LIBRA INTERNET BANK

ANNUAL REPORT

2021

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Message from the Chairman of the Board of Directors

Radu Grațian Ghețea

Libra Internet Bank is about vision, agility, consistency and ascension. For the last several years, these have been our main features which position us in the top of the best performing companies in Romania.

We have the ability to innovate, identify and capitalize on any opportunities and we are very good at remaining dynamic in decisions and consistent in strategy, each time for the benefit of the end customer. We know how to identify the right solutions for customers in the right areas, and these areas remain among the most prolific and safest in Romania.

Against the background of this balanced and responsible strategy, in 2021 the bank recorded an excellent level of profitability and significant increases in its main financial indicators: 31% assets growth, 21% growth of the balance of attracted sources and 17% growth of the balance of loans. At the same time, Libra Internet Bank successfully attracted investments of EUR 40 million through a new bond issue, later listed on the Bucharest Stock Exchange.

The results of 2021 are a natural effect of a well-chosen strategy, which guarantees us the security and solidity necessary for organic growth, as well as the ability to effectively manage any uncertainty.

For these reasons, Libra Internet Bank is perhaps the best example in the banking system today, in terms of strategy choice and strategy consistency, with all the arguments being gathered for the bank to continue its upward path in the coming years.

Message from the General Manager

Emil Bituleanu

In 2021, the bank's evolution was very good, having as main pillars the niche strategy, the care for its customers and employees, along with the full trust of our customers, partners and investors.

The net profit of LEI 181.14 million and the assets worth almost LEI 10 billion recorded at the end of 2021 perfectly express the sustainability of the bank's strategy. We continued to come up with new products for our customers and we became more and more active in the green financing area. The bank's portfolio has been enriched with solutions adapted to the social and economic reality, and the customer base grew significantly.

The Libra Internet Bank standard means quality, agility and innovation, which is why we authentically are a trendsetter of the banking system. We got here through the products and services we launched for the first time in Romania, through our openness towards partnerships and our way of understanding banking, starting each time from the real needs of our clients.

We also remain a game changer in terms of the attention we pay to our employees, and in 2021 this brought us the second consecutive annual recognition as the Best Employer in Romania, in the category of banks and financial institutions.

These are the results that have ensured us, for many years, a very solid position in the banking system and at the same time constitute the foundation for Libra Internet Bank's ascension to the Top 10 banks in Romania.

I would like to thank all our customers for choosing the Libra standard, to our shareholders and investors for their trust, and to our colleagues within the bank for their involvement and professionalism.

The message of the Executive Management

Cristina Mahika-Voiconi

The second year of the pandemic demonstrated the excellent functioning of our robust and balanced strategy, with focus on industries without major exposures. We have a well-established management team and a sales force able to quickly respond to any requirements.

These strengths allow us to build customer trust, without losing sight of the offer quality and of the commercial vivacity. This is how we managed to expand by a third our customer base and to materialize the intensification of our lending activity in the almost LEI 4 billion new loans we granted in 2021.

The bank's growth is the natural consequence of a sustainable strategic approach and represents the continuation of our upward trend in recent years. At the end of 2021, the balance of net loans was of LEI 5.44 billion, increased by over 17% compared to the previous year, and the rate of non-performing loans (non-performing loans/ loans) was around 1.9%, much below the market average. On the one hand, this NPL percentage confirms that the vast majority of our customers have emerged strengthened from the first year of the pandemic and, on the other hand, it reaffirms our ability to effectively decide when, how and on which market segments we should focus.

I would like to thank all our customers for choosing the quality of the Libra offer, as well as all of our front office colleagues for their constant effort that states Libra Internet Bank as an important financier of the Romanian economy today.

The message of the Executive Management

Eugen Goga

Libra Internet Bank was, is and will remain a player with a decisive contribution to shaping the Romanian banking landscape. The new high-tech context is a favorable ground for us, given that we are very good at identifying and capitalizing on its opportunities. Last year's excellent results reconfirmed this defining advantage of the bank, which is perhaps more than ever a key competitive advantage.

Our effort to meet the highest demands in the areas in which we specialize, as well as the experience gained in the over 17 years since we have successfully started implementing the niche strategy are also reflected in the evolution of our financial results. Thus, despite a climate still marked by many uncertainties, in 2021 we continued to perform while paying due attention to risks.

