit institution is located.

For the purpose of calculating the weighted average, credit institutions shall apply to each rate of buffer applicable in a jurisdiction the ratio obtained by reporting its total own funds requirements for credit risk corresponding to exposures located in that jurisdiction to total own funds requirements for the credit risk related to all its relevant credit exposures.

For the year 2019, the rate of the anti-cyclic buffer imposed by the National Bank of Romania for exposures located in Romania was 0%.

**Table 1**  
**Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer**

|     |                      | General credit exposures |                                 | Trading book exposures                             |  | Securitisation exposures |                                 | Own funds requirements             |                                  |                                    |            | Weightings for own funds requirements | Countercyclical buffer |
|-----|----------------------|--------------------------|---------------------------------|--|--|--------------------------|---------------------------------|------------------------------------|----------------------------------|------------------------------------|------------|---------------------------------------|------------------------|
|     |                      | Exposure value for SA    | Exposure value for IRB approach | Sum of long and short position of the trading book | Exposure value in the trading book for internal models | Exposure value for SA    | Exposure value for IRB approach | Of which: general credit exposures | Of which: trading book exposures | Of which: securitisation exposures | Total      |                                       |                        |
|     |                      | 010                      | 020                             | 030  | 040  | 050                      | 060                             | 070                                | 080                              | 090                                | 100        | 110                                   | 120                    |
| 010 | Breakdown by country |                          |                                 |  |  |                          |                                 |                                    |                                  |                                    |            |                                       |                        |
|     | Romania              | 1,871,542,806            |                                 |  |  |                          |                                 | 72,704,333                         |                                  |                                    | 72,704,333 | 92.43%                                | 0.00%                  |
|     | Belgium              | 243,752                  |                                 |  |  |                          |                                 | 12,819                             |                                  |                                    | 12,819     | 0.02%                                 | 0.00%                  |
|     | Cyprus               | 367,457                  |                                 |  |  |                          |                                 | 13,744                             |                                  |                                    | 13,744     | 0.02%                                 | 0.00%                  |
|     | France               | 5,000                    |                                 |  |  |                          |                                 | 150                                |                                  |                                    | 150        | 0.00%                                 | 0.00%                  |
|     | Germany              | 260,309                  |                                 |  |  |                          |                                 | 7,429                              |                                  |                                    | 7,429      | 0.01%                                 | 0.00%                  |
|     | Greece               | 227,201,393              |                                 |  |  |                          |                                 | 4,467,501                          |                                  |                                    | 4,467,501  | 5.68%                                 | 0.00%                  |
|     | Hungary              | 99,998                   |                                 |  |  |                          |                                 | -                                  |                                  |                                    | -          | 0.00%                                 | 0.00%                  |
|     | Italy                | 139,336                  |                                 |  |  |                          |                                 | 885                                |                                  |                                    | 885        | 0.00%                                 | 0.00%                  |
|     | Switzerland          | 71,149,606               |                                 |  |  |                          |                                 | 1,138,394                          |                                  |                                    | 1,138,394  | 1.45%                                 | 0.00%                  |
|     | Netherlands          | 266,010                  |                                 |  |  |                          |                                 | 7,323                              |                                  |                                    | 7,323      | 0.01%                                 | 0.00%                  |
|     | United States        | 3,985,837                |                                 |  |  |                          |                                 | 309,465                            |                                  |                                    | 309,465    | 0.39%                                 | 0.00%                  |
|     | Israel               | 24,997                   |                                 |  |  |                          |                                 | -                                  |                                  |                                    | -          | 0.00%                                 | 0.00%                  |
| 020 |                      | 2,175,286,501            |                                 |  |  |                          |                                 | 78,662,043                         |                                  |                                    | 78,662,043 |                                       |                        |

**Table 2**  
**Amount of institution-specific countercyclical capital buffer**

| Row |  | Column        |
|-----|--|---------------|
|     |  | 010           |
| 010 | Total risk exposure amount                               | 1,074,422,482 |
| 020 | Institution-specific countercyclical capital buffer rate | 0.0000%       |
| 030 | Institution-specific countercyclical capital buffer      | -             |

**Table 1**
**Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer**

|     |                      | General credit exposures |                                 | Trading book exposures                             |  | Securitisation exposures |                                 | Own funds requirements             |                                  |                                    |             | Weightings for own funds requirements | Countercyclical buffer |
|-----|----------------------|--------------------------|---------------------------------|--|--|--------------------------|---------------------------------|------------------------------------|----------------------------------|------------------------------------|-------------|---------------------------------------|------------------------|
|     |                      | Exposure value for SA    | Exposure value for IRB approach | Sum of long and short position of the trading book | Exposure value in the trading book for internal models | Exposure value for SA    | Exposure value for IRB approach | Of which: general credit exposures | Of which: trading book exposures | Of which: securitisation exposures | Total       |                                       |                        |
|     |                      | 010                      | 020                             | 030  | 040  | 050                      | 060                             | 070                                | 080                              | 090                                | 100         | 110                                   | 120                    |
| 010 | Breakdown by country |                          |                                 |  |  |                          |                                 |                                    |                                  |                                    |             |                                       |                        |
|     | Romania              | 2,366,955,198            | -                               | -  | -  | -                        | -                               | 101,320,380                        | -                                | -                                  | 101,320,380 | 85.45%                                | 0.00%                  |
|     | Belgium              | 287,570                  | -                               | -  | -  | -                        | -                               | 13,904                             | -                                | -                                  | 13,904      | 0.01%                                 | 0.00%                  |
|     | Cyprus               | 9,766,940                | -                               | -  | -  | -                        | -                               | 353,518                            | -                                | -                                  | 353,518     | 0.30%                                 | 0.00%                  |
|     | France               | 4,980                    | -                               | -  | -  | -                        | -                               | -                                  | -                                | -                                  | -           | 0.00%                                 | 0.25%                  |
|     | Germany              | 118,471                  | -                               | -  | -  | -                        | -                               | 3,317                              | -                                | -                                  | 3,317       | 0.00%                                 | 0.00%                  |
|     | Greece               | 187,973,696              | -                               | -  | -  | -                        | -                               | 8,080,224                          | -                                | -                                  | 8,080,224   | 6.81%                                 | 0.00%                  |
|     | Hungary              | 99,988                   | -                               | -  | -  | -                        | -                               | -                                  | -                                | -                                  | -           | 0.00%                                 | 0.00%                  |
|     | Italy                | 139,454                  | -                               | -  | -  | -                        | -                               | 885                                | -                                | -                                  | 885         | 0.00%                                 | 0.00%                  |
|     | Switzerland          | 64,793,655               | -                               | -  | -  | -                        | -                               | 1,036,698                          | -                                | -                                  | 1,036,698   | 0.87%                                 | 0.00%                  |
|     | Netherlands          | 4,432                    | -                               | -  | -  | -                        | -                               | -                                  | -                                | -                                  | -           | 0.00%                                 | 0.00%                  |
|     | United Kingdom       | 27,438,339               | -                               | -  | -  | -                        | -                               | 478,689                            | -                                | -                                  | 478,689     | 0.40%                                 | 1.00%                  |
|     | United States        | 4,905,683                | -                               | -  | -  | -                        | -                               | 382,293                            | -                                | -                                  | 382,293     | 0.32%                                 | 0.00%                  |
|     | Israel               | 24,977                   | -                               | -  | -  | -                        | -                               | -                                  | -                                | -                                  | -           | 0.00%                                 | 0.00%                  |
|     | Jersey               | 56,260,323               | -                               | -  | -  | -                        | -                               | 3,848,490                          | -                                | -                                  | 3,848,490   | 3.25%                                 | 0.00%                  |
|     | Marshall Islands     | 213,040                  | -                               | -  | -  | -                        | -                               | -                                  | -                                | -                                  | -           | 0.00%                                 | 0.00%                  |
|     | India                | 10,000                   | -                               | -  | -  | -                        | -                               | 300                                | -                                | -                                  | 300         | 0.00%                                 | 0.00%                  |
|     | Luxembourg           | 40,521,156               | -                               | -  | -  | -                        | -                               | 3,050,521                          | -                                | -                                  | 3,050,521   | 2.57%                                 | 0.00%                  |
| 020 |                      | 2,759,517,902            | -                               | -  | -  | -                        | -                               | 118,569,219                        | -                                | -                                  | 118,569,219 |                                       |                        |

**Table 2**  
**Amount of institution-specific countercyclical capital buffer**

| Row |  | Column        |
|-----|--|---------------|
|     |  | 010           |
| 010 | Total risk exposure amount                               | 1,586,520,921 |
| 020 | Institution-specific countercyclical capital buffer rate | 0.0040%       |
| 030 | Institution-specific countercyclical capital buffer      | 64,051        |

## 9.2 Internal Capital Adequacy Assessment Process (“ICAAP”)

According to Basel III Capital Adequacy Framework, Pillar I sets the ways of measuring risks, especially credit, market and operational risks and aims to the alignment of the capital requirements with the risks undertaken.

The above rules are completed by Pillar II, which sets the requirements for monitoring, assessing and controlling all material risks to which credit institutions are exposed. Those requirements are associated with the Internal Capital Adequacy Assessment Process (ICAAP) applied by credit institutions.

The Bank recognizes the importance of an effective Internal Capital Adequacy Assessment Process (ICAAP). The development and implementation of ICAAP aims at ensuring the adequacy of the credit institutions’ own funds for covering the various types of material risks which they are exposed to, as a result of their business activities.

The ICAAP objectives are:

- the proper identification, measurement, control and overall assessment of all material risks;
- the development of the appropriate systems for the measurement and management of those risks;
- the internal evaluation of the capital required for the mitigation of risks (“internal capital”).

In this respect, the bank has developed an internal regulatory framework respectively the Policy regarding the Internal Capital Adequacy Assessment Process (ICAAP).

The bank performed the ICAAP exercise for the year 2019 by estimating the relevant internal capital for all major risk types. The ICAAP contains the following:

- Risk profile assessment
- Risk measurement and internal capital adequacy assessment
- Stress testing development, analysis and evaluation
- ICAAP reporting framework
- ICAAP documentation

The Bank has recognized and analysed under the ICAAP the following risks to which it is exposed, including also the regulatory risks (for which the capital requirement may be adjusted/differently approached): credit risk including the concentration risk on debtor/group of debtors learn and on activity sector, residual risk and foreign currency risk related to borrowers exposed to currency risk, operational

risk, market risk - currency risk , liquidity risk, interest rate risk in the banking book, strategic and business risk, reputational risk, compliance risk and other uncontrollable risks.

Internal capital requirements are computed per each risk type, then summed up for all the risks and compared with the assessed internal capital. Calculations were based on the methodologies that have already been developed in the ICAAP Framework. Results showed that the bank has sufficient capital to cover the material risks that it is exposed to in its business activities, registering a level of the total capital adequacy ratio of 13%, slightly below the tolerance level a Tier 1 capital ratio above the tolerance level as established through the ICAAP Policy.

### 9.3 Stress Testing Policy

The Bank performs stress testing for the following significant risk categories:

- Credit risk (including credit concentration risk);
- Market risk (foreign exchange and interest rate risk);
- Liquidity risk;
- Operational risk;
- Reputational risk.

Stress testing complements other risk management tools used by the Bank, its main role being to assist the management body in assessing their view of risks, identifying risk concentrations or taking/planning mitigating actions.

