



**VISTA BANK**

Report regarding the disclosure and transparency requirements – 2020

Vista Bank (Romania) S.A.

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

## **Report Regarding Disclosure and Transparency Requirements Related to the Year 2020**

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## 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 2020 and have as reference date the date of 31.12.2020.

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.



## Committees under Management Body in its Supervisory Function

### a. Audit and Risk Management Committee

- Members:
  - Mr. Theodoros Efthys (Member and Chairman of the Committee appointed on 24.09.2019)
  - Ms. Pavlina Tavridaki (Member since 02.04.2019)
  - Mr. Catalin Vasile Parvu (Member since 25.05.2020)

### b. Nomination Committee

- Members
  - Mr. Stavros Lekkakos (Member and Chairman of the Committee since 24.09.2019)
  - Mr. Ilias Volonasis (Member since 25.05.2020)

Mr. Panagiotis Konstantaras (Member since 25.05.2020)

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. Also, Management Committee pre-approves all the internal norms and procedures under the competence of the Board of Directors approval;
- Evaluation and approval / rejection of Credit Applications that fall under the local approval limits (Management Committee) or of the superior approval authorities in accordance with the bank's procedures;
- Members of the Committee are responsible to the Board of Administrators 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 Directors 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 will send for approval to the Board of Administrators, 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 transmits to the Board of Administrators the Annual Report on the way 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 Administrators the Report on the results of the internal risk capital adequacy process (ICAAP) and the results of the crisis simulations;
- Adopts the necessary measures following the analysis of the results of the crisis scenarios performed;
- Agrees, approves and sends to the Board of Administrators the report on the activities that are not normally carried out or that are not transparent;
- Agrees, approves and transmits to the Board of Administrators the statement regarding the adequacy of the institution's risk management framework, to guarantee that the existing risk management systems are adequate taking into account the profile and strategy of the institution;
- Agrees, approves and submits to the Board of Administration the risk statement regarding the capital adequacy;
- Agrees, approves and transmits to the Board of Administration the statement regarding the liquidity adequacy; appetite succinctly describing the bank's overall through which is expressed the risk appetite. This statement qualitative and quantitative shall include related at least to profits, own funds, risk and liquidity indicators, as well as aspects related to risk more difficult to quantify (such as: reputation risk and conduct risk) and related to money laundering, terrorism financing and unethical practices ratios and data, providing view bank's management of risk of the bank set- management body;
- Implements the strategies approved by the Board of Administrators and ensures that they are communicated to the authorized persons;
- Ensures that policies and procedures regarding the identification, assessment, monitoring and control of risks are properly communicated to the persons involved;
- Maintains adequate systems for reporting exposures and other risk elements;
- Establishes limits for the bank's exposure to risks, including limits for critical situations, in relation to the size, complexity and financial situation of the bank;
- Ensures the efficiency and effectiveness of the Internal Control System;
- Risk analysis of the outsourced activities;
- Ensures the existence of qualified staff in the bank, that has the required knowledge and experience;
- Ensures a correlation between the staff remuneration policy and the bank's risk strategy;
- Ensures a permanent communication to the Board of Administrators regarding the recommendations to modify the risk management strategies and policies, whenever it is considered necessary, in order to reflect any modification of the internal and external factors, taking into account in particular the macroeconomic environmental changes, where the bank operates;
- Must be sure that the Internal Control System provides an adequate segregation of responsibilities, with the aim of preventing conflicts of interest;
- Define those strategies and policies that allow the maintenance of an appropriate capital and equity level, to cover the risks of the bank;
- Monitors and periodically assesses the effectiveness of the Bank's internal governance structure;
- Integrates capital planning and capital management into the Bank's overall risk management culture approach;





- Reviews risk management and measurement procedures under their authorities;
- At least annually, analyses the information included in the Report on the disclosure and transparency requirements of the Bank and sends it for approval to the Board of Administration. Approves, based on the information provided by the involved departments the frequency of these information disclosure);
- Ensures that the Internal Capital Adequacy Assessment Process forms an integral part of the management process and decision making culture of the Bank.
- Will grant the approval in case of Tenders based on the documentation and proposal received from Administration & Repossessed Assets Department;
- Evaluates and approves the development and promotion of new products/ services, as well as for the modification of the characteristics of existing products/ services. The approval will be granted based on the business justification presented by respective business line, documentation that has to contain the product features, competition research, the target market proposed to be addressed and the approximate volume to be achieved, as well by taking into consideration the opinions of the relevant bank departments, as per the workflow above;
- Approves all new projects that will be started in the bank based on business cases presented for respective projects and offers selection.
- In respect of the recovery plan, informs the Board of Administration with regards to the circumstances of the Bank and the option considered for its implementation.
- At least a member of the senior management will be part of the Recovery Team.
- Examining Customer Complaints received in the analyzed period;
- Tracking the on time and satisfactory resolution of complains and recommend corrective actions were needed;
- The identification of any suggestions or any points for enhancement/ improvement of the products/ services offered to customers;
- The analysis of the causes that generated serious complaints;
- If the case, issuing recommendations on the improvement of certain workflows and/or responsibilities included in the Bank procedures;
- Recommending, if needed, the improvement or update of the Complaints Policy;
- Evaluation and approval/ rejecting credit applications within the limits of the Committee's competencies and assessing and recommending the approval/ rejection of credit applications within the limits of the competence of a higher approval authority. If the request falls within the limits of the Committee and is rejected by the Committee, it will not be sent to the Higher Approval Authority for evaluation. Decisions are taken by vote. For 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**

- To monitor the efficiency and adequacy of the Bank's Internal Control System, especially with regards to internal control, internal audit and risk management;
- To 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;
- To 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;
- To examine and approve the scope and frequency of the internal audit;
- To 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;



- 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 inquires 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. The target, policy and its implementation shall be disclosed as per legal requirements.
- 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)

- Analyses the balance sheet in terms of achieving the allocation and efficient use of assets and liabilities and ensuring their prudent management;
- Monitors and reviews the following risks of the bank and ensures their prudent management (credit risk, interest rate risk, liquidity risk, financing risk, portfolio and capital risk);
- Monitor the external environment and measure the impact on profitability of factors such as:
  - Interest rate volatility, its evolution, stress tests, sensitivity, VaR;
  - Market liquidity;
  - Exchange rate volatility, its evolution, stress tests, sensitivity, VaR;
  - Monetary and fiscal policies and the impact of other changes in the economic environment;
  - Competition on the banking market, market strategies and market shares.
- Monitors profitability at product and department level;
- Monitors profitability at product and department level with regard to capital allocation and cost;
- Analyses the current structure and the forecasted structure of the capital structure;
- Analyses the bank's current performance in relation to the budget and to the objectives and policies at the group level;
- Analyses the structure and cost of attracted funds and their allocation and defines the financing policy of the lending activity;
- Analyses the structure and quality of the bank's loan portfolio;
- Analyses and orders measures regarding the following aspects:
  - Interest rate and commission policy;
  - The structure and maturity of their assets and liabilities;
  - Type and size of the interest rate gap;
  - The size of foreign exchange positions on the total and on each currency;





- Stress and sensitivity analyses;
- Liquidity analyses and liquidity rates.
- Analyses the conditions of the general and banking economic environment;
- Proposes to the Board of Directors the definition of the strategy regarding the management of the bank's assets and liabilities in order to optimize the profit;
- Analyses the movements on the clients' accounts and the dynamics of the deposits, the level of use of the contracted lines and limits;
- Analyses and makes comparisons regarding the interest rates practiced on the market and those practiced by the bank and makes proposals to modify them;
- Analyses and approves the prices of new products / services and / or price changes of existing products / services, based on the economic assumptions of the respective business lines, as well as the way in which profitability will be improved by selling new products. For this purpose, the secretary of the committee will present during the meeting the minutes of the Steering Committee regarding the new products / services under discussion or the modification of the existing ones, the minutes that will include the opinions of all the departments involved.
- In fulfilling the attributions mentioned above, the Committee ensures the fulfilment of strategies and policies, at the level of the Management Committee or of the Board of Directors;
- Analyses the Bank's liquidity position, through internal reports;
- Performs various liquidity simulations using the Liquidity Analysis Simulator;
- Proposes and approves appropriate measures in case of deviations from the proposed level of liquidity indicators.

## Classified Loans Committee

- Analysis for the Loan files of those customers that:
  - Are in the Prevention Unit or Corporate Banking Sales and International Corporate Companies Sales Departments portfolio and will register delays in payments of more than 60 days at the date the committee takes place;
  - Are in the Debt Collection Unit portfolio.
- Approves the action plan to be followed for each customer;
- Follow-up the way the approved actions are performed;
- Closely follow – up the Customer's legal and economic status
- Analyses the situation of the customers which meet the criteria to be registered as problematic clients, criteria mentioned in the Manual "000035 – Management and Monitoring of Problematic Loans" or for which there are signaled events which might lead to the registration of the respective clients as problematic, and decides on an individual basis which customers are considered or not problematic, based on the criteria described in the above mentioned Manual or based on the information presented in the Committee.
- Approval of the actions regarding:
  - making due and payable for loan facilities of analysed customers;
  - the transfer of the file from Corporate Banking Sales and International Corporate Companies Sales Departments to Debt Collection Department;
  - sending of the final notification (the 3rd notification) to the analysed customers;
  - starting of the forced execution procedure for the analysed clients.



## Information Security Committee & Access Control Committee

- Proposes the strategic and tactical direction for security initiatives and activities;
- Ensures that security initiatives (present and future) are aligned and support the achievement of business objectives;
- Provides support to the Information Security Officer (ISO) regarding the purpose of the activities and the direction of the issues discussed;
- Recommends changes to the policies, standards and / or procedures proposed by the Information Security Officer before they are submitted to the Board for approval;
- Identifies other areas in which ISO may be involved, as well as its degree of involvement;
- Revises and proposes for approval the security requirements (presented by the Information Security Officer);
- Analyses and proposes for approval in the Board of Directors the annual plans prepared by the Information Security Officer;
- Communicates to the Bank's Management the security objectives and issues;
- Discusses technical and business information within policies, procedures or issues / vulnerabilities / risks in terms of information security;
- Initiates and monitors the process of defining, developing, implementing and maintaining information security, policies, procedures and security standards;
- Analyses and proposes for approval in the Steering Committee the derogations from the information security policy;
- Analyses the cases of information security breach, as defined in the policies and procedures in force, and proposes the plan to remedy the security breaches;
- Proposes for approval in the Steering Committee the training programs carried out by the Information Security Officer, as well as their frequency;
- Receives and discusses the results and feedback obtained;
- Recommends and implements measures regarding information security in all bank departments;
- Analyses and proposes the approval or rejection of new profiles / roles for end users within the IT Systems / applications used, or requests the updating / modification of existing ones;

Analyses, recommends the approval or rejection of requests for exceptions for access to various IT systems / applications, which are not in accordance with the provisions of the Information Security Policies or Standards.

## Business Continuity & Crisis Management Committee

- Ensures the existence of policies and procedures for the management of crisis incidents.
- Analyse the crisis incidents as it is specified in the Business Continuity plans of the Units.
- Ensures 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.
- At regular intervals receives from the Secretary/ General Coordinator of Business Continuity, any information that it considers necessary, for effectively performing its duties.

In cases of initiation of an Action Plan and/or of a Business Continuity Plan, it informs, where deemed necessary, the respective Authority.