This approach has helped us to strengthen our market position and to exceed by 57% the net profit we recorded before the pandemic period (2019). We intensified our lending activity and encouraged savings, reaching a balance of sources of LEI 7.78 billion, over 21% higher than in 2020. At the same time, we remain a leader in the digitalization of banking services, with approximately 90% of Libra's customers using our internet banking service.

We have a proven ability to act and react very quickly. At the same time, we continue to explore new territories and remain open to partnerships with any innovative player. It is a successful recipe affirming us every year as one of the most successful protagonists in banking.

The message of the Executive Management

Ionel Umbreș

After a completely atypical period, in which we successfully recalibrated our activity to the pandemic reality, the year 2021 meant a return to the bank's real growth potential. We remained dynamic and agile, against the background of our niche strategy that differentiates us and ensures us a sustained organic growth over the years.

From a technology perspective, we continued to improve our internet and mobile banking apps, as the main channel for our customers to carry out banking operations. Concomitantly, process automation remained an important concern in order to streamline the bank's apps and infrastructure.

We constantly paid attention to the stability and improvement of the Business Intelligence processes. We also invested in research and development to integrate RPA technology with Machine Learning/Artificial Intelligence. Everything in order to increase the operating speed and to provide the service quality expected by each customer who chooses the Libra standard.

We are moving forward in our approach to automating and investigating new technologies that allow us ultra-fast interventions for the continuous adjustment of operational flows. We aim important modernizations and the development of new services for the bank's clients and for the FinTech companies. And, last but not least, we pay due attention to information security, by implementing new mechanisms to prevent any risks from this perspective.

In the global trend of accelerating services digitization, Libra Internet Bank perfectly integrates through its specific features: technology, innovation and adaptability, all in terms of total responsibility to the customer.