The objectives of the stress testing process as an integrated process of the risk management framework are as follows:

- Assess the possible financial impact of extreme but plausible events in relation to the Bank's risk appetite;
- Identify underlying causes of potential extreme events (control failures etc.);
- Check the reasonableness of the Bank's risk (internal) capital calculations;
- Identify main risk drivers and inter-dependences between risk drivers and the business cycle;
- Forward looking tool for the ICAAP/ capital planning process;
- Setting/ assessment of the appropriateness of the system of risk limits used / risk profile;
- Develop/ enhance contingency capital and funding plans;
- Take pre-emptive action to protect the Bank.

The measures that the management body could implement when considering the Bank's risk exposure compared to the risk appetite/ risk tolerance or business strategy or objectives in the context of the stress testing process are:

- Reviewing the set of limits, especially for the risks which are subject to regulatory limits;
- Implementation/ enhancement of risk mitigation techniques;
- Reducing exposures or business in specific sectors, countries, regions or portfolios;
- Reconsidering the funding policy;
- Reviewing capital adequacy;
- Implementing contingency plans.



Regarding **credit risk**, for the stress testing exercise, the current IFRS 9 impairment methodology for estimation of probability of default was used in order to obtain stressed values. The PD curve is obtained by forecasting the shift between the TTC and PIT matrices, driven by the current economic position and forecasted macroeconomic variables. The EBA adverse macroeconomic GDP stress scenarios were used for Romania in order to build stressed PD curves.

For the LGD parameter, the collateral values for RRE and CRE were adjusted using the EBA stressed scenarios for these asset classes,

For staging, the stress testing assumption was that the probability of an exposure to move from one stage to another is closely linked to the change in the probability of default from one period to another. Hence, we shift the transition rates with a standard normal variable. When the probability of default increases, more exposures will move from st2 to st3 and from st1 to st3 and less will stay in the previous stage or move back to stage 1 (stage 3 was assumed to be an absorbing stage, according to the EBA stress testing methodology i.e., no cure possible).

In developing **operational risk** stress test scenarios, were considered the following categories of events:

- Business disruption due to a power outage
- Damage or destruction of Head Office following an earthquake
- Automatic Clearing House (ACH) payments system interruption
- Errors registered under IT Applications - ATMs
- Internal fraud events
- Increase of litigations and losses of the bank.

For the **foreign exchange risk** stress testing exercise, the Bank analyses the effects of foreign exchange rates fluctuations and open currency position increase, in the form of potential loss and supplementary capital requirements for the corresponding open currency position, with final impact on solvability.

In order to conduct stress tests for the **interest rate risk in the banking book**, the Bank analyses the effects of interest rates changes using scenarios based on standard regulatory methodology (changing of economic value) and scenarios based earnings perspective. The bank performs stress testing according to the EBA Guidelines on the management of interest rate risk arising from non-trading activities (EBA/GL/2018/02).

For the purpose of the **liquidity risk** stress testing exercise, the Bank uses the underlying scenario and assumptions that are embedded in the Liquidity Coverage Requirement (LCR) as per the EU Capital Requirements Regulation (CRR). As per the regulatory proposals (Basel 3 text), the underlying scenario for the LCR entails a combined idiosyncratic (institution specific) and market-wide shock.

Also, the Bank assesses the potential impact of the stress tests scenarios performed during the annual business plan process on the level of the leverage indicator.

## **10. COUNTERPARTY CREDIT RISK EXPOSURE**

In order to have an efficient management of counterparty credit risk, the Bank has established a set of counterparty limits. The list of counterparty limits is maintained and updated at Risk Management Department level. In order to implement the new counterparty limits or increase existing limits, the

approval of the Board of Administrators is required. Limits monitoring is performed by Risk Management Department which reports to bank management.

Counterparty limits are established based on an analysis that also includes counterparty credit rating of financial institutions. Ratings are provided by external rating agencies, namely Moody's known, Standard & Poor's and Fitch. The set of limits is reviewed in accordance with the bank workload and financial market conditions.

At the end of 2019 the Bank held derivatives financial instruments at fair value amounting to RON 314,885 while the contractual value in RON equivalent was RON 16,231,075.

## 11. ADJUSTMENTS FOR CREDIT RISK (EXPECTED CREDIT LOSSES)

### 11.1 Definitions and general information

The exposures to non-financial Customers are classified under 3 (three) stages considering the below criteria:

|   | Exposures | Individually/Collectively assessed  |
|---|-----------|---|
| 1 | Stage 1   | If, at the reporting date, the credit risk on the financial instrument has not increased significantly since initial recognition  |
| 2 | Stage 2   | If, at the reporting date, the credit risk on the financial instrument has increased significantly since initial recognition. The indicators representing significant increase in credit risk are:<br>Quantitative indicators: <ul style="list-style-type: none"> <li>• Days past due - more than 30 days past due since origination compared with the reporting date;</li> <li>• Risk class - downgrade by at least one notch in risk since origination compared with the reporting date;</li> </ul> Qualitative indicator: <ul style="list-style-type: none"> <li>• Forborne exposures</li> <li>• Deterioration of the prospects for the sector or industry in which the debtor operates;</li> <li>• Deterioration of the future cash flows without affecting the ability to pay for the immediate period (without the need for restructuring as immediate measure);</li> <li>• The decision of the Bank's management to intensify the monitoring of a debtor or a group of debtors;</li> <li>• Increase of the interest margin as a measure of increasing the credit risk associated with the debtor.</li> </ul> |
| 3 | Stage 3   | Defaulted exposures   |

Based on the IFRS 9 exemption of “low credit risk”, the Bank & Sovereign exposures which are investment grade are classified as STAGE 1 and the Bank & Sovereign exposures which are not investment grade are classified as STAGE 2 and are assigned a lifetime probability of default.

## 11.2 Expected credit loss calculation (Adjustments for impairment)

### 11.2.1 Expected credit loss for non-financial Customers

As of 2019, the expected credit losses for loans portfolio were calculated according to IFRS 9 principles. The bank has elaborated its own policy regarding impairment of financial assets for the purposes of preparing MBR's individual financial statements in accordance with IFRS.

- According to the internal Procedure, the Bank has calculated 3 categories of expected credit losses: Stage 1: if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses;
- Stage 2: If, at the reporting date, the credit risk on a financial instrument has increased significantly since initial recognition, the Bank measured the loss allowance for that financial instrument at an amount equal to lifetime expected credit losses;
- Stage 3: expected credit losses for defaulted exposures;

### 11.2.2 Bank & Sovereign exposures

The Bank had as at 31.12.2019 exposures to Banks (money markets and other deposits) domestic & foreign, as well as bonds issued by the Romanian State. The expected credit losses for Banks & Sovereign exposure were calculated according to IFRS 9 principles

According to the internal Procedure, the Bank has calculated 2 categories of expected credit losses:

- Stage 1: for exposures in stage 1 to which a 12 Month probability of default is assigned for ECL calculations;
- Stage 2: for exposures in stage 2 to which a lifetime probability of default is assigned for ECL calculations;

## 11.3 Credit risk mitigation techniques

The Bank employs a comprehensive collateral management process based on documented procedures along with appropriate credit risk mitigation techniques. This thesis is also supported by the fact that appropriate procedures for loan and collateral documentation/administration are in place. Moreover the Legal Department controls and provides advice on collaterals accepted by the Bank along with general legal assistance in collateral administration in terms of documentation and alignment with laws and regulatory requirements.

Also, for the purpose of managing the credit risk, the Bank fulfils the following legal requirements:

- Ensures that the collateral are legally enforceable in all jurisdictions which are relevant at the time of the conclusion of the credit agreement;
- Ensures that the collateral contracts are valid, i.e. all legal requirements for concluding the contracts are met.

The collateral revaluation is performed during the collateral periodic reviews. The evaluation methods used are compliant with the International Evaluation Standards and internal regulations corresponding to the collateral evaluation processes. As per the provisions of the internal procedure, the Bank performs regular revaluation of the immovable assets by approved external evaluators. The frequency for regular

revaluation of immovable properties is stipulated as 3 years for residential properties and 1 year for all other properties.

The Bank accepts all types of collaterals according to the internal Procedures and NBR Norms.

The collaterals accepted by the Bank are personal and real: mortgages on immovable properties: residential properties, commercial properties and lands, mortgages on movable properties: on current accounts, on collateral deposits, on equipment, assignments of: insurance policies, rental contracts, Sale-Purchase contracts, commercial contracts, payment instruments, letters of guarantee from financial institution and other types of collaterals easy to be evaluated and slightly sensitive to the economic evolutions and possible to enforce taking into consideration the market frame.

In accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, Vista Bank Romania (SA) accepts the following instruments for mitigation of credit risk:

- Unfunded credit protection (guarantees) from: central administrations and central banks, regional administrations and local authorities, credit institutions;
- Funded credit protection: cash deposits, debt securities and material collaterals: residential and commercial real estate properties, other physical collaterals.

### **11.3.1 Revaluation of material collaterals**

The estimation of the market value of the collaterals accepted by the bank is performed according to the stipulations of the “Guide for evaluation of collaterals on lending” issued by ANEVAR (Romanian National Valuators Association) and the provisions of International Financial Reporting Standards, in compliance with the requirements from NBR regulations (Regulation no. 16/2012 and Regulation no.5/2013 with its further amendments).

The estimation of the market value (equal to the fair value) of collaterals is performed periodically in order to:

- deduct the collaterals value from the exposure within the computation of LGD (Loss Given Default) and of necessary ECL (Expected Credit Losses);
- recognize the value of collaterals that can be taken into account as credit risk mitigation, when determining the risk weighted value of exposures, in order to compute the minimum capital requirements for credit risk.

The values of the collaterals have to be monitored frequently as follows:

- a) in case of residential real estates the valuation has to be performed at least once at every three years and for the commercial real estates the valuation has to be performed once per year.
- b) in case of tangible goods the valuation has to be performed at least once per year.

In addition, valuation of collaterals may be necessary during the validity of the loan in certain specific cases (when are analysed operations of replacing existing exposures or when are analysed new operations having joint collaterals with other existing loans), according to Bank’s regulations. The valuation of collaterals is performed by external valuers or internal valuers of the bank, members of ANEVAR (Romanian National Valuators Association).