## 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;





- Aims to achieve prevention and protection plan, including allocation of resources necessary to carry out its provisions and their effectiveness in terms of improving working conditions;
- Analyse risk factors of injury and occupational disease existing at the workplaces and take necessary preventive measures;
- Consider the introduction of new technologies, equipment selection, taking into account the consequences on safety and health of workers, and makes suggestions when finding some deficiencies;
- Analyse the choice, purchase, maintenance and use of work equipment, the collective and individual protective equipment;
- Propose measures for the development of employment, taking into account the presence of sensitive risk groups;
- Consider requests from employees regarding working conditions and how the designated persons responsible for safety and health perform their duties at work at the company level;
- Monitors the way in which the legal regulations on safety and health are applied and respected, measures taken by the inspector of labour and health inspectors;
- Analyses the workers proposals regarding the prevention of occupational accidents and diseases, as well as to improve working conditions and proposing their introduction in prevention and protection plan;
- Analyse the causes of accidents, occupational diseases and the events produced and may propose technical measures in addition to measures taken from the research;
- Carry out checks on the implementation of their instructions and of the work and make a written report on their findings;

Discuss the written report, submitted to the safety and health committee by the head of the unit at least once a year, regarding the security and health situation, the actions that were taken and their effectiveness in the year ended, and suggestions for prevention and protection plan that will accomplish the following year.

### 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 identification, assessment, management and monitoring of compliance risks are activities which are conducted as provided by the Compliance Policy, which is approved and assumed by the Board of Administrators. This policy represents the internal regulation which provides the appetite statements for compliance risks, as well as the vision, strategy and values based on which the compliance activity is conducted within VISTA BANK. Furthermore, it ensures the establishment of a permanent Compliance function and regulated its status, scope and role, as well as the main principles for compliance risk management at the Bank's level

## **The Money Laundering and Terrorist Financing Risk Management and Mitigation Policy**

The money laundering and terrorist financing risks are managed within the anti-money laundering and counter terrorist financing Program within the Bank. The risk appetite statements have been formalized and implemented through the Policy for management and mitigation of money laundering and terrorist financing risks (hereinafter as "the Policy"), which is approved and assumed by the Board of Administrators.

The Policy aims to establish the internal framework for risk management in terms of money laundering and terrorist financing, in order to avoid the Bank's involvement in any illegal operations. The internal controls environment and the risk appetite statements which are regulated by the Policy aim to protect the Bank against these risks and VISTA BANK has a legitimate interest in ensuring that the banking operations performed through customer accounts have an economic, commercial and legitimate purpose.



## The Code of Ethics and Conduct

The Code of Ethics and Conduct aims to provide an internal framework for ethical values, principles and rules, necessary for correct professional decision making process involving not only the customers, collaborators and employees of the Bank, but also the Supervisory Authorities, also providing the ethical approach to be taken when adopting decisions.

The Code is part of the commitment of VISTA Bank (Romania) SA for integrity. It focuses on ethic risk areas, provides guidance on how to recognize and approach ethic issues, and contributes to the internal culture for honesty and responsibility.

## The Policy on Conflicts of Interest

The scope of the Policy on Conflicts of Interest is to ensure the Bank's compliance with applicable legal provisions and protection of reputation by establishing basic requirements for the prevention, identification and management of conflicts of interest. In this respect, the Bank implemented the following measures:

- Prevention of potential conflicts of interest that may adversely affect the interests of the Bank or its customers. Such measures include the possibility of declining to conduct transactions or refusing to provide services;
- Identifying current and potential conflicts of interest within the Bank's activities, as well as reducing the related risks;
- Protecting the interests of the Bank's clients in all activities and maintaining the confidentiality of information at all levels;
- Respect for transparency and integrity;

Establishing principles for conducting personal transactions (including by the members of the Board of Administrators, managers, employees and other persons related to them), in order to ensure compliance with the legal and regulatory framework.

## The Whistleblowing Policy

The scope of this policy is to establish the general framework for the workflows and channels for employees to report irregularities or deviations from the internal regulatory framework, as well as to provide guidance on the management of whistleblowing reports regarding third parties

The bank is committed to the highest standards of honesty, openness, transparency and accountability. Thus, the Board of Administrators approved this Policy in order to ensure a main framework for employees, managers, officers, agents and contracting parties, in order to bring to the attention of senior management any activities that constitute misconduct or negligence.

## 4. ASPECTS 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 31.12.2020 the 18<sup>th</sup> position in the Romanian Banking System with 0.62% 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 2020 there have not been changes regarding the shareholders structure of the bank.

The share capital subscribed and paid-up of the Bank at 31.12.2020 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.

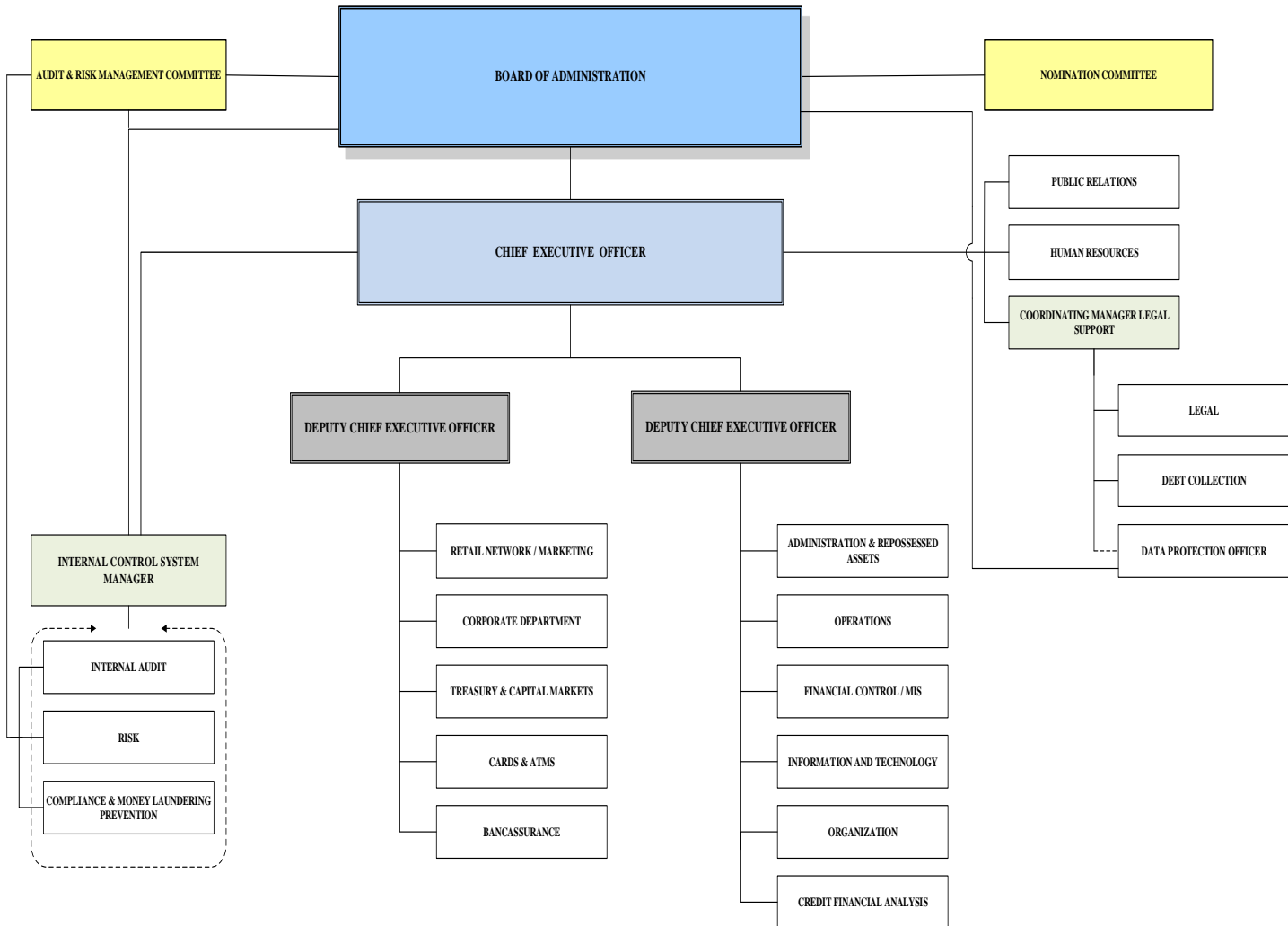
The organization of such units is approved by the Board of Administration.

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.

##### 4.3.1 Changes within the Organizational Structure during 2020

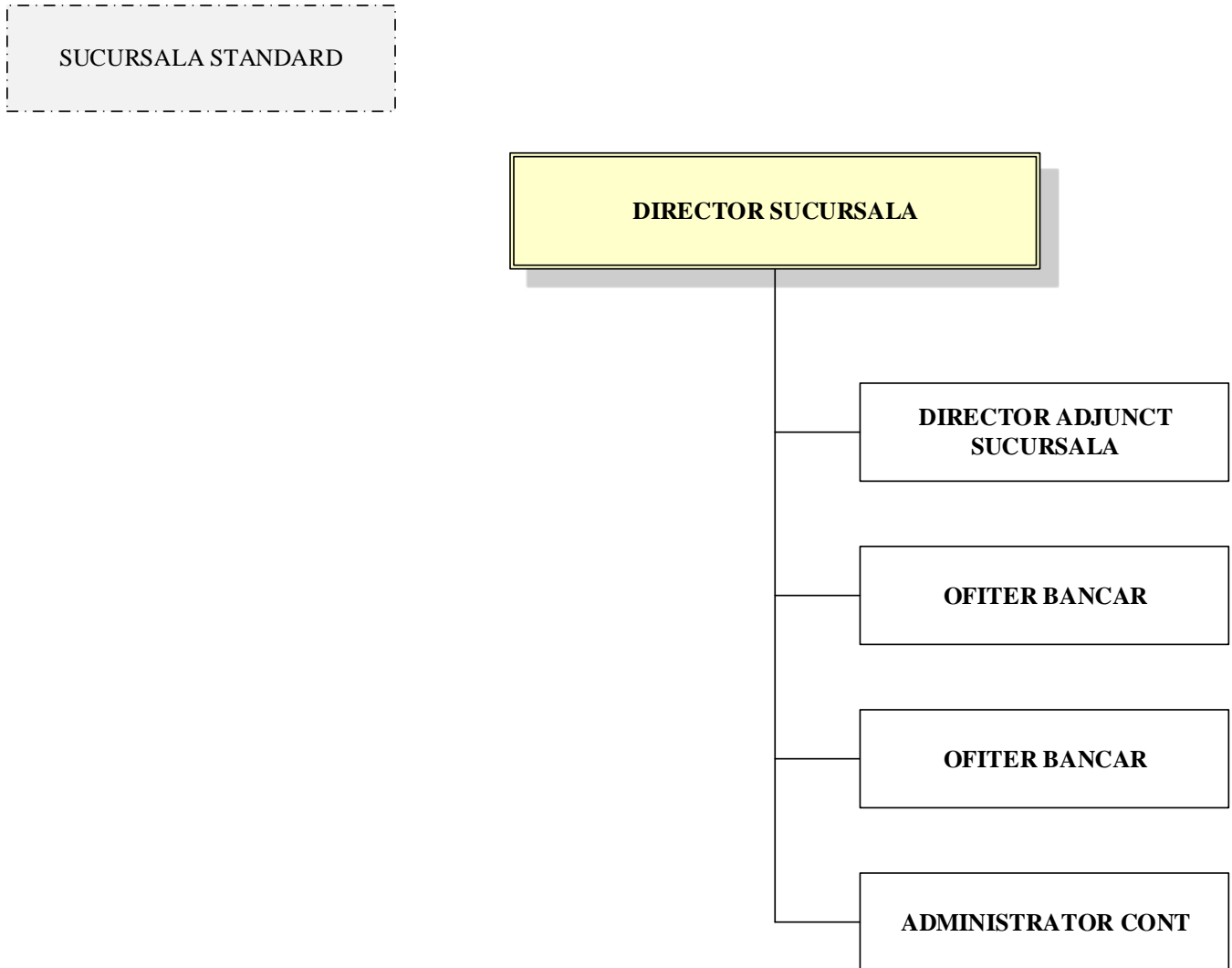
- A new position was defined within the Bank Organizational Chart - The "Coordinating Manager Legal Support" which will supervise and coordinate the Legal, Debt Collection and Data Protection Officer activities, position that will report directly to the Chief Executive Officer. The departments placed under Coordinating Manager Legal Support subordination will be daily managed by appointed managers.
- New responsibility for the CEO was added: The CEO will act as Money Laundering Risk Officer of the bank (MLRO) according to Money Laundering Prevention LAW no.129 art 23, paragraph 2;
- Two new units designed within Corporate Department:
  - Factoring Unit;
  - Territorial Business Center.



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



Also, the Bank Network included in 2020 a number of 31 branches and agencies in Romania, with the following organizational structure:



#### 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 between 5-9 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 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.

The Chief Executive Officer has responsibilities and coordinates the internal regulations and policies implementation in applying the money laundering and terrorism financing prevention as defined by AML Policy within his duty as Bank's Compliance Officer (Art 23, line 2).

#### 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 31.12.2020, the Board was composed of the following Members:

Nr crt	Name	Function	Gender
1.	Stavros Lekkakos	President (Independent)	Male
2.	IliasIlias Volonasis	Member (Independent)	Male
3.	Georgios Athanasopoulos	Member	Male
4.	Theodor Cornel Stanescu	Member	Male
5.	Pavlina Tavridaki	Member (Independent)	Female
6.	Theodoros Efthys	Member (Independent)	Male
7.	Panagiotis Konstantaras	Member (Independent)	Male
8.	Catalin Vasile Parvu	Member (Independent)	Male

The Board members have participated actively and effectively in the exercise of their responsibilities during 20202020, the Board holding 21 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 31.12.2020, the structure of the Management Committee was the following:

- 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:

Nr crt	Name	Function	Mandates within the Bank	Period
1.	Stavros Lekkakos	President	33	2019-2020; 2020-2024
2.	IliasIlias Volonasis	Member	22	16.04.2020; 2020-2024
3.	Georgios Athanasopoulos	Member	16	2010-2020; 2020-2024
4.	Theodor Cornel Stanescu	Member	3	2018-2019; 2019-2020; 2020-2024
5.	Pavlina Tavridaki	Member	3	2019-2020; 2020-2024
6.	Theodoros Efthys	Membru	3	2019-2020; 2020-2024
7.	Panagiotis Konstantaras	Member	2	05.05.2020; 2020-2024
8.	Catalin Vasile Parvu	Member	2	16.04.2020; 2020-2024

- 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 revaluation 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**

Bank considers diversity of the members of the management body as sum of characteristics like age, gender, geographical provenance and educational and professional background, and takes the necessary actions to ensure these are different to an extent that allows a variety of views within the management body.



The Bank shows considerable care so that diversity amongst its top leaders is ensured with the purpose to improve decision-making regarding strategies and risks by facilitating a broader range of views, opinions, experience, perception, values and backgrounds and reduces the phenomena of ‘group think’ and ‘herd behaviour’ in the process of decision-making.

The nominees as member of the Board/Executive management of the Bank must prove adequate reputation and prior experience in direct relation to the nature and complex activity of the Bank, as well as the allocated responsibilities in order to ensure a proper and prudent management of the Bank.

All Board and Management Team appointments are based on meritocracy with the prime consideration to maintain and enhance the Board’s and Management’s overall effectiveness.

The selection of female candidates to join the Board of Administrators/Executive Management will depend on the pool of female candidates with the necessary qualifications: 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 selected candidate will bring to the Board of Administrators/ Executive Management.

We believe that diversity, including gender diversity, is a very important factor which reflects in the Bank’s performance and effectiveness. In this respect, the Gender diversity policy has been updated and approved by the Board of Administrators and the Bank set as target appointment of at least one feminine person within the 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 the entire 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 Manager.

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 of Administration 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, financial performance of the debtor, the real beneficiary of the debtor





for legal entities and the concentrations on the type of product, the geographical area and customer residence for private individuals/PFA/PL and on the loans currency and collateral type for the entire debtors' portfolio.

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 is 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 1.2020, and the LCR ratio at a level above 110%.

The Bank monitors the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). A minimum imposed 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 2020 were as follows:

- LCR: 247,63%
- NSFR: 98.31%

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. 2020	30.06. 2020	30.09. 2020	31.12. 2020	31.03. 2020	30.06. 2020	30.09. 2020	31.12. 2020
<b>Quarter ending on (DD Month YYY)</b>									
<b>TOTAL ADJUSTED VALUE</b>									
21	LIQUIDITY BUFFER					517,66	558,86	549,10	738,88
22	TOTAL NET CASH OUTFLOWS					222,79	180,65	189,17	320,15
23	LIQUIDITY COVERAGE RATIO (%)					232,28%	310,50 %	291,05 %	233,13 %

#### 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.

### 5.2.5 Business continuity management framework

Vista Bank Romania has prepared a Business Continuity Plan to be activated and followed in case of a major disaster / incident such as: natural disaster, terrorist attack, power outage, prolonged interruption or total failure of critical IT systems, as well as in pandemic case. Also, any contractual partner of Vista Bank Romania to which essential services have been outsourced have Business Continuity Plans prepared to be activated in case of disaster. Vista Bank has prepared a secondary operational site/building, where the Bank's critical activities could continue, and in the context of the pandemic, also especially dedicated IT and secure communication systems have been configured to facilitate the remote work of employees.

Vista Bank has also prepared a Disaster Recovery Plan for critical IT systems that support the bank's critical business processes. Critical IT systems can be recovered into a secondary Data Center if the IT systems from the primary Data Center become unavailable.

The Bank's critical processes are identified following a business impact analysis, which assesses the effect for the Bank on the impossibility of providing / providing services to customers, as well as from a legal, reputational or financial point of view. Values such as RTO (Recovery Time Objective - to be achieved as a goal so that critical activity can continue), or RPO (Recovery Point Objective – the maximum time objective that can pass from the last data backup to the time of disaster so that critical activity could continue).

Both Plans are updated annually (or more often if necessary, following the implementation of a new critical process or a new critical IT system within the Bank).

The Bank's management has appointed a Business Continuity Plan Coordinator (and a Replacement of the Coordinator), as well as a Disaster Recovery Plan Coordinator, who are responsible for ensuring that plans are up-to-date, acknowledged by employees and tested annually. The Bank's management, which also coordinates the Management Team for Business Continuity and Crisis Management, is authorized to officially declare a disaster and decide to activate the Business Continuity Plan (BCP) and / or the Disaster Recovery Plan (DRP).

The annual tests simulate various disaster scenarios, with the objective that the participants to the tests within the departments or territorial units that carry out critical activities to gain the necessary experience



in order to react adequately and in time in case of a disaster. Also, the annual tests help to assess the operational or technical capabilities of disaster recovery and continuation, so that any identified deficiencies can be improved / remedied in time. The results of the annual tests of the business continuity plan and of the recovery of critical IT systems are presented to the Bank's Management and to the Business Continuity and Crisis Management Committee. Following the business continuity and disaster recovery tests conducted in March 2020 and September 2020, a satisfactory level of compliance with the provisions of the Business Continuity Plan resulted, with no problems reported by the test participants.

### 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 2020 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 2020 six 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, including entities with special scope ("special purpose vehicles");
- b. any entity in which the Bank has holdings in the capital, including entities with special scope ("special purpose vehicles");
- 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, unless the entity is owned by the state;
- 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, unless the entity is owned by the state;
- 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.
- h. members of the management body and the persons holding key positions or, as the case may be, positions similar to the key positions in the entities from let. a) - f), together with the entities and the afferent persons provided at let. g) points (i) and (ii).

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 31.12.2020 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			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	Carrying values of items			Not subject to capital requirements or subject to deduction from capital
					Subject to the securitisation framework	Subject to the market risk framework		
<b>Assets</b>								
Cash and balances at central banks	338,550,897.00	338,550,897.00	338,550,897.00	-	-	-	-	-
Placements to banks	531,678,637.00	531,678,637.00	531,678,637.00	-	-	-	-	-
Loans to customers	1,654,071,843.00	1,654,071,843.00	1,654,071,843.00	-	-	-	-	-
Held-to-maturity financial investments	453,353,058.00	453,353,058.00	453,353,058.00	-	-	-	-	-
Receivables regarding the current tax on profit	773,707.00	773,707.00	-	-	-	-	-	-
Receivables regarding the deferred tax on profit	11,083,045.00	11,083,045.00	4,433,218.00	-	-	-	-	6,649,827.00
Financial assets measured at fair value through other elements of comprehensive income	172,386,662.00	172,386,662.00	172,386,662.00	-	-	-	-	-
Intangible assets	3,348,307.00	3,348,307.00	-	-	-	-	-	3,348,307.00
Tangible assets	10,533,493.00	10,533,493.00	10,533,493.00	-	-	-	-	-
Right-of-use assets	39,532,289.00	39,532,289.00	39,532,289.00	-	-	-	-	-
Investment properties	98,946,605.00	98,946,605.00	98,946,605.00	-	-	-	-	-
Other financial assets	2,511,716.00	2,511,716.00	2,511,716.00	-	-	-	-	-
Reposessed assets held for selling	116,005,575.00	116,005,575.00	116,005,575.00	-	-	-	-	-
Other assets	15,989,141.00	15,989,141.00	15,989,141.00	-	-	-	-	-
<b>Total assets</b>	<b>3,448,764,975.00</b>	<b>3,448,764,975.00</b>	<b>3,437,993,134.00</b>	-	-	-	-	<b>9,998,134.00</b>
<b>Liabilities</b>								
Deposits from banks	29,054.00	-	-	-	-	-	-	29,054.00
Deposits from customers	3,046,320,933.00	3,046,320,933.00	50,296,573.00	-	-	-	-	2,996,024,360.00
Derivative instruments	-	-	-	-	-	-	-	-
Subordinated debts	19,831,783.00	-	-	-	-	-	-	19,831,783.00
Other financial liabilities	12,524,941.00	12,524,941.00	-	-	-	-	-	12,524,941.00
Other liabilities	3,186,924.00	3,186,924.00	-	-	-	-	-	3,186,924.00
Leasing liabilities	42,342,144.00	42,342,144.00	-	-	-	-	-	42,342,144.00
Provizioane pentru riscuri si cheltuieli	4,196,808.00	4,196,808.00	-	-	-	-	-	4,196,808.00
<b>Total liabilities</b>	<b>3,128,432,587.00</b>	<b>3,108,571,750.00</b>	<b>50,296,573.00</b>	-	-	-	-	<b>3,078,136,014.00</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	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>	<b>3,448,764,975.00</b>	<b>3,448,764,975.00</b>				
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	-	-				
Total net amount under the regulatory scope of consolidation	3,448,764,975.00	3,448,764,975.00				
Off-balance-sheet amounts	238,357,372.00	238,357,372.00				
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	(6,649,827.00)	(6,649,827.00)				
Differences due to intangibles	(3,348,307.00)	(3,348,307.00)				
<b>Exposures amounts considered for regulatory purposes</b>	<b>3,677,124,213.00</b>	<b>3,677,124,213.00</b>	-	-	-	



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

The significant information regarding the financial results of the bank for the year 2020 are presented in the annual individual Financial Statements for the year 2020, 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 2020, the level of the key-indicators registered by the bank was presented in the annual individual Financial Statements for the year 2020 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 2020 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

The Bank has Tier 2 items in the form of subordinated debts.

Subject to the legislation in force, bank satisfied at all times, during 2020 the following own funds requirements:

- Common Equity Tier 1 capital ratio of 7.16%;
- Tier 1 capital ratio of 9.55%;
- Total capital ratio of 12.73%.

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 during 2019 and 2020.

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 conservation buffer applicable in 2020 at a rate of 2.5% and systemic risk buffer of 2%).