Information on exposure value covered by financial collateral, other collateral, guarantees and credit derivatives are understood as information on outstanding secured exposures and the secured amount within those exposures. Related information as of 31.12.2019 are presented below:

**Template 18: EU CR3 – CRM techniques – Overview**

|                        | Exposures unsecured – Carrying amount | Exposures secured – Carrying amount | Exposures secured by collateral | Exposures secured by financial guarantees | Exposures secured by credit derivatives |
|------------------------|---------------------------------------|-------------------------------------|---------------------------------|---|---|
| Total loans            | 1,495,319,643                         | 939,041,685                         | 867,809,673                     | 71,232,012                                | -                                       |
| Total debt securities  | 325,156,574                           | -                                   | -                               | -   | -                                       |
| <b>Total exposures</b> | <b>1,820,476,217</b>                  | <b>939,041,685</b>                  | <b>867,809,673</b>              | <b>71,232,012</b>                         | <b>-</b>                                |
| out of which defaulted | 2,626,931                             | 66,954,051                          | 66,939,202                      | 14,849.00                                 | -                                       |

**Template 19: EU CR4 – Standardised approach – Credit risk exposure and CRM effects**

|           | Exposure classes  | Exposures before CCF and CRM |                          | Exposures post CCF and CRM |                          | RWAs and RWA density |               |
|-----------|---|------------------------------|--------------------------|----------------------------|--------------------------|----------------------|---------------|
|           |   | On-balance-sheet amount      | Off-balance-sheet amount | On-balance-sheet amount    | Off-balance-sheet amount | RWAs                 | RWA density   |
| 1         | Central governments or central banks                                      | 645,222,504                  | 0                        | 679,590,703                | 0                        | 71,457,687           | 10.51%        |
| 2         | Regional governments or local authorities                                 | 0                            | 0                        | 0                          | 0                        | 0                    | 0.00%         |
| 3         | Public sector entities  | 0                            | 0                        | 0                          | 0                        | 0                    | 0.00%         |
| 4         | Multilateral development banks  | 0                            | 0                        | 0                          | 0                        | 0                    | 0.00%         |
| 5         | International organisations   | 0                            | 0                        | 0                          | 0                        | 0                    | 0.00%         |
| 6         | Institutions  | 296,642,976                  | 68,344                   | 295,700,333                | 68,344                   | 122,930,053          | 41.56%        |
| 7         | Corporates  | 629,141,554                  | 117,974,316              | 537,983,167                | 364,136                  | 632,174,718          | 117.43%       |
| 8         | Retail  | 268,505,374                  | 69,932,900               | 241,904,615                | 26,798,341               | 174,651,152          | 65.00%        |
| 9         | Secured by mortgages on immovable property                                | 324,997,405                  | 0                        | 291,711,817                | 0                        | 98,532,700           | 33.78%        |
| 10        | Exposures in default  | 121,307,936                  | 8,941                    | 69,557,192                 | 4,471                    | 74,105,232           | 106.53%       |
| 11        | Items associated with particularly high risk                              | 0                            | 0                        | 0                          | 0                        | 0                    | 0.00%         |
| 12        | Covered bonds   | 0                            | 0                        | 0                          | 0                        | 0                    | 0.00%         |
| 13        | Claims on institutions and corporates with a short-term credit assessment | 0                            | 0                        | 0                          | 0                        | 0                    | 0.00%         |
| 14        | Collective investments undertakings                                       | 0                            | 0                        | 0                          | 0                        | 0                    | 0.00%         |
| 15        | Equity exposures  | 0                            | 0                        | 0                          | 0                        | 0                    | 0.00%         |
| 16        | Other exposures   | 379,944,644                  | 0                        | 349,753,941                | 0                        | 308,263,693          | 88.14%        |
| <b>17</b> | <b>Total</b>  | <b>2,665,762,393</b>         | <b>187,984,501</b>       | <b>2,466,201,768</b>       | <b>27,235,291</b>        | <b>1,482,115,235</b> | <b>59.44%</b> |



## 11.4 General quantitative information on credit risk

### Template 7: EU CRB-B – Total and average net amount of exposures

|           |   | Net value of exposures at the end of the period | Average net exposures over the period |
|-----------|---|---|---------------------------------------|
| <b>15</b> | <b>Total IRB approach</b>   | <b>0</b>  | <b>0</b>                              |
| 16        | Central governments or central banks                                      | 644,825,201                                     | 595,180,129                           |
| 17        | Regional governments or local authorities                                 | 0   | 0                                     |
| 18        | Public sector entities  | 0   | 0                                     |
| 19        | Multilateral development banks  | 0   | 0                                     |
| 20        | International organisations   | 0   | 0                                     |
| 21        | Institutions  | 296,093,299                                     | 265,300,988                           |
| 22        | Corporates  | 739,511,567                                     | 585,424,154                           |
| 23        | <i>Of which: SMEs</i>   | <i>542,072,403</i>                              | <i>420,210,215</i>                    |
| 24        | Retail  | 336,167,878                                     | 340,412,022                           |
| 25        | <i>Of which: SMEs</i>   | <i>196,828,174</i>                              | <i>210,968,097</i>                    |
| 26        | Secured by mortgages on immovable property                                | 323,585,034                                     | 279,578,982                           |
| 27        | <i>Of which: SMEs</i>   | <i>68,698,560</i>                               | <i>52,674,195</i>                     |
| 28        | Exposures in default  | 69,580,982                                      | 64,040,830                            |
| 29        | Items associated with particularly high risk                              | 0   | 0                                     |
| 30        | Covered bonds   | 0   | 0                                     |
| 31        | Claims on institutions and corporates with a short-term credit assessment | 0   | 16,882,481                            |
| 32        | Collective investments undertakings                                       | 0   | 0                                     |
| 33        | Equity exposures  | 0   | 0                                     |
| 34        | Other exposures   | 349,753,941                                     | 350,291,411                           |
| <b>35</b> | <b>Total standardized approach</b>  | <b>2,759,517,902</b>                            | <b>2,497,110,997</b>                  |
| <b>36</b> | <b>Total</b>  | <b>2,759,517,902</b>                            | <b>2,497,110,997</b>                  |



## Template 8: EU CRB-C – Geographical breakdown of exposures

|           |   | Europe               | Romania              | Great Britain | Luxemburg  | Other European countries | Jersey     | Other geographical areas | Total                |
|-----------|---|----------------------|----------------------|---------------|------------|--------------------------|------------|--------------------------|----------------------|
| <b>6</b>  | <b>Total IRB approach</b>   | -                    | -                    | -             | -          | -                        | -          | -                        | -                    |
| 7         | Central governments or central banks                                      | 644,825,201          | 644,825,201          | -             | -          | -                        | -          | -                        | <b>644,825,201</b>   |
| 8         | Regional governments or local authorities                                 | -                    | -                    | -             | -          | -                        | -          | -                        | -                    |
| 9         | Public sector entities  | -                    | -                    | -             | -          | -                        | -          | -                        | -                    |
| 10        | Multilateral development banks  | -                    | -                    | -             | -          | -                        | -          | -                        | -                    |
| 11        | International organizations   | -                    | -                    | -             | -          | -                        | -          | -                        | -                    |
| 12        | Institutions  | 296,093,299          | 43,071,145           | -             | -          | 253,022,154              | -          | -                        | <b>296,093,299</b>   |
| 13        | Corporates  | 683,038,204          | 628,690,220          | 4,365,159     | 40,521,156 | 9,461,668                | 56,260,324 | 213,040                  | <b>739,511,567</b>   |
| 14        | Retail  | 336,022,248          | 335,645,093          | -             | -          | 377,155                  | -          | 145,630                  | <b>336,167,878</b>   |
| 15        | Secured by mortgages on immovable property                                | 323,432,175          | 299,815,008          | 23,073,179    | -          | 543,988                  | -          | 152,859                  | <b>323,585,034</b>   |
| 16        | Exposures in default  | 69,580,982           | 69,472,139           | -             | -          | 108,843                  | -          | -                        | <b>69,580,982</b>    |
| 17        | Items associated with particularly high risk                              | -                    | -                    | -             | -          | -                        | -          | -                        | -                    |
| 18        | Covered bonds   | -                    | -                    | -             | -          | -                        | -          | -                        | -                    |
| 19        | Claims on institutions and corporates with a short-term credit assessment | -                    | -                    | -             | -          | -                        | -          | -                        | -                    |
| 20        | Collective investments undertakings                                       | -                    | -                    | -             | -          | -                        | -          | -                        | -                    |
| 21        | Equity exposures  | -                    | -                    | -             | -          | -                        | -          | -                        | -                    |
| 22        | Other exposures   | 345,111,770          | 345,111,770          | -             | -          | -                        | -          | 4,642,171                | <b>349,753,941</b>   |
| <b>23</b> | <b>Total standardised approach</b>  | <b>2,698,103,879</b> | <b>2,366,630,576</b> | -             | -          | <b>263,513,808</b>       | -          | <b>5,153,700</b>         | <b>2,759,517,903</b> |
| <b>24</b> | <b>Total</b>  | <b>2,698,103,879</b> | <b>2,366,630,576</b> | -             | -          | <b>263,513,808</b>       | -          | <b>5,153,700</b>         | <b>2,759,517,903</b> |

Exposures less than or equal to 0.5% of total exposures have been included in "Other European countries" and "Other geographical areas".

The column "Other European Countries" groups together exposures in the following countries: Belgium, France, Greece, Cyprus, Germany, Netherlands, Italy and Hungary.

The column "Other geographical areas" groups together exposures in the following countries: Israel, United States of America, Marshall Islands and India.

**Template 9: EU CRB-D – Concentration of exposures by industry or counterparty types**

|    |  | Agriculture, forestry and fishing | Mining and quarrying | Manufacturing | Electricity, gas, steam and air | Water supply | Construction | Wholesale and retail trade | Transport and storage | Accommodation and food service activities | Information and communication | Real estate activities | Professional, scientific and technical activities | Administrative and support service activities | Public administration and defence, compulsory social security | Education | Human health services and social work activities | Arts, entertainment and recreation | Other services | Total              |
|----|--|-----------------------------------|----------------------|---------------|---------------------------------|--------------|--------------|----------------------------|-----------------------|---|-------------------------------|------------------------|---|---|---|-----------|--|------------------------------------|----------------|--------------------|
| 6  | <b>Total IRB approach</b>                  | -                                 | -                    | -             | -                               | -            | -            | -                          | -                     | -   | -                             | -                      | -   | -   | -   | -         | -  | -                                  | -              | -                  |
| 7  | Central governments or central banks       | -                                 | -                    | -             | -                               | -            | -            | -                          | -                     | -   | -                             | -                      | -   | -   | 325.156.574   | -         | -  | -                                  | -              | <b>307.186.317</b> |
| 8  | Regional governments or local authorities  | -                                 | -                    | -             | -                               | -            | -            | -                          | -                     | -   | -                             | -                      | -   | -   | -   | -         | -  | -                                  | -              | -                  |
| 9  | Public sector entities                     | -                                 | -                    | -             | -                               | -            | -            | -                          | -                     | -   | -                             | -                      | -   | -   | -   | -         | -  | -                                  | -              | -                  |
| 10 | Multilateral development banks             | -                                 | -                    | -             | -                               | -            | -            | -                          | -                     | -   | -                             | -                      | -   | -   | -   | -         | -  | -                                  | -              | -                  |
| 11 | International organisations                | -                                 | -                    | -             | -                               | -            | -            | -                          | -                     | -   | -                             | -                      | -   | -   | -   | -         | -  | -                                  | -              | -                  |
| 12 | Institutions                               | -                                 | -                    | -             | -                               | -            | -            | -                          | -                     | -   | -                             | -                      | -   | -   | -   | -         | -  | -                                  | -              | -                  |
| 13 | Corporates                                 | 12,249,397                        | -                    | 160,091,947   | -                               | -            | 42,740,925   | 166,970,662                | -                     | -   | -                             | 155,468,439            | -   | -   | -   | -         | -  | -                                  | 139,737,181    | <b>677,258,552</b> |
| 14 | Retail                                     | 9,883,637                         | -                    | 24,361,898    | -                               | -            | 21,653,001   | 90,739,031                 | -                     | 1,504,783                                 | 5,853,645                     | 17,932,658             | -   | -   | -   | -         | -  | -                                  | 23,796,359     | <b>195,725,012</b> |
| 15 | Secured by mortgages on immovable property | 2,257,181                         | -                    | 1,197,268     | -                               | -            | 3,286,164    | 48,001,347                 | -                     | 63,615                                    | 903,388                       | 7,132,150              | -   | -   | -   | -         | -  | -                                  | 2,751,723      | <b>65,592,836</b>  |
| 16 | Exposures in default                       | -                                 | -                    | 11,858,791    | -                               | -            | 1,050,151    | 15,304,145                 | -                     | -   | -                             | 22,757,914             | -   | -   | -   | -         | -  | -                                  | 4,648,145      | <b>55,619,146</b>  |