Reconciliation of the Common Tier 1 and Supplementary Tier 1, as well as elements of Tier 2, 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 Vista Bank (Romania) SA as of 31.12.2020:

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

			RWA		Capital requirements
			31.12.2020	31.12.2019	31.12. 2020
	1	Credit risk (excluding CCR)	<b>1,527,886,496</b>	<b>1,482,115,235</b>	<b>122,230,920</b>
Article 438 (c) and (d)	2	Of which the standardised approach	1,527,886,496	1,482,115,235	122,230,920
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 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)	-	-	-
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>72,397,836</b>	<b>104,405,686</b>	<b>5,791,827</b>
	24	Of which basic indicator approach	72,397,836	104,405,686	5,791,827
	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>1,600,284,331</b>	<b>1,586,520,921</b>	<b>128,022,746</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 2020, 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		Securitization 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	Exposure value in the trading book for internal	Exposure value for SA	Exposure value for IRB approach	Of which: general credit exposures	Of which: trading book exposures	Of which: securitization exposures	Total		
		010	020	030	040	050	060	070	080	090	100	110	120
010	Breakdown by country												
	Romania	3,068,067,084	-	-	-	-	-	101,256,466	-	-	101,256,466	82,84%	0.00%
	Belgium	556,818	-	-	-	-	-	33,908	-	-	33,908	0,03%	0.00%
	Cyprus	350,520	-	-	-	-	-	11,786	-	-	11,786	0,01%	0.00%
	France	4,820	-	-	-	-	-	-	-	-	-	0,00%	0.00%
	Germany	116,739	-	-	-	-	-	3,571	-	-	3,571	0,00%	0.00%
	Greece	52,941,177	-	-	-	-	-	940,306	-	-	940,306	0,77%	0.00%
	Hungary	99,961	-	-	-	-	-	-	-	-	-	0,00%	0.00%
	Italy	139,157	-	-	-	-	-	892	-	-	892	0,00%	0.00%
	Switzerland	302,484,018	-	-	-	-	-	4,839,744	-	-	4,839,744	3,96%	0.00%
	Malta	31,903,912	-	-	-	-	-	1,860,888	-	-	1,860,888	1,53%	0.00%
	United Kingdom	26,096,726	-	-	-	-	-	1,008,249	-	-	1,008,249	0,82%	0.00%
	United States	2,695,181	-	-	-	-	-	211,366	-	-	211,366	0,17%	0.00%
	Israel	24,950	-	-	-	-	-	-	-	-	-	0,00%	0.00%
	Liberia	54,761,995	-	-	-	-	-	3,507,481	-	-	3,507,481	2,87%	0.00%
	Jersey	51,343,156	-	-	-	-	-	3,230,142	-	-	3,230,142	2,64%	0.00%
	Marshall Islands	42,643,516	-	-	-	-	-	2,625,765	-	-	2,625,765	2,15%	0.00%
	Ireland	2,274,486	-	-	-	-	-	181,959	-	-	181,959	0,15%	0.00%
	Luxembourg	40,619,997	-	-	-	-	-	2,518,397	-	-	2,518,397	2,06%	0.25%
020		3,677,124,213	-	-	-	-	-	122,230,920	-	-	122,230,920		

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

Row		Column
		010
010	Total risk exposure amount	1,600,284,331
020	Institution-specific countercyclical capital buffer rate	0.00515%
030	Institution-specific countercyclical capital buffer	82,429.05



## 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 2020 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 14.38% and a Tier 1 capital ratio of 13.51%, both 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 published stressed scenarios available for Romania 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 2020 the Bank held derivatives financial instruments at fair value amounting to RON 5050.739 while the contractual value in RON equivalent was RON 113.724.294.

## 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:



	Exposures	Individually/Collectively assessed
		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

For Stage 3 allocation, Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013 (EBA/GL/2016/07) are considered.

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

Defaulted exposures are the ones which meet at least one of the following criteria:

- a) Past due criterion in the identification of default
- b) Indications of unlikeliness to pay.

Past due criterion in the identification of default considers:

- i) Past due loan obligation and materiality threshold;
- ii) Counting of days past due;
- iii) Suspending the counting of days past due;
- iv) Technical past due situation.

Regarding past due criterion, starting 31.12.2020, and the Bank takes into consideration the following materiality thresholds set by the NBR for the past due loan obligations:

- for retail exposures:
  - a) the level for the relative component of the materiality threshold is 1%;
  - b) the level for the absolute component of the materiality threshold is 150 lei;
- for exposures other than retail:
  - a) the level for the relative component of the materiality threshold is 1%;
  - b) the level for the absolute component of the materiality threshold is 1.000 lei.

The Bank considers that the obligor is defaulted when both the limit expressed as the absolute component of the materiality threshold and the limit expressed as the relative component of that threshold are exceeded for more than 90 consecutive days. When the criterion of the materiality threshold is no longer met, the debtor remains under monitoring for a period of 3 months (90 days). If during the monitoring



period the materiality thresholds are not breached for more than 30 consecutive days, after the expiration of this period the debtor will exit the default/ non-performing status. If during the monitoring period the materiality thresholds are breached for more than 30 consecutive days, the monitoring period is reset and the debtor remains under monitoring for a new period of 3 months (90 days). If the breach is maintained for a period over 90 consecutive days, the debtor remains in default/nonperforming status.

The debtor is considered to be in default when at least one of the following indications of unlikeliness to pay is identified:

- a) Non-accrued status;
- b) Specific credit risk adjustments (expected credit losses stage 3);
- c) Sale of the credit obligation;
- d) Distressed restructuring;
- e) Bankruptcy;
- f) Other indications of unlikeliness to pay:
  - i) Clients under forced execution procedure;
  - ii) Clients having at least one exposure non-performing forborne (categories 2, 3 and 4 of DATABANK classification for forborne exposures);
  - iii) Clients which sent to the Bank debt resolution request.

Also, for stage 3 allocation the Bank analyses the individually significant exposures for which trigger events for impairment occurred.

The bank has defined the following impairment trigger events:

- Clients from real estate sector;
- The debtor invokes significant financial difficulty;
- Delay in payments for more than 60 days for corporate clients and more than 30 days for private individuals;
- At least one of the Customer's facilities has been restructured in the last 12 months;
- The financial performance of the Customer is E, except from the customers that were classified in E since they did not present the last financial statements, but had a better rating based on the previous statements;
- The existence of evidences of becoming probable that the borrower will enter bankruptcy or other financial reorganization, in case of legal entities.

Even if the above mentioned trigger events occurred, the Bank will individually asses each Customer to see if there is any objective evidence of impairment.

For Bank & Sovereign exposures, the Bank uses for staging purposes the following indicators representing significant increase in credit risk:

- Days past due - more than 2 working days past due since origination compared with the reporting date; and/or
- ECAI ratings - downgrade by at least two notches in ECAI ratings since origination compared with the reporting date for initial ratings above BB+/Ba1 and downgrade by at least one notch in ECAI ratings since origination compared with the reporting date for initial ratings below BB+/Ba1; In case of multiple ECAI ratings for the same counterparty are available the lowest rating of the two highest ratings is taken into consideration.

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

As of 2020, 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.

The Impairment methodology and procedure under IFRS 9 is approved by the Board of the Administration of the Bank and the monthly expected credit losses calculation is reviewed by the Management Committee. For the purpose of calculating expected loan losses, the Bank groups credit exposures into portfolios with similar credit risk characteristics. Portfolio segmentation is performed taking into account the common characteristics of the exposures, related on the one hand to the financial performance and on the other hand to the type of credit facility (revolving / non-revolving, secured / unsecured).

During 2020 the changes in the ECL volume was determined on the one hand by the update of PD and LGD parameters considered in the calculation and by the review of the methodology for establishing the clients' classification in the financial performance categories, and on the other hand by careful evaluation of the customers that benefited from payment postponement due to the impact of the COVID-19 pandemic. Thus, for some of these borrowers the Bank appreciated that significant increase of credit risk occurred and preceded to their prudential classification in stage 2 or 3, as the case.

The evolution of the ECL volume and the distribution by stages for portfolio of clients from the following categories: Other financial companies, Non-financial companies, Households in 2020 compared to 2019 are briefly presented below:

Stages	31.12.2020			31.12.2019		
	On balance exposure	Expected credit losses (ECL)	ECL coverage	On balance exposure	Expected credit losses (ECL)	ECL coverage
Stage 1	1,405,829,986.28	14,493,072.73	1.03%	1,115,010,066.12	8,865,795.40	0.80%
Stage 2	209,204,169.13	5,765,272.82	2.76%	107,634,266.82	2,421,274.66	2.25%
Stage 3	118,603,557.32	59,307,524.58	50.00%	121,307,935.76	51,735,895.16	42.65%
<b>TOTAL</b>	<b>1,733,637,712.73</b>	<b>79,565,870.13</b>	<b>4.59%</b>	<b>1,343,952,268.70</b>	<b>63,022,965.22</b>	<b>4.69%</b>

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

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.

Regarding determining Probability of Default (PD), for non-financial Customers conditional Cumulative Probability of Default (CPD) is used. The conditional CPD is a measure for the likelihood of a default event occurring during a specific period of time conditioned on the survival up to that date: 12 months following the next reporting date for the exposures classified in stage 1 and the lifetime for the exposures



in stage 2. The CPDs were estimated based on aggregated portfolios by client type (private individuals and legal entities) & product type (in case of private individual's portfolio).

The Bank adopted the EBA EBA/GL/2017/16 approach in determining independent defaults which states that “with regard to defaults recognised on a single facility, where the time between the moment of the return of the exposure to non-defaulted status and the subsequent classification as default is shorter than nine months, institutions should treat such exposure as having been constantly defaulted from the first moment when the default occurred.” Hence, the Bank applied this approach for all exposures.

The Bank computes monthly migration matrices using historical data for the identified segments. Using this approach, the transition matrix represents the empirical transition frequencies on a monthly basis.

All matrices are estimated at obligor level. The matrices are computed for a period equal to 36 months up to the reporting date. In order to obtain a lifetime PD curve, the matrices are further multiplied up to the desired maturity.

In order to perform a forward looking adjustment of the Lifetime probabilities of default, separate Quarter-to-Quarter (on a yearly basis) historical default rates (PF and PJ) were estimated.

According to IFRS 9 standard, in some circumstances, an entity does not have reasonable and supportable information that is available without undue cost or effort to measure lifetime expected credit losses on an individual instrument basis. In that case, lifetime expected credit losses shall be recognised on a collective basis that considers comprehensive credit risk information. This comprehensive credit risk information must incorporate not only past due information but also all relevant credit information, including forward-looking macroeconomic information, in order to approximate the result of recognising lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition on an individual instrument level.

For the purpose of forward looking information integration into the probability of default, GDP growth rate (YoY) estimated on a quarterly basis was considered the most relevant variable. The Bank used data from various public databases, private banks and content aggregators such as Bloomberg.

Loss Given Default is a factor that determines the severity of a loss in case of default. Basically, the LGD is the amount of total exposure that the Bank expects not to recover in the case of loan impairment.

In order to calculate the LGD, the unsecured part of the specific portfolio based on expected cash inflows from collaterals is used. It was decided to use the recovery rate from the collaterals due to the fact that the significant part of the defaulted exposures was recovered through the execution of the collaterals (forced execution procedure and bankruptcy).

The LGD is calculated separately for private individuals and corporate customers and according to the risk class and to the facility type (revolving/non-revolving).

### 11.2.2 Bank & Sovereign exposures

The Bank had as at 31.12.2020 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.



For Sovereign & Bank exposures, the Bank uses a simplified approach based on external credit ratings. The PD associated with the rating from the 10-year sovereign/ corporate migration matrix is used.

The fitted PD is calculated with an exponential fitting on the maximum PD from the three rating agencies, separately for corporate and sovereign. Also a maximum PD between corporate and sovereign exposures is taken into consideration for the corporate fitted PD.

The PD for NBR exposures in RON is considered zero. In case of multiple ECAI ratings for the same counterparty are available the lowest rating of the two highest ratings is taken into consideration.

Where the issuer of the bond is not a rated entity, the rating associated with the country of incorporation will be used. Also, it was assumed that no Bank can have a rating above the rating of the country of incorporation (origin).

For determining LGD for Sovereign & Bank exposures, recovery rates are historical averages of bond prices in default, published by Moody's: 38% for non-investment grade exposures (below Baa3, BBB-, BBB- as per rating agencies hierarchy) and 44% for investment grade exposures. Hence flat LGD of 62% is applied for non-investment grade exposures and flat LGD of 56% is applied for investment grade exposures, unless other haircuts would be required individually.

### 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 with further amendments, 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 valuators or internal valuators 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 31.12.2020 is 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	1,865,850,182	1,183,051,576	1,013,757,902	169,293,674	-
Total debt securities	628,222,455	-	-	-	-
<b>Total exposures</b>	<b>2,494,072,637</b>	<b>1,183,051,576</b>	<b>1,013,757,902</b>	<b>169,293,674</b>	-
out of which defaulted	4,363,207	54,984,378	54,984,378	--	-

**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	925,675,472	-	1,027,496,089	4,682,011	29,186,215	2.83%
2	Regional governments or local authorities	-	-	-	-	-	0.00%
3	Public sector entities	-	-	-	-	-	0.00%
4	Multilateral development banks	-	-	-	-	-	0.00%
5	International organizations	-	-	-	-	-	0.00%
6	Institutions	531,731,742	69,632	531,678,637	69,632	109,834,923	20.66%
7	Corporates	964,645,609	138,414,876	866,163,426	26,554,423	757,964,321	84.91%
8	Retail	278,963,446	97,546,825	224,291,583	16,410,836	161,124,486	66.94%
9	Secured by mortgages on immovable property	371,425,101	-	350,119,876	-	118,529,475	33.85%
10	Exposures in default	118,603,558	51,552	59,296,033	25,776	64,185,010	108.20%
11	Items associated with particularly high risk	-	-	-	-	-	0.00%
12	Covered bonds	-	-	-	-	-	0.00%
13	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
14	Collective investments undertakings	-	-	-	-	-	0.00%
15	Equity exposures	-	-	-	-	-	0.00%
16	Other exposures	355,537,252	-	327,890,231	-	287,062,066	87.55%
17	<b>Total</b>	<b>3,546,582,180</b>	<b>236,082,885</b>	<b>3,386,935,875</b>	<b>47,742,678</b>	<b>1,527,886,496</b>	<b>44.48%</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>	-	-
16	Central governments or central banks	925,126,130	765,965,607
17	Regional governments or local authorities	-	-
18	Public sector entities	-	-
19	Multilateral development banks	-	-
20	International organizations	-	-
21	Institutions	534,022,755	558,778,434
22	Corporates	1,085,895,385	951,288,243
23	<i>Of which: SMEs</i>	805,114,727	697,122,736
24	Retail	374,601,450	356,593,921
25	<i>Of which: SMEs</i>	218,657,047	200,983,720
26	Secured by mortgages on immovable property	370,240,677	332,822,020
27	<i>Of which: SMEs</i>	53,004,212	53,816,647
28	Exposures in default	59,347,585	64,537,180
29	Items associated with particularly high risk	-	-
30	Covered bonds	-	-
31	Claims on institutions and corporates with a short-term credit assessment	-	-
32	Collective investments undertakings	-	-
33	Equity exposures	-	-
34	Other exposures	327,890,231	337,378,124
<b>35</b>	<b>Total standardized approach</b>	<b>3,677,124,213</b>	<b>3,367,363,528</b>
<b>36</b>	<b>Total</b>	<b>3,677,124,213</b>	<b>3,367,363,528</b>

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

		Europe	Romania	Great Britain	Luxemburg	Malta	Other European countries	Marshall Islands	Liberia	Jersey	Other geographical areas	Total
6	<b>Total IRB approach</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
7	Central governments or central banks	925,126,130	925,126,130	0	0	0	0	0	0	0	0	<b>925,126,130</b>
8	Regional governments or local authorities	0	0	0	0	0	0	0	0	0	0	<b>0</b>
9	Public sector entities	0	0	0	0	0	0	0	0	0	0	<b>0</b>
10	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	<b>0</b>
11	International organizations	0	0	0	0	0	0	0	0	0	0	<b>0</b>
12	Institutions	534,022,755	176,110,976	0	0	0	357,911,779	0	0	0	0	<b>534,022,755</b>
13	Corporates	937,146,717	838,478,082	26,096,726	40,619,997	31,903,912	48,000	42,643,516	54,761,995	51,343,156	0	<b>988,489,874</b>
14	Retail	374,364,053	373,991,411	0	0	0	372,642	0	0	0	237,396	<b>374,601,450</b>
15	Secured by mortgages on immovable property	370,240,677	369,882,701	0	0	0	357,976	0	0	0	0	<b>370,240,677</b>
16	Exposures in default	59,347,585	59,070,286	0	0	0	277,299	0	0	0	0	<b>59,347,585</b>

17	Items associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	0
18	Covered bonds	0	0	0	0	0	0	0	0	0	0	0
19	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0
20	Collective investments undertakings	0	0	0	0	0	0	0	0	0	0	0
21	Equity exposures	0	0	0	0	0	0	0	0	0	0	0
22	Other exposures	325,407,496	325,407,496	0	0	0	0	0	0	0	2,482,735	327,890,231
23	<b>Total standardized approach</b>	<b>3,525,655,413</b>	<b>3,068,067,082</b>	<b>26,096,726</b>	<b>40,619,997</b>	<b>31,903,912</b>	<b>358,967,696</b>	<b>42,643,516</b>	<b>54,761,995</b>	<b>51,343,156</b>	<b>2,720,131</b>	<b>3,579,718,701</b>
24	<b>Total</b>	<b>3,525,655,413</b>	<b>3,068,067,082</b>	<b>26,096,726</b>	<b>40,619,997</b>	<b>31,903,912</b>	<b>358,967,696</b>	<b>42,643,516</b>	<b>54,761,995</b>	<b>51,343,156</b>	<b>2,720,131</b>	<b>3,579,718,701</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, Italy and Hungary.

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



**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 conditioning supply	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
<b>6</b>	<b>Total IRB approach</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	925.126.130	-	-	-	-	<b>925.126.130</b>
8	Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Corporates	21,753,710	-	198,394,687	-	-	88,118,166	274,817,316	129,309,424	-	-	159,031,991	-	-	-	-	-	-	141,591,944	<b>1,013,017,238</b>
14	Retail	9,285,561	-	23,013,535	-	-	26,228,574	99,020,108	40,186	4,339,660	4,492,191	17,427,460	-	-	-	-	-	-	34,809,771	<b>218,657,046</b>
15	Secured by mortgages on immovable property	2,244,346	-	941,885	-	-	3,501,453	31,022,478	-	-	913,470	9,833,262	-	-	-	-	-	-	2,454,220	50,911,114
16	Exposures in default	-	-	8,429,009	-	-	1,006,801	13,132,962	-	-	0	22,876,499	-	-	-	-	-	-	1,973,438	47,418,708

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	-	-	-	-	-	-	-	-	-	-	-	-	1,247,130	-	-	-	-	1,247,130	
23	<b>Total standardised approach</b>	<b>33,283,617</b>	<b>0</b>	<b>230,779,116</b>	<b>0</b>	<b>0</b>	<b>118,854,994</b>	<b>417,992,863</b>	<b>129,349,609</b>	<b>4,339,660</b>	<b>5,405,661</b>	<b>209,169,212</b>	<b>0</b>	<b>0</b>	<b>926,373,260</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>180,829,373</b>	<b>2,256,377,367</b>
24	<b>Total</b>	<b>33,283,617</b>	<b>0</b>	<b>230,779,116</b>	<b>0</b>	<b>0</b>	<b>118,854,994</b>	<b>417,992,863</b>	<b>129,349,609</b>	<b>4,339,660</b>	<b>5,405,661</b>	<b>209,169,212</b>	<b>0</b>	<b>0</b>	<b>926,373,260</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>180,829,373</b>	<b>2,256,377,367</b>

The exposures reported above are presented net of exposures to "Financial and insurance assets" in amount of RON 585,73,087, exposures to "Households" in amount of RON 511,413,392 and RON 324,160,366 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 <= 5 years	> 5 years	No stated maturity	
<b>6</b>	<b>Total IRB approach</b>	-	-	-	-	-	-
7	Central governments or central banks	-	464,055,086	451,141,266	9,929,778	-	<b>925,126,130</b>
8	Regional governments or local authorities	-	-	-	-	-	-
9	Public sector entities	-	-	-	-	-	-
10	Multilateral development banks	-	-	-	-	-	-
11	International organisations	-	-	-	-	-	-
12	Institutions	-	531,678,637	-	-	-	<b>531,678,637</b>
13	Corporates	-	502,869,927	285,521,213	297,504,245	-	<b>1,085,895,385</b>
14	Retail	-	141,998,489	79,962,659	152,640,301	-	<b>374,601,450</b>
15	Secured by mortgages on immovable property	-	25,147,214	22,434,931	322,658,532	-	<b>370,240,677</b>
16	Exposures in default	-	44,287,022	5,397,554	9,663,009	-	<b>59,347,585</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	-	327,890,231	-	-	-	327,890,231
23	<b>Total standardised approach</b>	-	<b>2,037,926,606</b>	<b>844,457,623</b>	<b>792,395,865</b>	-	<b>3,674,780,094</b>
24	<b>Total</b>	-	<b>2,037,926,606</b>	<b>844,457,623</b>	<b>792,395,865</b>	-	<b>3,674,780,094</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	-	925,675,472	549,342	-	-	294,070	925,126,130
17	Regional governments or local authorities	-	-	-	-	-	-	-
18	Public sector entities	-	-	-	-	-	-	-
19	Multilateral development banks	-	-	-	-	-	-	-
20	International organisations	-	-	-	-	-	-	-
21	Institutions	-	534,075,860	53,105	-	-	711,019	534,022,755
22	Corporates	-	1,103,060,485	17,165,100	-	-	21,663,212	1,085,895,385
23	<i>Of which: SMEs</i>	-	817,737,405	12,622,678	-	-	17,192,649	805,114,727
24	Retail	-	376,510,271	1,908,821	-	-	6,225,740	374,601,450
25	<i>Of which: SMEs</i>	-	220,060,706	1,403,659	-	-	2,418,371	218,657,047
26	Secured by mortgages on immovable property	-	371,425,101	1,184,424	-	-	2,430,427	370,240,677

27	<i>Of which: SMEs</i>	-	53,584,751	580,539	-	-	2,418,488	53,004,212
28	Exposures in default	121,316,877	-	51,735,895	-	4,686,303	742,673	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	-	-	-	-	-	-	-
32	Collective investments undertakings	-	-	-	-	-	-	-
33	Equity exposures	-	-	-	-	-	-	-
34	Other exposures	0	355,537,252	27,647,021		0	4,864,127	327,890,231
35	<b>Total standardised approach</b>	<b>118,655,110</b>	<b>3,666,284,441</b>	<b>107,815,338</b>	<b>0</b>	<b>2,104,833</b>	<b>55,591,010</b>	<b>3,677,124,212</b>
36	<b>Total</b>	<b>118,655,110</b>	<b>3,666,284,441</b>	<b>107,815,338</b>	<b>0</b>	<b>2,104,833</b>	<b>55,591,010</b>	<b>3,677,124,212</b>
37	Of which: Loans	118,603,557	2,799,290,572	107,280,111	0	2,104,833	55,296,940	2,810,614,018
38	Of which: Debt securities	0	628,757,682	535,227	0	0	294,070	628,222,455
39	Of which: Off-balance-sheet exposures	51,552	238,236,187	0	0	0	0	238,287,739



**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	-	33,784,183	500,565.73	-	-	350,947	33,283,617
2	Mining and quarrying	-	-	-	-	-	-	-
3	Manufacturing	19,048,163	225,775,358	14,044,405.06	-	552,710	7,307,117	230,779,116
4	Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-	-
5	Water supply	-	-	-	-	-	-	-
6	Construction	1,770,967	119,279,514	2,195,487.42	-	344,136	5,155,532,532	118,854,994
7	Wholesale and retail trade	16,456,774	409,546,142	8,010,052.02	-	-	6,496,235	417,992,863
8	Transport and storage	-	132,738,319	3,388,710	-	-	3,903,406	129,349,609
9	Accommodation and food service activities	1,071,179	4,370,876	1,102,394.65	-	-	85,261	4,339,660
10	Information and communication	-	5,472,696	67,035.24	-	-	45,454	5,405,661
11	Real estate activities	44,372,907	189,132,753	24,336,447.88	-	-	7,937,555	209,169,212
12	Professional, scientific and technical activities	-	-	-	-	-	-	-