|    |   | Agriculture, forestry and fishing | Mining and quarrying | Manufacturing      | Electricity, gas, steam and air | Water supply | Construction      | Wholesale and retail trade | Transport and storage | Accommodation and food service activities | Information and communication | Real estate activities | Professional, scientific and technical activities | Administrative and support service activities | Public administration and defence, compulsory social security | Education | Human health services and social work activities | Arts, entertainment and recreation | Other services     | Total                |   |
|----|---|-----------------------------------|----------------------|--------------------|---------------------------------|--------------|-------------------|----------------------------|-----------------------|---|-------------------------------|------------------------|---|---|---|-----------|--|------------------------------------|--------------------|----------------------|---|
| 17 | Items associated with particularly high risk                              | -                                 | -                    | -                  | -                               | -            | -                 | -                          | -                     | -   | -                             | -                      | -   | -   | -   | -         | -  | -                                  | -                  | -                    | - |
| 18 | Covered bonds   | -                                 | -                    | -                  | -                               | -            | -                 | -                          | -                     | -   | -                             | -                      | -   | -   | -   | -         | -  | -                                  | -                  | -                    | - |
| 19 | Claims on institutions and corporates with a short-term credit assessment | -                                 | -                    | -                  | -                               | -            | -                 | -                          | -                     | -   | -                             | -                      | -   | -   | -   | -         | -  | -                                  | -                  | -                    | - |
| 20 | Collective investments undertakings                                       | -                                 | -                    | -                  | -                               | -            | -                 | -                          | -                     | -   | -                             | -                      | -   | -   | -   | -         | -  | -                                  | -                  | -                    | - |
| 21 | Equity exposures  | -                                 | -                    | -                  | -                               | -            | -                 | -                          | -                     | -   | -                             | -                      | -   | -   | -   | -         | -  | -                                  | -                  | -                    | - |
| 22 | Other exposures   | -                                 | -                    | -                  | -                               | -            | -                 | -                          | -                     | -   | -                             | -                      | -   | -   | -   | -         | -  | -                                  | -                  | -                    | - |
| 23 | <b>Total standardised approach</b>  | <b>24.390.215</b>                 | -                    | <b>197.509.905</b> | -                               | -            | <b>68.730.241</b> | <b>321.015.186</b>         | -                     | <b>1.568.398</b>                          | <b>6.757.033</b>              | <b>203.291.161</b>     | -   | -   | <b>331.108.734</b>  | -         | -  | -                                  | <b>170.933.408</b> | <b>1.325.304.280</b> |   |
| 24 | <b>Total</b>  | <b>24.390.215</b>                 | -                    | <b>197.509.905</b> | -                               | -            | <b>68.730.241</b> | <b>321.015.186</b>         | -                     | <b>1.568.398</b>                          | <b>6.757.033</b>              | <b>203.291.161</b>     | -   | -   | <b>331.108.734</b>  | -         | -  | -                                  | <b>170.933.408</b> | <b>1.325.304.280</b> |   |

The exposures reported above are presented net of exposures to "Financial and insurance assets" in amount of RON 681,973,293, exposures to "Households" in amount of RON 413,080,720 and RON 339,159,610 exposures that cannot be associated to a specific counterparty.



## Template 10: EU CRB-E – Maturity of exposures

|           |   | Net exposure value |                      |                        |                    |                    | Total                |
|-----------|---|--------------------|----------------------|------------------------|--------------------|--------------------|----------------------|
|           |   | On demand          | <= 1 year            | > 1 year<br><= 5 years | > 5 years          | No stated maturity |                      |
| <b>6</b>  | <b>Total IRB approach</b>   | -                  | -                    | -                      | -                  | -                  | -                    |
| 7         | Central governments or central banks                                      | -                  | 446,821,969          | 198,003,232            | -                  | -                  | <b>644,825,201</b>   |
| 8         | Regional governments or local authorities                                 | -                  | -                    | -                      | -                  | -                  | -                    |
| 9         | Public sector entities  | -                  | -                    | -                      | -                  | -                  | -                    |
| 10        | Multilateral development banks  | -                  | -                    | -                      | -                  | -                  | -                    |
| 11        | International organisations   | -                  | -                    | -                      | -                  | -                  | -                    |
| 12        | Institutions  | -                  | 254,083,278          | 41,941,676             | -                  | -                  | <b>296,024,954</b>   |
| 13        | Corporates  | -                  | 342,764,808          | 104,773,414            | 173,999,028        | -                  | <b>621,537,251</b>   |
| 14        | Retail  | -                  | 80,601,001           | 39,570,166             | 146,063,811        | -                  | <b>266,234,978</b>   |
| 15        | Secured by mortgages on immovable property                                | -                  | 38,729,439           | 19,528,802             | 265,326,793        | -                  | <b>323,585,034</b>   |
| 16        | Exposures in default  | -                  | 54,575,580           | 3,124,191              | 11,872,269         | -                  | <b>69,572,041</b>    |
| 17        | Items associated with particularly high risk                              | -                  | -                    | -                      | -                  | -                  | -                    |
| 18        | Covered bonds   | -                  | -                    | -                      | -                  | -                  | -                    |
| 19        | Claims on institutions and corporates with a short-term credit assessment | -                  | -                    | -                      | -                  | -                  | -                    |
| 20        | Collective investments undertakings                                       | -                  | -                    | -                      | -                  | -                  | -                    |
| 21        | Equity exposures  | -                  | -                    | -                      | -                  | -                  | -                    |
| 22        | Other exposures   | -                  | 340,997,741          | 8,756,200              | -                  | -                  | <b>349,753,941</b>   |
| <b>23</b> | <b>Total standardised approach</b>  | -                  | <b>1,558,573,817</b> | <b>415,697,681</b>     | <b>597,261,902</b> | -                  | <b>2,571,533,399</b> |
| <b>24</b> | <b>Total</b>  | -                  | <b>1,558,573,817</b> | <b>415,697,681</b>     | <b>597,261,902</b> | -                  | <b>2,571,533,399</b> |

**Template 11: EU CR1-A – Credit quality of exposures by exposure class and instrument**

|    | Gross carrying values of  |                             | Specific credit risk adjustment (c) | General credit risk adjustment (d) | Accumulated write-offs | Credit risk adjustment charges of the period | Net values           |
|----|---|-----------------------------|-------------------------------------|------------------------------------|------------------------|--|----------------------|
|    | Defaulted exposures (a)   | Non-defaulted exposures (b) |                                     |                                    |                        |  | (a+b-c-d)            |
| 15 | <b>Total IRB approach</b>   | -                           | -                                   | -                                  | -                      | -  | -                    |
| 16 | Central governments or central banks                                      | -                           | 645,222,504                         | 397,303                            | -                      | 149,275                                      | 644,825,201          |
| 17 | Regional governments or local authorities                                 | -                           | -                                   | -                                  | -                      | -  | -                    |
| 18 | Public sector entities  | -                           | -                                   | -                                  | -                      | -  | -                    |
| 19 | Multilateral development banks  | -                           | -                                   | -                                  | -                      | -  | -                    |
| 20 | International organisations   | -                           | -                                   | -                                  | -                      | -  | -                    |
| 21 | Institutions  | -                           | 297,035,941                         | 942,642                            | -                      | 1,248,940                                    | 296,093,299          |
| 22 | Corporates  | -                           | 747,115,870                         | 7,604,303                          | -                      | 4,171,700                                    | 739,511,567          |
| 23 | <i>Of which: SMEs</i>   | -                           | 546,710,067                         | 4,637,664                          | -                      | 4,163,077                                    | 542,072,403          |
| 24 | Retail  | -                           | 338,438,275                         | 2,270,397                          | -                      | 53,966,748                                   | 336,167,878          |
| 25 | <i>Of which: SMEs</i>   | -                           | 198,479,545                         | 1,651,371                          | -                      | 44,515,871                                   | 196,828,174          |
| 26 | Secured by mortgages on immovable property                                | -                           | 324,997,405                         | 1,412,371                          | -                      | 3,659,225                                    | 323,585,034          |
| 27 | <i>Of which: SMEs</i>   | -                           | 69,259,458                          | 560,898                            | -                      | 2,142,251                                    | 68,698,560           |
| 28 | Exposures in default  | 121,316,877                 | -                                   | 51,735,895                         | -                      | 4,686,303                                    | 69,580,982           |
| 29 | Items associated with particularly high risk                              | -                           | -                                   | -                                  | -                      | -  | -                    |
| 30 | Covered bonds   | -                           | -                                   | -                                  | 0                      | 0  | 0                    |
| 31 | Claims on institutions and corporates with a short-term credit assessment | 0                           | -                                   | -                                  | -                      | -  | -                    |
| 32 | Collective investments undertakings                                       | -                           | -                                   | -                                  | -                      | -  | -                    |
| 33 | Equity exposures  | -                           | -                                   | -                                  | -                      | -  | -                    |
| 34 | Other exposures   | -                           | 379,944,644                         | 30,190,703                         | -                      | 6,105,627                                    | 349,753,941          |
| 35 | <b>Total standardised approach</b>  | <b>121,316,877</b>          | <b>2,732,754,639</b>                | <b>94,553,614</b>                  | -                      | <b>4,686,303</b>                             | <b>2,759,517,902</b> |
| 36 | <b>Total</b>  | <b>121,316,877</b>          | <b>2,732,754,639</b>                | <b>94,553,614</b>                  | -                      | <b>4,686,303</b>                             | <b>2,759,517,902</b> |
| 37 | Of which: Loans   | 121,307,936                 | 2,219,316,321                       | 94,179,088                         | -                      | 69,894,913                                   | 2,246,445,169        |
| 38 | Of which: Debt securities   | -                           | 325,531,100                         | 374,526                            | -                      | 149,275                                      | 325,156,574          |
| 39 | Of which: Off-balance-sheet exposures                                     | 8,941                       | 187,907,218                         | -                                  | -                      | -  | 187,916,158          |