13	Administrative and support service activities	-	-	-	-	-	-	-
14	Public administration and defence, compulsory social security	-	926,922,602	549,342	-	-	294,070	926,373,260
15	Education	-	-	-	-	-	-	-
16	Human health services and social work activities	-	-	-	-	-	-	-
17	Arts, entertainment and recreation	-	-	-	-	-	-	-
18	Other services	14,868,577	181,090,233	15,129,436.23	-	310,943	6,046,992	180,829,373
<b>19</b>	<b>Total</b>	<b>97,588,568</b>	<b>2,228,112,675</b>	<b>69,323,876.02</b>	<b>-</b>	<b>1,207,789</b>	<b>37,622,568</b>	<b>2,256,377,367</b>

The exposures reported above are presented net of exposures to "Financial and insurance assets "in amount of RON 585,73,087, exposures to "Households" in amount of RON 511,413,392 and RON 324,160,366 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	118,655,110	3,511,665,302	104,664,998	-	2,104,833	44,412,528	3,525,655,413
2	Romania	118,373,559	3,051,881,913	102,188,390	-	2,104,833	41,432,165	3,068,067,082
3	Great Britain	-	26,122,486	25,760	-	-	62,340	26,096,726
4	Luxemburg	-	41,974,914	1,354,917	-	-	1,627,685	40,619,997
5	Malta	-	32,947,601	1,043,689	-	-	1,238,714	31,903,912
3	Other European countries	281,551	358,738,388	52,243	-	-	51,625	358,967,696
6	Jersey	-	52,148,221	805,065	-	-	226,024	51,343,156
7	Marshall Islands	-	44,199,059	1,555,543	-	-	1,747,191	42,643,516
8	Liberia	-	55,551,473	789,478	-	-	917,501	54,761,995
4	Other geographical areas	-	2,720,384	253	-	-	178	2,720,131
<b>5</b>	<b>Total</b>	<b>118,655,110</b>	<b>3,566,533,908</b>	<b>105,470,316</b>	<b>-</b>	<b>2,104,833</b>	<b>47,303,423</b>	<b>3,579,718,701</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	63,022,829	-
2	Increases due to amounts set aside for estimated loan losses during the period	47,303,423	-
3	Decreases due to amounts reversed for estimated loan losses during the period	(30,754,433)	-
4	Decreases due to amounts taken against accumulated credit risk adjustments	(613,495)	-
5	Transfers between credit risk adjustments	-	-
6	Impact of exchange rate differences	607,547	-
7	Business combinations, including acquisitions and disposals of subsidiaries	-	-
8	Other adjustments	-	-
<b>9</b>	<b>Closing balance</b>	<b>79,565,870</b>	<b>-</b>
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	(15,508,848)	-
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	29,953	-

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

		Gross carrying value defaulted exposures
1	<b>Opening balance</b>	<b>121,316,877</b>
2	Loans and debt securities that have defaulted or impaired since the last reporting period	9,309,988
3	Returned to non-defaulted status	(8,994,910)
4	Amounts written off	(1,787,752)
5	Other changes	(1,189,094)
6	<b>Closing balance</b>	<b>118,655,110</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	27,964,606.00	73,020,420.00	73,020,420.00	73,020,420.00	1,569,694.00	36,085,180.00	59,586,156.00	34,795,184.00
2	Central banks								
3	General governments								
4	Credit institutions								
5	Other financial corporations	- -	- -	- -	- -	- -	- -	- -	-
6	Non-financial corporations	25,282,188.00	63,323,549.00	63,323,549.00	63,323,549.00	1,528,022.00	32,391,785.00	51,386,031.00	29,032,860.00



7	<i>Households</i>	2,682,418.00	9,696,871.00	9,696,871.00	9,696,871.00	41,672.00	3,693,395.00	8,200,125.00	5,762,324.00
8	Debt Securities								
9	Loan commitments given								
<b>10</b>	<b>Total</b>	27,964,606.00	73,020,420.00	73,020,420.00	73,020,420.00	1,569,694.00	36,085,180.00	59,586,156.00	34,795,184.00

**Template 2: Quality of forbearance**

		Gross carrying amount of forborne exposures
1	Loans and advances that have been forborne more than twice	82,893,112.00
2	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	22,629,793.00

**Annex II – Disclosure templates: non-performing exposures**
**Template 3: Credit quality of performing and non-performing exposures by past due days**

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
1	Loans and advances	1,789,083,499	1,771,028,206	18,055,293	118,603,557	22,521,585	575,594	1,258,939	44,449,242	23,381,196	1,086,237	25,330,764	118,603,557
2	Central banks	0											
3	General governments	0											
4	Credit institutions	165,877,814	165,877,814										
5	Other financial corporations	119,452,021	119,452,021		0	0	0	0	0	0	0	0	0
6	Non-financial corporations	1,010,572,287	997,959,067	12,613,220	97,576,592	9,323,145	0	0	44,183,293	20,040,223	1,086,237	22,943,694	97,576,592
7	Of which SMEs	803,808,257	802,331,503	1,476,754	94,978,621	9,323,145	0	0	44,183,293	17,442,252	1,086,237	22,943,694	94,978,621
8	Households	493,181,377	487,739,304	5,442,073	21,026,965	13,198,440	575,594	1,258,939	265,949	3,340,973	0	2,387,070	21,026,965
9	Debt securities	453,888,285	453,888,285	0	0	0	0	0	0	0	0	0	0
10	Central banks												
11	General governments	453,888,285	453,888,285										
12	Credit institutions												

13	<i>Other financial corporations</i>												
14	<i>Non-financial corporations</i>												
15	Off-balance-sheet exposures	236,031,332			51,552								51,552
16	<i>Central banks</i>	0			0								0
17	<i>General governments</i>	0			0								0
18	<i>Credit institutions</i>	69,632			0								0
19	<i>Other financial corporations</i>	18,099,568			0								0
20	<i>Non-financial corporations</i>	210,140,106			11,976								11,976
21	<i>Households</i>	7,722,026			39,576								39,576
22	<b>Total</b>	<b>2,479,003,116</b>	<b>2,224,916,491</b>	<b>18,055,293</b>	<b>118,655,109</b>								<b>118,655,109</b>

**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 stage 2	Of which stage 3			
1	Loans and advances	1,789,083,499	1,579,879,330	209,204,169	118,603,557	0	118,603,557	23,064,721	17,299,448	5,765,273	59,307,525	0	59,307,525	29,638,132	1,013,055,652	56,187,811
2	Central banks	0	-	-	0	-	-	0	-	-	0	-	-	-	-	-
3	General governments	0	-	-	0	-	-	0	-	-	0	-	-	-	-	-
4	Credit institutions	165,877,814	165,877,814	-	0	-	-	20,668	20,668	0	0	-	-	-	-	-
5	Other financial corporations	119,452,021	77,477,107	41,974,914	0	0	0	2,598,670	1,243,753	1,354,917	0	0	0	0	46,788,399	0
6	Non-financial corporations	1,010,572,287	866,709,215	143,863,072	97,576,592	0	97,576,592	19,310,497	15,216,574	4,093,923	50,169,860	0	50,169,860	29,092,948	512,776,952	45,083,219
7	Of which SMEs	803,808,257	686,662,660	117,145,597	94,978,621	0	94,978,621	14,793,914	11,548,711	3,245,203	50,130,631	0	50,130,631	29,092,948	441,495,570	42,524,478
8	Households	493,181,377	469,815,194	23,366,183	21,026,965	0	21,026,965	1,134,886	818,453	316,433	9,137,665	0	9,137,665	545,184	453,490,301	11,104,592
9	Debt securities	453,888,285	453,888,285	0	0	0	0	535,227	0	0	0	0	0	0	0	0
10	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	General governments	453,888,285	453,888,285	-	-	-	-	535,227	0	0	-	-	-	-	-	-
12	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

13	<i>Other financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14	<i>Non-financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
15	Off-balance-sheet exposures	236,031,332	223,182,322	12,849,010	51,552	0	51,552	1,594,050	1,060,561	533,489	25,776	0	25,776		0	0	
16	<i>Central banks</i>	0	-	-	0	0	-	0	-	-	0	-	-		-	-	
17	<i>General governments</i>	0	-	-	0	0	-	0	-	-	0	-	-		-	-	
18	<i>Credit institutions</i>	69,632	69,632	-	0	0	-	0	-	-	0	-	-		-	-	
19	<i>Other financial corporations</i>	18,099,568	18,099,568	0	0	0	-	44,419	44,419	-	0	-	-		-	-	
20	<i>Non-financial corporations</i>	210,140,106	197,351,971	12,788,135	11,976	0	11,976	1,525,988	995,811	530,177	5,988	-	5,988		-	-	
21	<i>Households</i>	7,722,026	7,661,151	60,875	39,576	0	39,576	23,643	20,331	3,312	19,788	-	19,788		-	-	
22	<b>Total</b>	2,479,003,116	2,256,949,937	222,053,179	118,655,109	0	118,655,109	25,193,998	18,360,009	6,298,762	59,333,301	0-	59,333,301		-	1,013,055,652	56,187,811

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

1	On-balance-sheet exposures	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				
		2,577,653,491.00	118,603,557.00	118,603,557.00	2,577,653,491.00	82,418,798.00	-	
2	RO	1,973,545,236.00	118,322,007.00	118,322,007.00	1,973,545,236.00	76,791,848.00	-	
3	BE	561,095.00	281,550.00	281,550.00	561,095.00	4,278.00	-	
4	CY	310,166.00	-	-	310,166.00	421.00	-	
5	DE	116,852.00	-	-	116,852.00	114.00	-	
6	GB	26,122,486.00	-	-	26,122,486.00	25,760.00	-	
7	GR	52,931,721.00	-	-	52,931,721.00	44,857.00	-	
8	HU	927.00	-	-	927.00	39.00	-	
9	IT	10,817.00	-	-	10,817.00	439.00	-	
10	NL	-	-	-	-	-	-	
11	US	212,649.00	-	-	212,649.00	203.00	-	



12	<b>CH</b>	302,485,934.00	-	-	302,485,934.00	1,917.00		
13	<b>IL</b>	534.00	-	-	534.00	50.00		
14	<b>JE</b>	47,218,948.00	-	-	47,218,948.00	805,065.00		
15	<b>FR</b>	4,264.00	-	-	4,264.00	180.00		-
16	<b>LU</b>	41,974,914.00	-	-	41,974,914.00	1,354,917.00		-
17	<b>PT</b>	-	-	-	-	-		-
18	<b>LR</b>	55,551,473.00	-	-	55,551,473.00	789,478.00		-
19	<b>MH</b>	43,657,874.00	-	-	43,657,874.00	1,555,543.00		-
20	<b>MT</b>	32,947,601.00	-	-	32,947,601.00	1,043,689.00		-
2	<b>RO</b>	1,973,545,236.00	118,322,007.00	118,322,007.00	1,973,545,236.00	76,791,848.00		-
	<b>Off-balance-sheet exposures</b>	236,082,884.00	51,552.00	51,552.00			1,619,826.00	
2	<b>RO</b>	230,264,283.00	51,552.00	51,552.00			1,502,257.00	
3	<b>CY</b>	40,774.00	0	0			71.00	
4	<b>FR</b>	736.00	0	0			23.00	
5	<b>GR</b>	54,314.00	0	0			1,231.00	
6	<b>HU</b>	99,073.00	0	0			2,219.00	

7	<i>IL</i>	24,466.00	0	0			1,485.00	
8	<i>IN</i>	-	0	0			-	
9	<i>IT</i>	128,780.00	0	0			733.00	
10	<i>JE</i>	4,929,274.00	0	0			44,419.00	
11	<i>MH</i>	541,184.00	0	0			67,388.00	
12	<i>NL</i>	-	0	0				
	<b>Total</b>	<b>2,813,736,375.00</b>	<b>118,655,109.00</b>	<b>118,655,109.00</b>	-	-	<b>1,619,826.00</b>	

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

		Gross carrying amount			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	33,381,650.00	-	-	33,381,650.00	500,566.00
2	Mining and quarrying	-	-	-	-	-
3	Manufacturing	157,774,609.00	19,048,163.00	19,048,163.00	157,774,609.00	13,190,957.00
4	Electricity, gas, steam and air conditioning supply	54,051,991.00	-	-	54,051,991.00	830,538.00
5	Water supply	22,073,633.00	683,263.00	683,263.00	22,073,633.00	234,132.00
6	Construction	141,652,868.00	684,730.00	684,730.00	141,652,868.00	2,057,397.00
7	Wholesale and retail trade	336,223,886.00	17,543,011.00	17,543,011.00	336,223,886.00	8,763,879.00
8	Transport and storage	117,461,702.00	-	-	117,461,702.00	2,598,874.00
9	Accommodation and food service activities	24,015,354.00	1,248,708.00	1,248,708.00	24,015,354.00	1,854,130.00
10	Information and communication	5,291,432.00	-	-	5,291,432.00	67,035.00
11	Financial and insurance activities	-	-	-	-	-
12	Real estate activities	138,877,346.00	44,361,002.00	44,361,002.00	138,877,346.00	22,365,794.00
13	Professional, scientific and technical activities	30,850,012.00	14,007,715.00	14,007,715.00	30,850,012.00	13,058,281.00

14	Administrative and support service activities	8,994,932.00	-	-	8,994,932.00	127,617.00	
15	Public administration and defense, compulsory social security	-	-	-	-	-	
16	Education	-	-	-	-	-	
17	Human health services and social work activities	403,223.00	-	-	403,223.00	3,098.00	
18	Arts, entertainment and recreation	-	-	-	-	-	
19	Other services	37,096,241.00	-	-	37,096,241.00	3,828,059.00	
<b>20</b>	<b>Total</b>	<b>1,108,148,879.00</b>	<b>97,576,592.00</b>	<b>97,576,592.00</b>	<b>1,108,148,879.00</b>	<b>69,480,357.00</b>	

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

		Loans and advances											
		Performing			Non-performing								
			Of which past due > 30 days ≤ 90 days	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days						Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years	
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	1,907,687,056	1,789,083,499	18,055,293	118,603,557	22,521,585	96,081,972	575,594	1,258,939	44,449,242	23,381,196	1,086,237	25,330,764
2	<i>Of which secured</i>	1,213,296,680	1,117,148,531	17,745,778	96,148,149	20,043,114	76,105,036	571,744	1,243,509	31,249,732	21,807,599	535,634	20,696,817
3	<i>Of which secured with immovable property</i>	1,118,258,682	1,022,623,686	17,618,868	95,634,996	20,043,114	75,591,882	571,744	1,243,509	31,249,732	21,807,599	535,634	20,183,664
4	<i>f which instruments with LTV higher than 60% and lower or equal to 80%</i>	262,356,942	257,336,600		5,020,342	5,020,342							
5	<i>f which instruments with LTV higher than 80% and lower or equal to 100%</i>	219,399,910	215,532,929		3,866,981	3,866,981							

6	<i>f which instruments with LTV higher than 100%</i>	132,274,042	129,137,386		3,136,656	3,136,656							
7	Accumulated impairment for secured assets	33,490,339	8,624,758	428,380	24,865,582	2,786,090	22,079,491	93,126	338,914	8,505,884	9,757,357	-	3,384,210
8	Collateral												
9	<i>Of which value capped at the value of exposure</i>	1,134,894,309	1,117,148,531	17,745,778	96,148,149	20,043,114	76,105,036	571,744	1,243,509	31,249,732	21,807,599	535,634	20,696,817
10	<i>Of which immovable property</i>	1,040,242,553	1,022,623,686	17,618,868	95,634,996	20,043,114	75,591,883	571,744	1,243,509	31,249,732	21,807,599	535,634	20,183,664
11	<i>Of which value above the cap</i>	300,629,858	300,293,088	336,770	12,396,472	1,087,605	11,308,867	-	-	9,416,249	1,342,014	550,603	-
12	<i>Of which immovable property</i>	67,701,501	67,466,472	235,029	12,396,472	1,087,605	11,308,867	-	-	9,416,249	1,342,014	550,603	-
13	Financial guarantees received	57,207,560	57,041,402	166,159	-	-	-	-	-	-	-	-	-
14	Accumulated partial write-off	29,638,132	-	-	-	-	-	-	-	-	-	-	-



**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
<b>1</b>	<b>Initial stock of non-performing loans and advances</b>	121,307,936.00	
2	Inflows to non-performing portfolios	23,945,029.00	
3	Outflows from non-performing portfolios	-(26,649,408.00)	
4	Outflow to performing portfolio	-(4,521,934.00)	
5	Outflow due to loan repayment, partial or total	-(11,217,861.00 )	
6	Outflow due to collateral liquidations	-(3,481,364.00 )	-(3,481,364.00 )
7	Outflow due to taking possession of collateral	-(2,079,856.00 )	
8	Outflow due to sale of instruments	0.00 -	
9	Outflow due to risk transfers	-	
10	Outflows due to write-offs	-(1,361,080.00 )	
11	Outflow due to other situations	-(3,987,313)	
12	Outflow due to reclassification as held for sale	-	
<b>13</b>	<b>Final stock of non-performing loans and advances</b>	<b>118,603,557.00</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	140,866,889	24,861,314
3	<i>Residential immovable property</i>	29,369,181	2,070,609
4	<i>Commercial Immovable property</i>	111,497,708	22,790,705
5	<i>Movable property (auto, shipping, etc.)</i>		
6	<i>Equity and debt instruments</i>		
7	<i>Other</i>		
8	<b>Total</b>	140,866,889	24,861,314

**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	139,119,310	-29,455,190	140,866,889	-24,861,314	7,397,725	7,221,762	-175,963	36,280,309	31,238,178	-5,042,131	97,188,855	-19,643,220	140,866,889	116,005,575	
3	<i>Residential immovable property</i>	30,441,731	-7,527,285	29,369,181	-2,070,609	3,354,634	3,301,577	-53,057	1,991,149	1,991,149	-	24,023,398	-2,017,552	29,369,181	27,298,572	
4	<i>Commercial immovable property</i>	108,677,579	-21,927,905	111,497,708	-22,790,705	4,043,091	3,920,185	-122,906	34,289,160	29,247,029	-5,042,131	73,165,457	-17,625,668	111,497,708	88,707,003	
5	<i>Movable property (auto, shipping, etc.)</i>															
6	<i>Equity and debt instruments</i>															
7	<i>Other</i>															
8	<b>Total</b>	<b>139,119,310</b>	<b>-29,455,190</b>	<b>140,866,889</b>	<b>-24,861,314</b>	<b>7,397,725</b>	<b>7,221,762</b>	<b>-175,963</b>	<b>36,280,309</b>	<b>31,238,178</b>	<b>-5,042,131</b>	<b>97,188,855</b>	<b>-19,643,220</b>	<b>40,866,889</b>	<b>116,005,575</b>	

## 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. 2020.

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 (RON equivalent)
Shares	Biroul de Credit	RON	6.382, 10	28.981
Shares	Visa Inc.	USD	-	2.482.735

## 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 31.12.2020 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 9.524.916, representing 2.91% of the banks 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 flattener scenario and is RON 9.794.144, representing 2.99% 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.

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

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

The fix remuneration (annual salary) is represented by 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 remuneration 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 loses 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**

For Identified Staff, namely 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.

For 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 2020 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>01.01.2020 - 31.12. 2020</b>
Vista Bank (Romania) SA	301.92	36.560.674

#### 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>01.01.2020 -31.12. 2020</b>
Fix remuneration - members of the executive management function	3	1.483.104
Variable remuneration - members of the executive management function	0	0
Fix remuneration – members of the supervisory function	6	255.040
Variable remuneration – members of the supervisory function	0	0
Fix remuneration - members of the staff with significant impact (except for the executive management function)	22	6.510.145
Variable remuneration - members of the staff with significant impact	0	0

The deferred, due and unpaid remuneration was not granted within the Bank in 2020.

The deferred remuneration paid and lowered expanded via performance adjustments it was not granted within the Bank in 2020.

The Bank has granted compensatory payments to one employee for the termination of employment contract during the financial year 2020.

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 2020 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.



## ANNEXES

**The Statement of VISTA Bank (Romania) SA Management  
regarding the risk profile of the Bank in 2020**

Developing a solid culture regarding risk management represents one of the main strategic objectives of VISTA Bank (Romania) SA, this being promoted at the level of each line of activity having responsibilities related to risk management and risk control, as well as at the level of operational structures and each person within the institution.

Risk management includes determining, for all activities conducted by the Bank, of the **risk appetite**, ensuring business continuity conditions are sound and prudent. The sizing target risk profile is made annually, considering market conditions and macroeconomic, past performance (historical) and Bank's strategy timeframe immediately following (12 months).

In 2020, Vista Bank (Romania) SA assumed the following levels of risk:

Risk category	Profile as of 31.12.2020	Target Profile 2020
CREDIT RISK	Low to medium	Medium
RESIDUAL RISK	Medium	Medium
CREDIT CONCENTRATION RISK	Medium	Medium
FX LENDING RISK	Low	Low to medium
MARKET RISK (FX ALL BOOKS)	Low	Medium
IRRBB	Low to medium	Low to medium
FUNDING LIQUIDITY RISK	Medium	Medium
OPERATIONAL RISK	Low to medium	Medium
COMPLIANCE RISK	Low to medium	Medium
REPUTATIONAL RISK	Low	Low to medium
SETTLEMENT RISK	Low	Low
STRATEGIC&BUSINESS RISK	Low to medium	Medium
<b>TOTAL RISK PROFILE</b>	<b>MEDIUM</b>	<b>MEDIUM</b>

Risk category	Profile as of 31.12.2020	Target Profile 2020
<b>WITHDRAWAL LIQUIDITY RISK</b>	<b>Low to medium</b>	<b>Medium</b>

Risk category	Profile as of 31.12.2020	Target Profile 2020
<b>EXCESSIVE LEVERAGE RISK</b>	<b>Low to medium</b>	<b>Medium</b>

Risk category	Profile as of 31.12.2020	Target Profile 2020
<b>TOTAL CAPITAL ADEQUACY RATIO (CAR)</b>	<b>20.47%</b>	<b>18.73% &lt;= CAR</b>

In order to fulfil the strategic objectives regarding the risk appetite of the Bank, its levels have been transposed into a wide set of operational limits for general and specific risk management indicators.

The credit risk identification occurs when new borrowing transactions are initiated or during the existing transaction. The Bank identifies credit risk derived from counterparty quality and from its credit products. In this respect, there were established limits for the distribution of the credit portfolio by geographical areas, sectors of activity, duration, product types, type of residence, currency, financial performance, beneficial owner, collateral type.

The general and specific indicators established were permanently monitored during 2020, the Bank being within the risk appetite assumed.