**Template 12: EU CR1-B – Credit quality of exposures by industry or counterparty types**

|           |   | Gross carrying values of |                             | Specific credit risk adjustment (c) | General credit risk adjustment (d) | Accumulated write-offs | Credit risk adjustment charges of the period | Net values           |
|-----------|---|--------------------------|-----------------------------|-------------------------------------|------------------------------------|------------------------|--|----------------------|
|           |   | Defaulted exposures (a)  | Non-defaulted exposures (b) |                                     |                                    |                        |  | (a+b-c-d)            |
| 1         | Agriculture, forestry and fishing                             | -                        | 24,726,225                  | 336,010.22                          | -                                  | -                      | 478,595                                      | 24,390,215           |
| 2         | Mining and quarrying  | -                        | -                           | -                                   | -                                  | -                      | -  | -                    |
| 3         | Manufacturing   | 17,937,226               | 188,185,240                 | 8,612,561.36                        | -                                  | 1,093,619              | 5,744,951                                    | 197,509,905          |
| 4         | Electricity, gas, steam and air conditioning supply           | -                        | -                           | -                                   | -                                  | -                      | -  | -                    |
| 5         | Water supply  | -                        | -                           | -                                   | -                                  | -                      | -  | -                    |
| 6         | Construction  | 1,987,622                | 67,932,632                  | 1,190,012.67                        | -                                  | 51,121                 | 875,504                                      | 68,730,241           |
| 7         | Wholesale and retail trade                                    | 18,445,952               | 308,859,617                 | 6,290,384.13                        | -                                  | 397,901                | 9,842,057                                    | 321,015,186          |
| 8         | Transport and storage   | -                        | -                           | -                                   | -                                  | -                      | -  | -                    |
| 9         | Accommodation and food service activities                     | 1,070,392                | 1,574,821                   | 1,076,814.85                        | -                                  | 206,496                | 57,194                                       | 1,568,398            |
| 10        | Information and communication                                 | -                        | 6,802,043                   | 45,009.96                           | -                                  | -                      | 94,226                                       | 6,757,033            |
| 11        | Real estate activities  | 44,757,130               | 181,645,096                 | 23,111,064.64                       | -                                  | -                      | 17,516,516                                   | 203,291,161          |
| 12        | Professional, scientific and technical activities             | -                        | -                           | -                                   | -                                  | -                      | -  | -                    |
| 13        | Administrative and support service activities                 | -                        | -                           | -                                   | -                                  | -                      | -  | -                    |
| 14        | Public administration and defence, compulsory social security | -                        | 651,174,664                 | 397,303                             | -                                  | -                      | 149,275                                      | 650,777,361          |
| 15        | Education   | -                        | -                           | -                                   | -                                  | -                      | -  | -                    |
| 16        | Human health services and social work activities              | -                        | -                           | -                                   | -                                  | -                      | -  | -                    |
| 17        | Arts, entertainment and recreation                            | -                        | -                           | -                                   | -                                  | -                      | -  | -                    |
| 18        | Other services  | 14,371,843               | 167,944,358                 | 11,382,793.20                       | -                                  | 624,451                | 7,950,179                                    | 170,933,408          |
| <b>19</b> | <b>Total</b>  | <b>98,570,164</b>        | <b>1,598,844,697</b>        | <b>52,441,954.03</b>                | <b>-</b>                           | <b>2,373,588</b>       | <b>42,708,497</b>                            | <b>1,644,972,907</b> |

The exposures reported above are presented net of exposures to "Financial and insurance assets" in amount of RON 681,973,293, exposures to "Households" in amount of RON 413,080,720 and RON 339,159,610 exposures that cannot be associated to a specific counterparty.

**Template 13: EU CR1-C – Credit quality of exposures by geography**

|          |                          | Gross carrying values of |                             | Specific credit risk adjustment (c) | General credit risk adjustment (d) | Accumulated write-offs | Credit risk adjustment charges of the period | Net values           |
|----------|--------------------------|--------------------------|-----------------------------|-------------------------------------|------------------------------------|------------------------|--|----------------------|
|          |                          | Defaulted exposures (a)  | Non-defaulted exposures (b) |                                     |                                    |                        |  | (a+b-c-d)            |
| 1        | Europe                   | 121,316,877              | 2,670,558,173               | 93,771,171                          | -                                  | 4,686,303              | 61,594,142                                   | 2,698,103,879        |
| 2        | Romania                  | 121,206,095              | 2,337,842,407               | 92,417,926                          | -                                  | 4,629,540              | 60,954,794                                   | 2,366,630,576        |
| 3        | Great Britain            | -                        | 27,480,051                  | 41,713                              | -                                  | -                      | 200,158                                      | 27,438,339           |
| 4        | Luxembourg               | -                        | 40,731,281                  | 210,124                             | -                                  | -                      | 210,124                                      | 40,521,156           |
| 5        | Other European countries | 110,782                  | 264,504,434                 | 1,101,408                           | -                                  | 56,763                 | 229,067                                      | 263,513,808          |
| 6        | Jersey                   | -                        | 57,042,609                  | 782,285                             | -                                  | -                      | 944,409                                      | 56,260,324           |
| 7        | Other geographical areas | -                        | 5,153,858                   | 158                                 | -                                  | -                      | 1,795  | 5,153,700            |
| <b>8</b> | <b>Total</b>             | <b>121,316,877</b>       | <b>2,732,754,640</b>        | <b>94,553,614</b>                   | <b>-</b>                           | <b>4,686,303</b>       | <b>62,540,346</b>                            | <b>2,759,517,903</b> |



## Template 16: EU CR2-A – Changes in the stock of ECL

|          |  | Accumulated specific credit risk adjustment | Accumulated general credit risk adjustment |
|----------|--|---|--|
| 1        | Opening balance  | 53,475,029                                  | 0  |
| 2        | Increases due to amounts set aside for estimated loan losses during the period             | 62,540,346                                  | 0  |
| 3        | Decreases due to amounts reversed for estimated loan losses during the period              | (50,003,304)                                | 0  |
| 4        | Decreases due to amounts taken against accumulated credit risk adjustments                 | (4,209,734)                                 | 0  |
| 5        | Transfers between credit risk adjustments  | -   | 0  |
| 6        | Impact of exchange rate differences  | 1,220,628                                   | 0  |
| 7        | Business combinations, including acquisitions and disposals of subsidiaries                | -   | 0  |
| 8        | Other adjustments  | -   | 0  |
| <b>9</b> | <b>Closing balance</b>   | <b>63,022,965</b>                           | <b>0</b>                                   |
| 10       | Recoveries on credit risk adjustments recorded directly to the statement of profit or loss | (11,162,094)                                | 0  |
| 11       | Specific credit risk adjustments directly recorded to the statement of profit or loss      | 328,717                                     | 0  |



## Template 17: EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities

|   |   | Gross carrying value<br>defaulted exposures |
|---|---|---|
| 1 | <b>Opening balance</b>  | <b>102,376,287</b>                          |
| 2 | Loans and debt securities that have defaulted or impaired since the last reporting period | 30,829,465                                  |
| 3 | Returned to non-defaulted status  | (3,532,846)                                 |
| 4 | Amounts written off   | (4,461,101)                                 |
| 5 | Other changes   | (3,894,929)                                 |
| 6 | <b>Closing balance</b>  | <b>121,316,877</b>                          |

**Annex I – Disclosure templates: forbearance**
**Template 1: Credit quality of forborne exposures**

|    |                              | Gross carrying amount/nominal amount of exposures with forbearance measures |                         |                   |                                  | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions |            | Collateral received and financial guarantees received on forborne exposures                                 |            |
|----|------------------------------|---|-------------------------|-------------------|----------------------------------|--|------------|---|------------|
|    |                              | Performing forborne   | Non-performing forborne |                   | On performing forborne exposures | On non-performing forborne exposures   |            | Of which collateral and financial guarantees received on non-performing exposures with forbearance measures |            |
|    |                              |   | Of which defaulted      | Of which impaired |                                  |  |            |   |            |
| 1  | Loans and advances           | 28,112,023  | 72,839,076              | 72,839,076        | 72,839,076                       | 261,070  | 30,612,324 | 77,356,541  | 40,564,355 |
| 2  | Central banks                |   |                         |                   |                                  |  |            |   |            |
| 3  | General governments          |   |                         |                   |                                  |  |            |   |            |
| 4  | Credit institutions          |   |                         |                   |                                  |  |            |   |            |
| 5  | Other financial corporations | 0   | 0                       | 0                 | 0                                | 0  | 0          | 0   | 0          |
| 6  | Non-financial corporations   | 26,184,725  | 61,389,511              | 61,389,511        | 61,389,511                       | 244,833  | 26,769,133 | 58,419,261  | 33,218,865 |
| 7  | Households                   | 1,927,298   | 11,449,565              | 11,449,565        | 11,449,565                       | 16,237   | 3,843,191  | 18,937,280  | 7,345,489  |
| 8  | Debt Securities              |   |                         |                   |                                  |  |            |   |            |
| 9  | Loan commitments given       |   |                         |                   |                                  |  |            |   |            |
| 10 | <b>Total</b>                 | 28,112,023  | 72,839,076              | 72,839,076        | 72,839,076                       | 261,070  | 30,612,324 | 77,356,541  | 40,564,355 |





## Template 2: Quality of forbearance

|   |   | Gross carrying amount of forborne exposures |
|---|---|---|
| 1 | Loans and advances that have been forborne more than twice                                      | 39,061,990                                  |
| 2 | Non-performing forborne loans and advances that failed to meet the non-performing exit criteria | 23,109,292                                  |



**Template 4: Performing and non-performing exposures and related provisions.**

|    |                              | Gross carrying amount/nominal amount |                  |                  |                          |                  |                  | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions |                  |                  |   |          |                  | Accumulated partial write-off | Collateral and financial guarantees received |                             |
|----|------------------------------|--------------------------------------|------------------|------------------|--------------------------|------------------|------------------|--|------------------|------------------|---|----------|------------------|-------------------------------|--|-----------------------------|
|    |                              | Performing exposures                 |                  |                  | Non-performing exposures |                  |                  | Performing exposures – accumulated impairment and provisions   |                  |                  | Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions |          |                  |                               | On performing exposures                      | On non-performing exposures |
|    |                              |                                      | Of which stage 1 | Of which stage 2 |                          | Of which stage 2 | Of which stage 3 |  | Of which stage 1 | Of which stage 2 |   | Of which | Of which stage 3 |                               |  |                             |
| 1  | Loans and advances           | 2,353,367,970                        | 1,989,169,738    | 364,198,232      | 200,454,567              | 0                | 200,454,567      | 17,905,959   | 13,488,354       | 4,417,606        | 77,545,009  | 0        | 77,545,009       | 890,625,776                   | 1,235,875,408                                | 174,294,668                 |
| 2  | Central banks                | 319,691,404                          | 319,691,404      |                  | 0                        |                  |                  | 22,777   | 22,777           |                  | 0   |          |                  |                               |  |                             |
| 3  | General governments          | 0                                    |                  |                  | 0                        |                  |                  | 0  |                  |                  | 0   |          |                  |                               |  |                             |
| 4  | Credit institutions          | 297,602,779                          | 108,756,779      | 188,846,000      | 0                        |                  |                  | 942,643  | 520              | 942,123          | 0   |          |                  |                               |  |                             |
| 5  | Other financial corporations | 136,292,908                          | 136,231,687      | 61,221           | 0                        | 0                | 0                | 1,760,725  | 1,759,654        | 1,071            | 0   | 0        | 0                | 31,930,252                    | 58,955,466                                   | 0                           |
| 6  | Non-financial corporations   | 694,784,131                          | 615,930,366      | 78,853,766       | 90,586,398               | 0                | 90,586,398       | 8,613,007  | 7,382,676        | 1,230,331        | 34,970,829  | 0        | 34,970,829       | 430,610,505                   | 463,069,171                                  | 78,416,207                  |
| 7  | Of which SMEs                | 511,096,661                          | 443,378,695      | 67,717,965       | 88,288,640               | 0                | 88,288,640       | 5,089,208  | 4,035,000        | 1,054,208        | 34,951,123  | 0        | 34,951,123       | 428,085,019                   | 401,340,979                                  | 76,118,450                  |
| 8  | Households                   | 393,900,088                          | 365,180,808      | 28,719,280       | 21,579,528               | 0                | 21,579,528       | 1,477,599  | 287,726          | 1,189,872        | 7,623,056   | 0        | 7,623,056        | 46,617,101.35                 | 312,509,792                                  | 19,760,011                  |
| 9  | Debt securities              | 325,531,100                          | 325,531,100      | 0                | 0                        | 0                | 0                | 374,526  | 374,526          | 0                | 0   | 0        | 0                | 0                             | 0  | 0                           |
| 10 | Central banks                |                                      |                  |                  |                          |                  |                  |  |                  |                  |   |          |                  |                               |  |                             |
| 11 | General governments          | 325,531,100                          | 325,531,100      |                  |                          |                  |                  | 374,526  | 374,526          | 0                |   |          |                  |                               |  |                             |
| 12 | Credit institutions          |                                      |                  |                  |                          |                  |                  |  |                  |                  |   |          |                  |                               |  |                             |
| 13 | Other financial corporations |                                      |                  |                  |                          |                  |                  |  |                  |                  |   |          |                  |                               |  |                             |
| 14 | Non-financial corporations   |                                      |                  |                  |                          |                  |                  |  |                  |                  |   |          |                  |                               |  |                             |



|    |                              | Gross carrying amount/nominal amount |                      |                    |                          |                  |                    | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions |                   |                  |   |          |                   | Accumulated partial write-off | Collateral and financial guarantees received |                             |
|----|------------------------------|--------------------------------------|----------------------|--------------------|--------------------------|------------------|--------------------|--|-------------------|------------------|---|----------|-------------------|-------------------------------|--|-----------------------------|
|    |                              | Performing exposures                 |                      |                    | Non-performing exposures |                  |                    | Performing exposures – accumulated impairment and provisions   |                   |                  | Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions |          |                   |                               | On performing exposures                      | On non-performing exposures |
|    |                              |                                      | Of which stage 1     | Of which stage 2   |                          | Of which stage 2 | Of which stage 3   |  | Of which stage 1  | Of which stage 2 |   | Of which | Of which stage 3  |                               |  |                             |
| 15 | Off-balance-sheet exposures  | 187,975,561                          | 182,103,400          | 5,872,161          | 8,941                    | 0                | 8,941              | 1,252,050  | 1,140,321         | 111,729          | 4,470   | 0        | 4,470             |                               | 0  | 0                           |
| 16 | Central banks                | 0                                    |                      |                    | 0                        | 0                |                    | 0  |                   |                  | 0   |          |                   |                               |  |                             |
| 17 | General governments          | 0                                    |                      |                    | 0                        | 0                |                    | 0  |                   |                  | 0   |          |                   |                               |  |                             |
| 18 | Credit institutions          | 68,344                               | 68,344               |                    | 0                        | 0                |                    | 0  |                   |                  | 0   |          |                   |                               |  |                             |
| 19 | Other financial corporations | 26,755,902                           | 26,755,902           | 0                  | 0                        | 0                |                    | 227,554  | 227,554           |                  | 0   |          |                   |                               |  |                             |
| 20 | Non-financial corporations   | 154,184,558                          | 148,397,439          | 5,787,119          | 3,578                    | 0                | 3,578              | 1,001,125  | 896,547           | 104,578          | 1,789   |          | 1,789             |                               |  |                             |
| 21 | Households                   | 6,966,757                            | 6,881,715            | 85,042             | 5,363                    | 0                | 5,363              | 23,371   | 16,220            | 7,151            | 2,681   |          | 2,681             |                               |  |                             |
| 22 | <b>Total</b>                 | <b>2,866,874,631</b>                 | <b>2,496,804,238</b> | <b>370,070,393</b> | <b>200,463,508</b>       | <b>0</b>         | <b>200,463,508</b> | <b>19,532,535</b>  | <b>15,003,201</b> | <b>4,529,335</b> | <b>77,549,479</b>   | <b>0</b> | <b>77,549,479</b> |                               | <b>1,235,875,408</b>                         | <b>174,294,668</b>          |

**Template 5: Quality of non-performing exposures by geography**

|           |                                    | Gross carrying/nominal amount |                         |                                | Accumulated impairment | Provisions on off-balance-sheet commitments and financial guarantees given | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
|-----------|------------------------------------|-------------------------------|-------------------------|--------------------------------|------------------------|--|---|
|           |                                    |                               | Of which non-performing | Of which subject to impairment |                        |  |   |
|           |                                    |                               |                         | Of which defaulted             |                        |  |   |
| <b>1</b>  | <b>On-balance-sheet exposures</b>  | <b>1,954,437,236</b>          | <b>112,165,926</b>      | <b>112,165,926</b>             | <b>1,954,437,236</b>   | <b>55,410,637</b>  | -   |
| 2         | <b>RO</b>                          | 1,586,007,539                 | 112,055,144             | 112,055,144                    | 1,586,007,539          | 53,275,886   | -   |
| 3         | <b>BE</b>                          | 289,521                       | 106,271                 | 106,271                        | 289,521                | 1,013  | -   |
| 4         | <b>CY</b>                          | 5,136,593                     | -                       | -                              | 5,136,593              | 156,772  | -   |
| 5         | <b>DE</b>                          | 118,533                       | -                       | -                              | 118,533                | 62   | -   |
| 6         | <b>GB</b>                          | 27,480,051                    | -                       | -                              | 27,480,051             | 41,713   | -   |
| 7         | <b>GR</b>                          | 188,857,586                   | -                       | -                              | 188,857,586            | 942,304  | -   |
| 8         | <b>HU</b>                          | 776                           | -                       | -                              | 776                    | 12   | -   |
| 9         | <b>IT</b>                          | 10,563                        | -                       | -                              | 10,563                 | 159  | -   |
| 10        | <b>NL</b>                          | 4,511                         | 4,511                   | 4,511                          | 4,511                  | 79   | -   |
| 11        | <b>US</b>                          | 263,647                       | -                       | -                              | 263,647                | 136  | -   |
| 12        | <b>CH</b>                          | 64,793,704                    | -                       | -                              | 64,793,704             | 49   | -   |
| 13        | <b>IL</b>                          | 7,426                         | -                       | -                              | 7,426                  | 23   | -   |
| 14        | <b>JE</b>                          | 40,734,223                    | -                       | -                              | 40,734,223             | 782,285  | -   |
| 15        | <b>FR</b>                          | 1,282                         | -                       | -                              | 1,282                  | 20   | -   |
| 16        | <b>LU</b>                          | 40,731,281                    | -                       | -                              | 40,731,281             | 210,124  | -   |
| <b>17</b> | <b>Off-balance-sheet exposures</b> | <b>187,984,502</b>            | <b>8,941</b>            | <b>8,941</b>                   |                        | <b>1,256,520</b>   |   |
| 18        | <b>RO</b>                          | 166,357,976                   | 8,941                   | 8,941                          |                        | 1,027,603  |   |
| 19        | <b>CY</b>                          | 4,787,120                     | 0                       | 0                              |                        | 10,140   |   |
| 20        | <b>FR</b>                          | 3,718                         | 0                       | 0                              |                        | 31   |   |
| 21        | <b>GR</b>                          | 58,414                        | 0                       | 0                              |                        | 158  |   |
| 22        | <b>HU</b>                          | 99,224                        | 0                       | 0                              |                        | 823  |   |
| 23        | <b>IL</b>                          | 17,574                        | 0                       | 0                              |                        | 29   |   |
| 24        | <b>IN</b>                          | 10,000                        | 0                       | 0                              |                        | 86   |   |
| 25        | <b>IT</b>                          | 129,050                       | 0                       | 0                              |                        | 214  |   |
| 26        | <b>JE</b>                          | 16,308,386                    | 0                       | 0                              |                        | 217,436  |   |
| 27        | <b>MH</b>                          | 213,040                       | 0                       | 0                              |                        | 0  |   |
| <b>28</b> | <b>Total</b>                       | <b>2,142,421,738</b>          | <b>112,174,867</b>      | <b>112,174,867</b>             |                        | <b>1,256,520</b>   | <b>-</b>  |

**Template 6: Credit quality of loans and advances by industry**

|           |   | Gross carrying amount |                         |                    | Of which loans and advances subject to impairment | Accumulated impairment | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
|-----------|---|-----------------------|-------------------------|--------------------|---|------------------------|---|
|           |   |                       | Of which non-performing |                    |   |                        |   |
|           |   |                       |                         | Of which defaulted |   |                        |   |
| 1         | Agriculture, forestry and fishing                             | 24,358,812            | -                       | -                  | 24,358,812  | 336,010                |   |
| 2         | Mining and quarrying  | -                     | -                       | -                  | -   | -                      |   |
| 3         | Manufacturing   | 131,171,078           | 16,319,432              | 16,319,432         | 131,171,078                                       | 6,030,239              |   |
| 4         | Electricity, gas, steam and air conditioning supply           | 52,651,613            | -                       | -                  | 52,651,613  | 928,033                |   |
| 5         | Water supply  | 20,054,064            | 1,018,943               | 1,018,943          | 20,054,064  | 257,993                |   |
| 6         | Construction  | 81,241,341            | 494,800                 | 494,800            | 81,241,341  | 754,682                |   |
| 7         | Wholesale and retail trade                                    | 274,992,730           | 18,524,759              | 18,524,759         | 274,992,730                                       | 5,787,082              |   |
| 8         | Transport and storage   | 13,482,368            | 279,899                 | 279,899            | 13,482,368  | 406,367                |   |
| 9         | Accommodation and food service activities                     | 18,483,646            | 1,060,977               | 1,060,977          | 18,483,646  | 1,194,446              |   |
| 10        | Information and communication                                 | 6,040,820             | -                       | -                  | 6,040,820   | 45,010                 |   |
| 11        | Financial and insurance activities                            | -                     | -                       | -                  | -   | -                      |   |
| 12        | Real estate activities  | 123,557,788           | 42,969,969              | 42,969,969         | 123,557,788                                       | 20,639,876             |   |
| 13        | Professional, scientific and technical activities             | 26,987,053            | 9,917,619               | 9,917,619          | 26,987,053  | 6,495,646              |   |
| 14        | Administrative and support service activities                 | 10,201,288            | -                       | -                  | 10,201,288  | 142,631                |   |
| 15        | Public administration and defense, compulsory social security | -                     | -                       | -                  | -   | -                      |   |
| 16        | Education   | -                     | -                       | -                  | -   | -                      |   |
| 17        | Human health services and social work activities              | 62                    | -                       | -                  | 62  | 8                      |   |
| 18        | Arts, entertainment and recreation                            | -                     | -                       | -                  | -   | -                      |   |
| 19        | Other services  | 2,147,867             | -                       | -                  | 2,147,867   | 565,815                |   |
| <b>20</b> | <b>Total</b>  | <b>785,370,530</b>    | <b>90,586,398</b>       | <b>90,586,398</b>  | <b>785,370,530</b>                                | <b>43,583,838</b>      |   |