We mention the following key indicators, as at 31.12.2020:

Key Indicator	Level
Total (Regulatory) Capital Ratio	20.47%
Equity Tier 1 ratio	19.23%
Non-performing exposures ratio (EBA definition)	4.60%
Non-performing exposures Coverage ratio	50.00%
Forbearance ratio for loans and advances	3.92%
Weight of FX denominated exposures to unhedged borrowers in total loan portfolio	15.04%
Annualized 3M average of daily FX VaR as a % of own funds	0.09%
Change in economic value as a % of own funds (NBR methodology)	2.99%
Minimum liquidity ratio for buckets under 1 year	2.38
Quick Liquidity	47.85%
LCR	247.63%
NSFR	98.31%
Business VaR as % of own funds	2.57%
Regulatory Leverage Ratio	8.78%

The Bank's exposure towards related parties as of 31.12.2020 is presented in the table below (RON):

Related parties	Gross exposure	Depreciation adjustments	Net exposure
Key function position within the Bank	3,483,707	4,146	3,479,561
Management of the Bank/of the related parties	159,000	80	158,920
Other affiliated parties - institutions	3,499,329	4,207	3,495,122
Other affiliated parties – non-institutions	109,577,764	1,383,096	67,066,701
<b>TOTAL</b>	<b>116,719,800</b>	<b>1,391,529</b>	<b>74,200,304</b>

**The Statement of Vista Bank (Romania) SA  
Management regarding the adequacy of the risk administration framework in 2020**

In compliance with the NBR Regulation no. 5/20.12.2013 regarding prudential requirements for credit institutions with the further modifications, and, more specific, with regards to the requirements stipulated by article 435, lit e.) from the Regulation no. 575/2013 of the European Parliament and Council dated 26.06.2013, regarding prudential requirements for credit institutions and investment companies, with the subsequent modifications, through the present statement, the Management of Marfin Bank (Romania) SA certify that the existing systems for risk management are adequate taking into consideration the risk profile and the strategy of the institution.

The risk administration framework is one of the basic components of the management framework for the Bank, being adapted to the structure of the institution, activity, and the nature and complexity of the risks inherent in the business model. This ensures the effective and prudential management of the Bank, inclusively segregation of duties within the organization, prevention of conflict of interests and, in the same time, follow up the strategic objectives of risk to be placed in the target risk profile of the bank.





## Annex 3

### **Statement of the Management of Vista Bank (Romania) S.A. on measures taken to ensure adequate and effective corporate governance in 2020**

In accordance with the requirements of Regulation no. 575/2013 of the European Parliament and Council of 26.06.2013, as amended by Regulation no. 876/2019 of the European Parliament and of the Council of 20.05.2019, regarding the prudential requirements for credit institutions and investment companies, with subsequent amendments and completions, by this declaration, the Management Structure of Vista Bank (Romania) S.A. guarantees that the Bank constantly analyzes its activity in the field of corporate governance, adopting adequate and efficient measures.

In this regard, Vista Bank (Romania) S.A. has developed and permanently updated an internal corporate governance system in order to pursue the interests of all stakeholders: shareholders, employees, suppliers, administrators, customers, etc., being a mechanism for monitoring the actions, policies and decisions of the Bank.

**Report regarding disclosure and transparency requirements related to the Year 2020**

Reconciliation between Common Equity Tier 1, Additional Tier 1 and Tier 2 capital instruments, prudential filters and deductions applied according to articles 32-35, 36, 56, 66 and 79 and the balance sheet items of the audited financial statements of the bank

		31.12.2020		31.12.2019	
		(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013	(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
<b>Common Equity Tier 1 capital: instruments and reserves</b>					
1	Capital instruments and the related share premium accounts	504,754,052		504,754,052	
	of which: Instrument type 1	504,754,052		504,754,052	
	of which: Instrument type 2	-		-	
	of which: Instrument type 3	-		-	
2	Retained earnings	(201,408,977)		(183,211,157)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	8,970,067		10,100,608	
3a	Funds for general banking risk	7,568,064		7,568,064	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-		-	
	Public sector capital injections grandfathered until 1 January 2018	-		-	
5	Minority Interests (amount allowed in consolidated CET1)	-		-	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	449,183		-	
6	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments reglementare</b>	<b>320,332,389</b>		<b>339,211,567</b>	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>					
7	Additional value adjustments (negative amount)	-		-	
8	Intangible assets (net of related tax liability) (negative amount)	(3,348,307)		(3,534,731)	
9	Empty Set in the EU	-		-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(6,649,827)		(5,474,208)	
11	Fair value reserves related to gains or losses on cash flow hedges	-		-	
12	Negative amounts resulting from the calculation of expected loss amounts	-		-	
13	Any increase in equity that results from securitised assets (negative amount)	-		-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-		-	
15	Defined-benefit pension fund assets (negative amount)	-		-	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-		-	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-		-	
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-		-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	
20	Empty Set in the EU	-		-	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-		-	
20b	of which: qualifying holdings outside the financial sector (negative amount)	-		-	
20c	of which: securitisation positions (negative amount)	-		-	
20d	of which: free deliveries (negative amount)	-		-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	-		-	
22	Amount exceeding the 15% threshold (negative amount)	-		-	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-		-	
24	Empty Set in the EU	-		-	
25	of which: deferred tax assets arising from temporary differences	-		-	
25a	Losses for the current financial year (negative amount)	-		(18,319,647)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	(2,646,101)		(2,826,988)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-		-	

		31.12.2020		31.12.2019	
		(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013	(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
<b>Common Equity Tier 1 capital: instruments and reserves</b>					
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-		-	
	Of which: ...filter for unrealised loss 1	-		-	
	Of which: ...filter for unrealised loss 2	-		-	
	Of which: ...filter for unrealised gain 1	-		-	
	Of which: ...filter for unrealised gain 2	-		-	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	-		-	
	Of which: ...	-		-	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-		-	
28	<b>Total regulatory adjustments to Common equity Tier 1 (CET1)</b>	<b>(12,644,235)</b>		<b>(30,155,574)</b>	
29	<b>Common Equity Tier 1 (CET1) capital</b>	<b>307,688,154</b>		<b>309,055,993</b>	
<b>Additional Tier 1 (AT1) capital: instruments</b>					
30	Capital instruments and the related share premium accounts				
31	of which: classified as equity under applicable accounting standards				
32	of which: classified as liabilities under applicable accounting standards				
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1				
	Public sector capital injections grandfathered until 1 January 2018				
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties				
35	of which: instruments issued by subsidiaries subject to phase out				
36	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	-		-	
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>					
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	-		-	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-		-	
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-		-	
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)	-		-	
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-		-	
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-		-	
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc	-		-	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-		-	
	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc	-		-	
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	-		-	
	Of which: ...possible filter for unrealised losses	-		-	
	Of which: ...possible filter for unrealised gains	-		-	
	Of which: ... prudential filters	-		-	
	Of which: ... favourable conditions operations	-		-	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-		-	
43	<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	-		-	
44	<b>Additional Tier 1 (AT1) capital</b>	-		-	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>307,688,154</b>		<b>309,055,993</b>	
<b>Tier 2 (T2) capital: instruments and provisions</b>					
46	Capital instruments and the related share premium accounts	19,830,000		-	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-		-	
	Public sector capital injections grandfathered until 1 January 2018	-		-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-		-	
49	of which: instruments issued by subsidiaries subject to phase out	-		-	

		31.12.2020		31.12.2019	
Common Equity Tier 1 capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013	(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
50	Credit risk adjustments	-		-	
51	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>19,830,000</b>		-	
<b>Tier 2 (T2) capital: regulatory adjustments</b>					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-		-	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-		-	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	
54a	Of which new holdings not subject to transitional arrangements	-		-	
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements	-		-	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-		-	
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-		-	
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-		-	
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc	-		-	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-		-	
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in AT1 instruments, direct holdings of non significant investments in the capital of other financial sector entities, etc	-		-	
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-		-	
	Of which: ...possible filter for unrealised losses	-		-	
	Of which: ...possible filter for unrealised gains	-		-	
	Of which: ...prudential filters	-		-	
	Of which: ...unrealised gains out of fair value evaluation	-		-	
57	<b>Total regulatory adjustments to Tier 2 (T2) capital</b>	-		-	
58	<b>Tier 2 (T2) capital</b>	<b>19,830,000</b>		-	
59	<b>Total capital (TC = T1 + T2)</b>	<b>327,518,154</b>		<b>309,055,993</b>	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	1,600,284,331		1,586,520,921	
	Of which: ...items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)	-		-	
	Of which: ...items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc)	-		-	
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)	-		-	
60	<b>Total risk weighted assets</b>	<b>1,600,284,331</b>		<b>1,586,520,921</b>	
<b>Capital ratios and buffers</b>					
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	19.23%		19.48%	
62	Tier 1 (as a percentage of risk exposure amount)	19.23%		19.48%	
63	Total capital (as a percentage of risk exposure amount)	20.47%		19.48%	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	4.505%		4.504%	
65	of which: capital conservation buffer requirement	2.500%		2.500%	
66	of which: institution specific countercyclical buffer requirement	0.005%		0.004%	
67	of which: systemic risk buffer requirement	2.000%		2.000%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer				

		31.12.2020		31.12.2019	
		(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013	(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
<b>Common Equity Tier 1 capital: instruments and reserves</b>					
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	12.07%		11.81%	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)				
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)				
74	Empty Set in the EU				
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)				
<b>Applicable caps on the inclusion of provisions in Tier 2</b>					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)				
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach				
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)				
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach				
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)</b>					
80	— Current cap on CET1 instruments subject to phase out arrangements				
81	— Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)				
82	— Current cap on AT1 instruments subject to phase out arrangements				
83	— Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)				
84	— Current cap on T2 instruments subject to phase out arrangements				
85	— Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)				

**Report regarding disclosure and transparency requirements related to the Year 2020**

Reconciliation of the leverage ratio total exposure measure to the relevant information in published financial statements

**Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures**

		Applicable Amount	
		31.12.2020	31.12.2019
1	Total assets as per published financial statements	3,684,847,861	2,768,202,220
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-	-
4	Adjustments for derivative financial instruments	2,274,486	324,622
5	Adjustment for securities financing transactions (SFTs)	-	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	(173,427,296)	(107,864,724)
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-	-
7	Other adjustments	-	-
8	<b>Leverage ratio total exposure measure</b>	<b>3,513,695,051</b>	<b>2,660,662,118</b>

**Table LRCom: Leverage ratio common disclosure**

		CRR leverage ratio exposures	
		31.12.2020	31.12.2019
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	3,448,764,976	2,580,217,718
2	(Asset amounts deducted in determining Tier 1 capital)	(9,998,134)	(9,008,939)
3	<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)</b>	<b>3,438,766,842</b>	<b>2,571,208,779</b>
<b>Derivative exposures</b>			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	-	-
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	-	-
EU-5a	Exposure determined under Original Exposure Method	2,274,486	324,622
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	<b>Total derivatives exposures (sum of lines 4 to 10)</b>	<b>2,274,486</b>	<b>324,622</b>
<b>SFT exposures</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions		
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	Counterparty credit risk exposure for SFT assets		
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013		
15	Agent transaction exposures		
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)		
16	<b>Total securities financing transaction exposures (sum of lines 12 to 15a)</b>		
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposures at gross notional amount	236,082,885	187,984,502
18	(Adjustments for conversion to credit equivalent amounts)	(173,427,296)	(107,864,724)
19	<b>Other off-balance sheet exposures (sum of lines 17 and 18)</b>	<b>62,655,589</b>	<b>80,119,778</b>
<b>Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)</b>			
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))		
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))		
<b>Capital and total exposure measure</b>			
20	<b>Tier 1 capital</b>	<b>307,688,154</b>	<b>309,055,993</b>
21	<b>Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)</b>	<b>3,503,696,917</b>	<b>2,651,653,179</b>

<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	8.78%	11.66%
<b>Choice on transitional arrangements and amount of derecognised fiduciary items</b>			
EU-23	Choice on transitional arrangements for the definition of the capital measure		
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013		

**Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)**

		<b>CRR leverage ratio exposures</b>	
		<b>31.12.2020</b>	<b>31.12.2019</b>
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	3,448,764,976	2,571,208,779
EU-2	Trading book exposures	-	-
EU-3	Banking book exposures, of which:	-	-
EU-4	Covered bonds	-	-
EU-5	Exposures treated as sovereigns	925,126,130	644,825,201
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns		
EU-7	Institutions	531,678,637	295,700,333
EU-8	Secured by mortgages of immovable properties	370,240,677	323,585,034
EU-9	Retail exposures	277,054,625	266,234,978
EU-10	Corporate	947,480,509	621,537,251
EU-11	Exposures in default	59,296,033	69,572,041
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	337,888,365	349,753,941