**Annex III – Disclosure templates: collateral valuation**
**Template 7: Collateral valuation - loans and advances**

|    |   | Loans and advances                    |               |            |   |  |  |  |  |  |                              |            |            |
|----|---|---------------------------------------|---------------|------------|---|--|--|--|--|--|------------------------------|------------|------------|
|    |   | Performing                            |               |            | Non-performing  |  |  |  |  |  |                              |            |            |
|    |   |                                       |               |            | Unlikely to pay that are not past due or are past due ≤ 90 days | Past due > 90 days                     |  |  |  |  |                              |            |            |
|    |   | Of which past due > 30 days ≤ 90 days |               |            |   | Of which past due > 90 days ≤ 180 days | Of which: past due > 180 days ≤ 1 year | Of which: past due > 1 years ≤ 2 years | Of which: past due > 2 years ≤ 5 years | Of which: past due > 5 years ≤ 7 years | Of which: past due > 7 years |            |            |
| 1  | Gross carrying amount   | 1,247,279,204                         | 1,222,644,333 | 24,634,871 |   | 20,772,619                             | 91,393,307                             | 8,208,712                              | 39,525,426                             | 12,491,005                             | 8,471,343                    | 10,015,914 | 12,680,908 |
| 2  | <i>Of which secured</i>   | 858,077,432                           | 834,534,429   | 23,543,003 |   | 18,796,492                             | 79,379,726                             | 5,073,058                              | 32,011,052                             | 12,481,201                             | 7,590,929                    | 9,855,693  | 12,367,792 |
| 3  | <i>Of which secured with immovable property</i>                                 | 835,230,716                           | 811,824,070   | 23,406,646 |   | 18,791,817                             | 78,902,870                             | 5,068,548                              | 32,011,052                             | 12,481,201                             | 7,590,929                    | 9,855,693  | 11,895,447 |
| 4  | <i>Of which instruments with LTV higher than 60% and lower or equal to 80%</i>  | 215,561,820                           | 215,561,820   |            |   | 5,506,135                              |  |  |  |  |                              |            |            |
| 5  | <i>Of which instruments with LTV higher than 80% and lower or equal to 100%</i> | 62,820,769                            | 62,820,769    |            |   | 936,936                                |  |  |  |  |                              |            |            |
| 6  | <i>Of which instruments with LTV higher than 100%</i>                           | 89,456,806                            | 89,456,806    |            |   | 2,711,039                              |  |  |  |  |                              |            |            |
| 7  | Accumulated impairment for secured assets                                       | 5,513,462                             | 4,642,213     | 871,249    |   | 3,176,418                              |  | 836,191                                | 7,271,783                              | 3,994,119                              | 277,409                      | 812,998    | 379,205    |
| 8  | Collateral  |                                       |               |            |   |  |  |  |  |  |                              |            |            |
| 9  | <i>Of which value capped at the value of exposure</i>                           | 920,479,735                           | 896,936,731   | 23,543,003 |   | 18,796,492                             |  | 5,073,058                              | 32,011,052                             | 12,481,201                             | 7,590,929                    | 9,855,693  | 12,367,792 |
| 10 | <i>Of which immovable property</i>  | 884,448,456                           | 861,041,810   | 23,406,646 |   | 18,791,817                             |  | 5,068,548                              | 32,011,052                             | 12,481,201                             | 7,590,929                    | 9,855,693  | 11,895,447 |
| 11 | <i>Of which value above the cap</i>   | 117,094,046                           | 116,161,023   | 933,023    |   | 821,968                                |  | 2,963,301                              | 5,828,902                              | 0                                      | 715,124                      | 160,222    | 0          |
| 12 | <i>Of which immovable property</i>  | 94,243,733                            | 93,310,709    | 933,023    |   | 821,968                                |  | 2,963,301                              | 5,828,902                              | 0                                      | 715,124                      | 160,222    | 0          |
| 13 | Financial guarantees received   | 21,057,195                            | 21,057,195    | 0          |   | 0                                      |  | 0                                      | 0                                      | 0                                      | 0                            | 0          | 0          |
| 14 | Accumulated partial write-off   | 509,157,858                           |               |            |   |  |  |  |  |  |                              |            |            |

**Annex IV – Disclosure templates: changes in the stock of NPLs**
**Template 8: Changes in the stock of non-performing loans and advances**

|    |   | Gross carrying amount | Related net accumulated recoveries |
|----|---|-----------------------|------------------------------------|
| 1  | <b>Initial stock of non-performing loans and advances</b> | 93,242,567            |                                    |
| 2  | Inflows to non-performing portfolios                      | 36,331,480            |                                    |
| 3  | Outflows from non-performing portfolios                   | 18,446,222            |                                    |
| 4  | Outflow to performing portfolio                           | 3,113,095             |                                    |
| 5  | Outflow due to loan repayment, partial or total           | -                     |                                    |
| 6  | Outflow due to collateral liquidations                    | -                     | -                                  |
| 7  | Outflow due to taking possession of collateral            | -8,080,509            | ( 8,121,091)                       |
| 8  | Outflow due to sale of instruments                        | 629,384               | (868,053)                          |
| 9  | Outflow due to risk transfers                             |                       |                                    |
| 10 | Outflows due to write-offs                                | 7,885,397             |                                    |
| 11 | Outflow due to other situations                           |                       |                                    |
| 12 | Outflow due to reclassification as held for sale          | -                     |                                    |
| 13 | <b>Final stock of non-performing loans and advances</b>   | <b>112,165,926</b>    |                                    |





## Annex V – Disclosure templates: foreclosed assets

### Template 9: Collateral obtained by taking possession and execution processes

|   |  | Collateral obtained by taking possession |                              |
|---|--|--|------------------------------|
|   |  | Value at initial recognition             | Accumulated negative changes |
| 1 | Property, plant and equipment (PP&E)           |  |                              |
| 2 | Other than PP&E                                | 8,444,955                                | (40,582)                     |
| 3 | <i>Residential immovable property</i>          | 1,142,371                                | (37,987)                     |
| 4 | <i>Commercial Immovable property</i>           | 7,302,584                                | (2,595)                      |
| 5 | <i>Movable property (auto, shipping, etc.)</i> |  |                              |
| 6 | <i>Equity and debt instruments</i>             |  |                              |
| 7 | <i>Other</i>                                   |  |                              |
| 8 | <b>Total</b>                                   | 8,444,955                                | (40,582)                     |

**Template 10: Collateral obtained by taking possession and execution processes – vintage breakdown**

|   |   | Debt balance reduction |                              | Total collateral obtained by taking possession |                              |                              |                              |                              |                                |                              |                              |                              |                              |   |                              |  |
|---|---|------------------------|------------------------------|--|------------------------------|------------------------------|------------------------------|------------------------------|--------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|---|------------------------------|--|
|   |   | Gross carrying amount  | Accumulated negative changes | Value at initial recognition                   | Accumulated negative changes | Foreclosed ≤ 2 years         |                              |                              | Foreclosed > 2 years ≤ 5 years |                              |                              | Foreclosed > 5 years         |                              | Of which non-current assets held-for-sale |                              |  |
|   |   |                        |                              |  |                              | Value at initial recognition | Accumulated negative changes | Value at initial recognition | Accumulated negative changes   | Value at initial recognition | Accumulated negative changes | Value at initial recognition | Accumulated negative changes | Value at initial recognition              | Accumulated negative changes |  |
| 1 | Collateral obtained by taking possession classified as PP&E                 |                        |                              |  |                              |                              |                              |                              |                                |                              |                              |                              |                              |   |                              |  |
| 2 | Collateral obtained by taking possession other than that classified as PP&E |                        |                              | 267,640,941                                    | (29,626,442)                 | 62,793,757                   | (3,972,243)                  | 86,881,970                   | (1,508,038)                    | 117,965,214                  | (24,146,161)                 | 170,131,657                  | (29,626,442)                 |   |                              |  |
| 3 | <i>Residential immovable property</i>                                       |                        |                              | 18,791,561                                     | (3,191,203)                  | 1,142,371                    | (37,987)                     | 5,181,733                    | (179,623)                      | 12,467,457                   | (2,973,593)                  | 15,148,096                   | (3,191,203)                  |   |                              |  |
| 4 | <i>Commercial immovable property</i>  |                        |                              | 248,001,334                                    | (26,435,239)                 | 61,651,386                   | (3,934,256)                  | 80,852,191                   | (1,328,415)                    | 105,497,757                  | (21,172,568)                 | 154,983,561                  | (26,435,239)                 |   |                              |  |
| 5 | <i>Movable property (auto, shipping, etc.)</i>                              |                        |                              | 0  |                              |                              |                              |                              |                                |                              |                              |                              |                              |   |                              |  |
| 6 | <i>Equity and debt instruments</i>  |                        |                              | 0  |                              |                              |                              |                              |                                |                              |                              |                              |                              |   |                              |  |
| 7 | <i>Other</i>  |                        |                              | 848,046  |                              |                              |                              | 848,046                      |                                |                              |                              |                              |                              |   |                              |  |
| 8 | <b>Total</b>  |                        |                              | 267,640,941                                    | (29,626,442)                 | 62,793,757                   | (3,972,243)                  | 86,881,970                   | (1,508,038)                    | 117,965,214                  | (24,146,161)                 | 170,131,657                  | (29,626,442)                 | -   | -                            |  |

## 12. MARKET RISK EXPOSURE

VISTA BANK (ROMANIA) S.A. does not have a trading portfolio. Consequently, the Bank does not calculate capital requirements for market risk related to trading portfolio. The only capital requirements relating to market risk are those for open foreign currency position, which are calculated in accordance with Regulation 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms with subsequent amendments. Due to the fact that the total net open currency position was less than 2% of the bank's own funds no capital requirements (Pillar 1) were necessary for currency risk at 31.12.2019.

The Bank uses the exposure method (Value at Risk) for monitoring currency risk. VaR values are used internally as a tool for risk management. Risk Management Department calculates daily VaR for the open foreign currency position using a confidence interval of 99% and holding period of 1 day. VaR calculation is done on the assumption that variations of individual risk factors (exchange rates) have a normal distribution. The average daily VaR indicator for the last three months and annualized values of VaR are also calculated.

## 13. EQUITY EXPOSURES NOT INCLUDED IN THE TRADING BOOK

Shares that are not included in the trading portfolio are included in banking book portfolio. Investments in shares included in banking book portfolio are recognized at their fair value as follows:

| Share  | Issuer           | Currency | Acquisition Cost | Fair Value<br>(RON equivalent) |
|--------|------------------|----------|------------------|--------------------------------|
| Shares | Biroul de Credit | RON      | 6,382.10         | 35,638                         |
| Shares | Visa Inc.        | USD      | -                | 4,642,171                      |

## 14. INTEREST RATE RISK

For the purposes of monitoring and reporting the potential impact of interest rate risk, Risk Management Department is responsible for drafting the report on the spread between interest rates. The report aims to assess interest rate risk in terms of earnings (unrealized earnings / loss in the event of a change in the yield curve across all maturities and for each significant currency from the balance sheet) and also from the economic value perspective (changes of economic value).

The potential change of bank's economic value is calculated using the methodology set out in NBR Regulation 5/2013. This involves parallel changing (increase or decrease) of interest rates with 200 basis points for all maturities.

On 31.12. 2019 the potential change of Bank's economic value as a result of changing interest rates levels with standard shock of 200 basis points is RON 7,327,333, representing 2.37% of the bank's own funds. The calculation is performed by adding weighted net positions, in absolute value, calculated for different currencies.

The bank also performs six other stress testing scenarios according to the EBA Guidelines on the management of IRRBB (EBA/GL/2018/02). The largest decrease of the bank's economic value is calculated for the short rate up scenario and is RON 9,415,910, representing 3.05% of the bank's own funds.

The Bank has no trading portfolio.

## 15. LEVERAGE EFFECT

Leverage effect is a financial technique which has as scope the improvements of the ROE. The leverage ratio is calculated in order to reduce the bank's liabilities through the set-up of a minimum level of the equity versus the bank's assets.

The leverage effect makes a connection between the ROA and ROE. Its multiplier effect on the ROE is known as "leverage effect".

The calculation mode and the items included is similar with the solvency ratio but in a simplified manner based on accounting data, not adjusted in terms of risk. The scope of monitoring this ratio is to control the risk of an inflated balance sheet.

The leverage ratio has two objectives: first is to limit the excessive leverage effect and the second to action as a protective mechanism for the capital requirements.

$$\text{Leverage ratio} = \text{Capital (Tier 1)/Total exposures (not-adjusted)} > 6\%$$

Bank monitors the level and the modifications of leverage ratio, and also the associated risk as part of the ICAAP process.

Regulation UE 575/2013, established uniform rules regarding the general prudential requirements as follows:

- own funds requirements regarding the quantifiable items, uniform and standardized of credit risk, market risk, operational risk and settlement risk
- requirements regarding the limitation of large exposures
- requirements regarding the liquidity, regarding the quantifiable items, uniform and standardized of the liquidity risk
- reporting requirements regarding the own funds, large exposures, liquidity and leverage effect
- requirements regarding the information publishing.

Leverage effect represents the relative dimensions of assets items and off-balance sheet items in relation to the own funds of the bank.

The associated risk of excessive leverage effect means the risk resulted from the vulnerability towards an leverage effect which can lead to not-estimated measures to correct the business plan.

Leverage effect is defined as: „capital requirements" (numerator), divided at "level of exposure" (nominator). The leverage ratio shall be calculated as bank's capital measure (Tier 1 capital) divided by

bank's total exposure measure (the sum of the exposure values of all assets and off-balance sheet items) and shall be expressed as a percentage.

Bank shall determine the exposure value of off-balance sheet items, in accordance with following conversion factors:

- the conversion factor to be applied to the nominal value for undrawn credit facilities, which may be cancelled unconditionally at any time without notice, is 10%
- the conversion factor for medium/low risk trade finance related off-balance sheet items is 20 %;
- the conversion factor for medium risk trade finance related off-balance sheet items is 50 %;
- the conversion factor for all other off-balance sheet items is 100 %.

The level of the Leverage ratio calculated for the end of 2019 is presented in the list with the key-indicators from the annual individual Financial Statements for the year 2019 prepared in accordance with IFRS, which are published on the bank's web-site.

## **16. REMUNERATION POLICY**

The basic principles of the remuneration framework applied within the Bank are defined in the Remuneration Policy. The Policy is accessible and applicable to all employees of the Bank, and it is characterised by clarity and transparency, based on the Bank's long term objectives and strategy and general results, values and long-term interests including the Bank's control environment.

### **16.1 Incentives and remuneration/ compensation structure of the Bank**

The remuneration within Vista Bank (Romania) SA contains:

- A fixed part - represented by the paid annual salary
- A variable part – represented by the incentives/ bonuses

The fixed remuneration (annual salary) is the Salary and other regular earnings, in the form of regular monetary payments, which remunerate the proper performance of employee, in terms of his professional competences at the level set in the annual performance indicators.

The variable remuneration is a combination of remuneration schemes intended to:

- a) Increase employee engagement in the achievement of the Bank's long-term objectives,
- b) Recognize employee performance over a long-term basis while discouraging excessive risk taking,
- c) Encourage employees to take into account the long term interests of the institution's shareholder,
- d) Ensure a fair distribution of the extra value between shareholders and employees and,
- e) Retain and attract high performers.

The variable remuneration involves the following:

Cash Bonus Scheme (Distributed as Exceptional or Normal), which takes the form of cash payment.

There are two types of cash payments within the Cash Bonus Scheme in Vista Bank Romania (SA):

- Exceptional Cash Bonus - this is distributed to employees of the Identified and Non-Identified (Special) Groups
- Normal Cash Bonus - this is distributed to employees in the Non-Identified (Regular Group) who have an appraisal score that reflects excellent, very good and good performance

Guaranteed variable remuneration is not part of prospective remuneration plans.

Variable Compensation is subject to vesting, claw back and malus criteria. Variable remuneration may be retracted at its entire value or partially in the case of a proved fraud or when performance evaluation is based on the information of further possibility of being inconsistently incorrect.

## **16.2 Information related to compensation policies and practices for those categories of staff whose professional activities have a significant impact on the risk profile**

The credit institution decided to establish a Nomination Committee, formed by the members of the Management Body of the Bank that do not have an executive function in the credit institution, in charge to periodically evaluate, at least once a year, the knowledge, competencies and work experience of each member of the Management Body of the Bank and of the Management Body of the Bank as a whole, and report to the latter accordingly.

### **16.2.1 Information on the relationship between the total remuneration and performance**

The Remuneration Policy within the Bank is connected with the Performance Appraisal Procedure.

Thus, the performance appraisal process is properly formalized and transparent for employees.

According to Performance Appraisal Procedure, the performance appraisal system focuses on the following two basic elements:

- Results: The extent to which quantitative and qualitative goals, which flow from and are aligned with the team objectives and the strategic goals of the Bank, are realized. Individual goals are directly linked with the employee's Job Description and to the Key Performance Indicators of the job.
- Behaviours: These are directly related to and flow from predetermined Competencies (Shared Competencies: Customer Service Orientation, Teamwork & Cooperation, Compliance with Procedures, Flexibility, Initiative and Achievement Orientation), and Management Competencies: Developing Others, Leadership, Impact & Influence and Change Management).

In view of the above, the performance appraisal system assesses both the degree to which the individual achieves results – “WHAT” – as well as “HOW” these results are achieved.

### **16.2.2 Design features of the remuneration system**

The fixed remuneration system within the Bank it is based on the following criteria:

- Job Evaluation – value of job position.
- Potential of the employee.
- Market Value.
- Fixed compensation paid by competition for similar job positions and employee abilities.
- Collective Agreements (where applicable)
- Local employment legislation (Labour Code).

The variable compensation is a combination of compensation schemes intended to:

- a) Increase employee engagement in the achievement of the Bank's long-term objectives,
- b) Recognize employee performance over a long-term basis while discouraging excessive risk taking,
- c) Encourage employees to take into account the long term interests of the institution,

- d) Ensure a fair distribution of the extra value between shareholders and employees and,
- e) Retain and attract high performers.

Measuring performance used to calculate variable remuneration components or pools of variable remuneration components includes an adjustment for all types of current and future risks and takes into account the cost of capital and liquidity necessary.

Variable Compensation is subject to vesting, claw back and malus criteria which include the following:

- When there is evidence of misbehaviour or serious error by the staff member (e.g. breach of code of conduct and other internal rules, especially concerning risks and compliance) from which have resulted losses for the Bank;
- When the Bank and/or the organizational structure in which the staff member works registers low or negative financial performance;
- When the employee leaves the Bank;
- When there are significant changes in the Bank's economic or regulatory capital base;
- When staff failed to observe proper standards of good reputation, and experience;
- Manipulation of results / window dressing practices.

### **16.2.3 The relationship between the fixed and the variable remuneration**

In case of Identified Staff, respectively the Executive Members of the Board of Administration, Members of the Management Committee, the rapport between the fixed and the variable remuneration is established as follows:

- The maximum ratio on the variable component in relation to the fixed component is set at 100%.
- At least 40% of the variable component (up to 60% for very large amounts) is deferred over a period of 3 years and vested on a pro rata basis of 1/3 per year.

In case of Identified Staff – Internal Control Functions, other staff deemed to have a significant impact on the risk profile of the bank:

- The maximum ratio on the variable component in relation to the Fixed Component is set at **50%**.
- At least 40% of the variable component is deferred over a period of 3 years and vested on a pro-rata basis of 1/3 per year.

As regards the first deferred part, it must not be exercised within 12 months of the start of the deferral period. The deferral period ends when entitlement to the variable remuneration was granted or if the amount was reduced to zero because of a malus agreement.

### **16.2.4 Information regarding the performance criteria underpinning the right to shares, options or other variable components of remuneration**

The Bank has not granted in 2019 shares, options or other variable component related to the variable remuneration component.



## 16.2.5 Variable remuneration

- Must not be paid by means or methods that are not in accordance with the Bank organizational culture, long-term objectives and strategy and internal control framework
- Has to be aligned with the risk strategy of the Bank, the size of the Bank and its internal organization and activities
- Starts from assessing the Bank's performance and organizational structure in which it operates and the individual performance.
- Does not limit the Bank's capacity to strengthen its capital base / liquidation in order for it to comply with the prudential requirements of the regulator on capital ratios and liquidity;
- It is not paid through means or methods that facilitate the circumvention of the regulations in force
- Allocation of variable compensation components will be made taking into account all current and future risks
- It should not exceed 100% of the fix component of total remuneration for each identified staff
- In case of misconduct, the Bank may decide to cancel granting it, depending on the type of offense.

## 16.2.6 Aggregate quantitative information on remuneration, per field of activity

| <b>Consolidated remuneration within the Bank (Gross RON):</b> | <b>Average no of beneficiaries</b> | <b>01.01.2019 - 31.12. 2019</b> |
|---|------------------------------------|---------------------------------|
| Vista Bank (Romania) SA                                       | 278                                | 68.735.818                      |

## 16.2.7 Aggregated quantitative information on remuneration to the members of the management and members of staff whose actions have a significant impact on the risk profile of the institution

| <b>Vista Bank (Romania) SA (Gross RON):</b>                          | <b>No of beneficiaries</b> | <b>01.01.2019 -31.12. 2019</b> |
|--|----------------------------|--------------------------------|
| Fixed remuneration - members of the executive management function    | 3                          | 2.674.037                      |
| Variable remuneration - members of the executive management function | 1                          | 228.216                        |
| Fixed remuneration – members of the supervisory function             | 3                          | 39.177                         |
| Variable remuneration – members of the supervisory function          | 1                          | 11.347                         |
| Fixed remuneration - members of the staff with significant impact    | 26                         | 6.138.126                      |
| Variable remuneration - members of the staff with significant impact | 0                          | 0                              |

The Bank paid variable remuneration during the financial year 2019 to 2 of the members of the management function and none to staff whose actions have a significant impact.



The deferred, due and unpaid remuneration was not granted within the Bank in 2019.

The deferred remuneration paid and lowered expanded via performance adjustments it was not granted within the Bank in 2019.

Within the Bank have been granted payments related to new hires for 2 employees in total amount of 239.563 Ron, and did not grant compensatory payments to its employees for the termination of employment contracts during the financial year 2019.

The Bank did not grant any payments related to the termination of the labour contract as retirement allowance to its employees.

#### **16.2.8 Number of employees who received a remuneration of EUR 1 million or more per financial year**

The Bank had no employees during the financial year 2019 to benefit from a remuneration of EUR 1 million or more per financial year, broken down by salary foresee of EUR 500,000 for remuneration between EUR 1 million and EUR 5 million and foresee salary EUR 1 million for remuneration greater than or equal to EUR 5 million.



**VISTA BANK**

## **ANNEXES**