Key figures

Profit and Loss

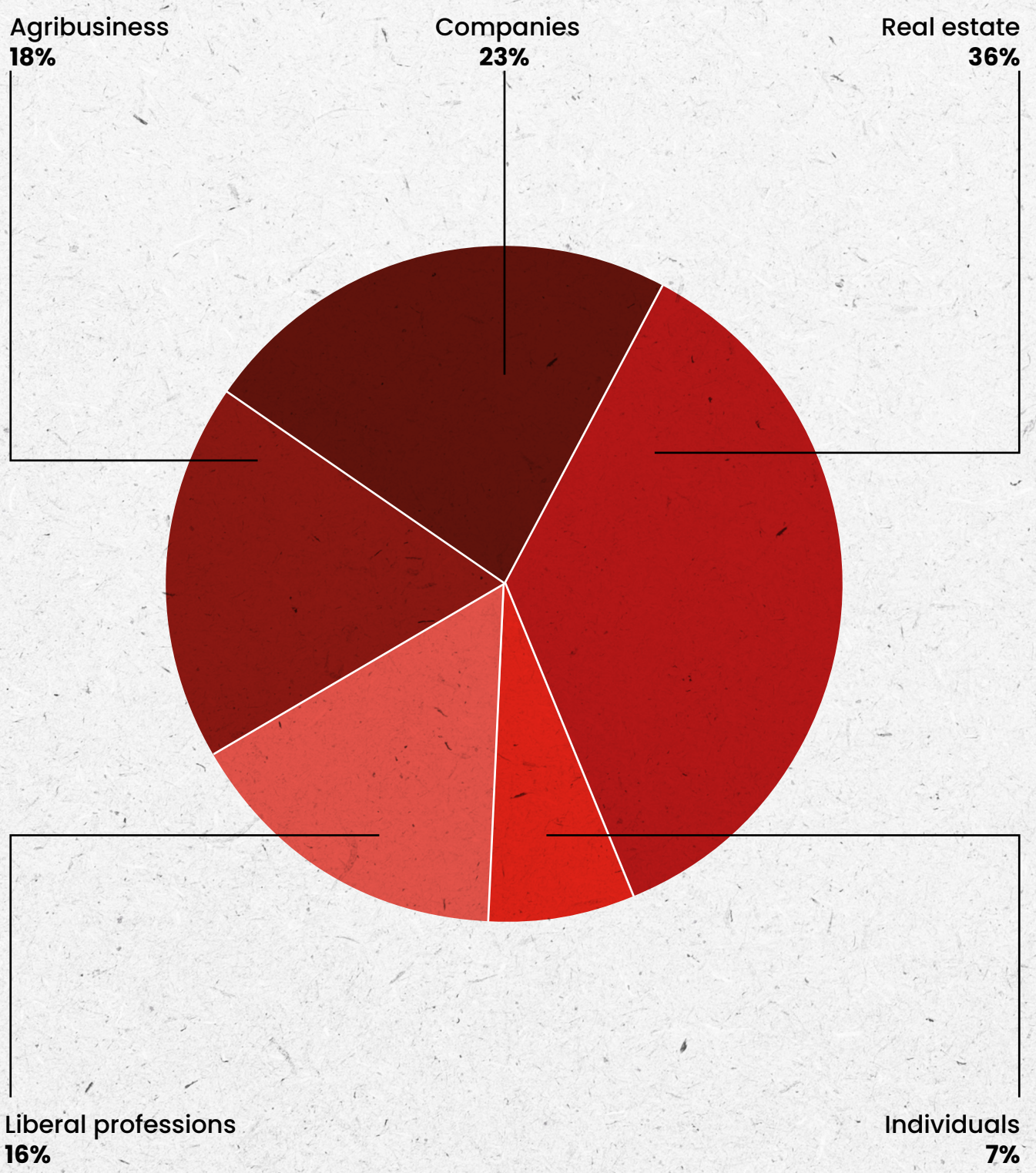
	2021	2020
Interest income calculated using the effective interest method	379.119.657	358.775.103
Interest expenses	-62.643.693	-76.649.110
Net interest income	**316.475.964**	**282.125.993**
Fee and commission income	63.982.511	45.492.203
Fee and commission expense	-25.158.778	-15.758.785
Net fee and commission income	**38.823.733**	**29.733.418**
Net income from financial instruments at FVTPL	84.841	638.889
Share of loss from Associates	-	-
Net gain from foreign exchange transactions and revaluation	32.865.329	26.353.443
Other operating income	4.252.930	2.573.733
Total operating income	**392.502.797**	**341.425.476**
Personnel expenses	-129.862.223	-109.737.653
Amortization and depreciation	-15.864.955	-15.239.268
Other operating expenses	-51.189.489	-68.554.673
Total operating expenses	**-196.916.667**	**-193.531.594**
Profit before impairments and tax	195.586.130	147.893.882
Impairment losses on financial instruments	16.407.525	-104.046.903
Profit before tax	**211.993.655**	**43.846.979**
Income tax expenses	-30.858.126	-5.834.118
Net profit for the year	**181.135.529**	**38.012.861**
Other comprehensive income	-	-
Total comprehensive income	**181.135.529**	**38.012.861**

Key figures

Financial position

	12/31/2021	12/31/2020
Assets		
Cash at hand	91.511.155	82.219.566
Financial assets at fair value through profit or loss	13.403.252	11.370.482
Loans and advances to the National Bank of Romania	2.397.623.472	867.637.497
Loans and advances to banks	406.160.803	689.560.214
Loans and advances to customers	5.440.821.214	4.633.142.309
Investment securities at amortized cost	1.100.828.743	865.291.278
Investment in associates	7.840.000	7.840.000
Assets held for sale	22.145.666	22.272.072
Property and equipment	51.978.139	57.109.432
Intangible assets	2.502.796	3.500.431
Deferred tax assets	1.715.766	3.372.502
Other assets	54.260.144	75.392.320
Total assets	**9.590.791.150**	**7.318.708.103**
Liabilities and Equity		
Deposits from customers	7.781.433.304	6.405.096.125
Deposits from other banks	552.427.978	-
Loans from financial institutions	22.017.455	31.454.700
Subordinated bonds	221.659.495	21.196.508
Provisions	13.585.091	20.284.242
Current tax liabilities	22.141.492	1.192.522
Other liabilities	73.089.214	73.182.413
Total liabilities	**8.686.354.028**	**6.552.406.510**
Share capital	506.165.200	506.165.200
Reserves	226.335.878	222.915.684
Reported earnings	171.936.044	37.220.709
Total equity	**904.437.122**	**766.301.593**
Total liabilities and equity	**9.590.791.150**	**7.318.708.103**

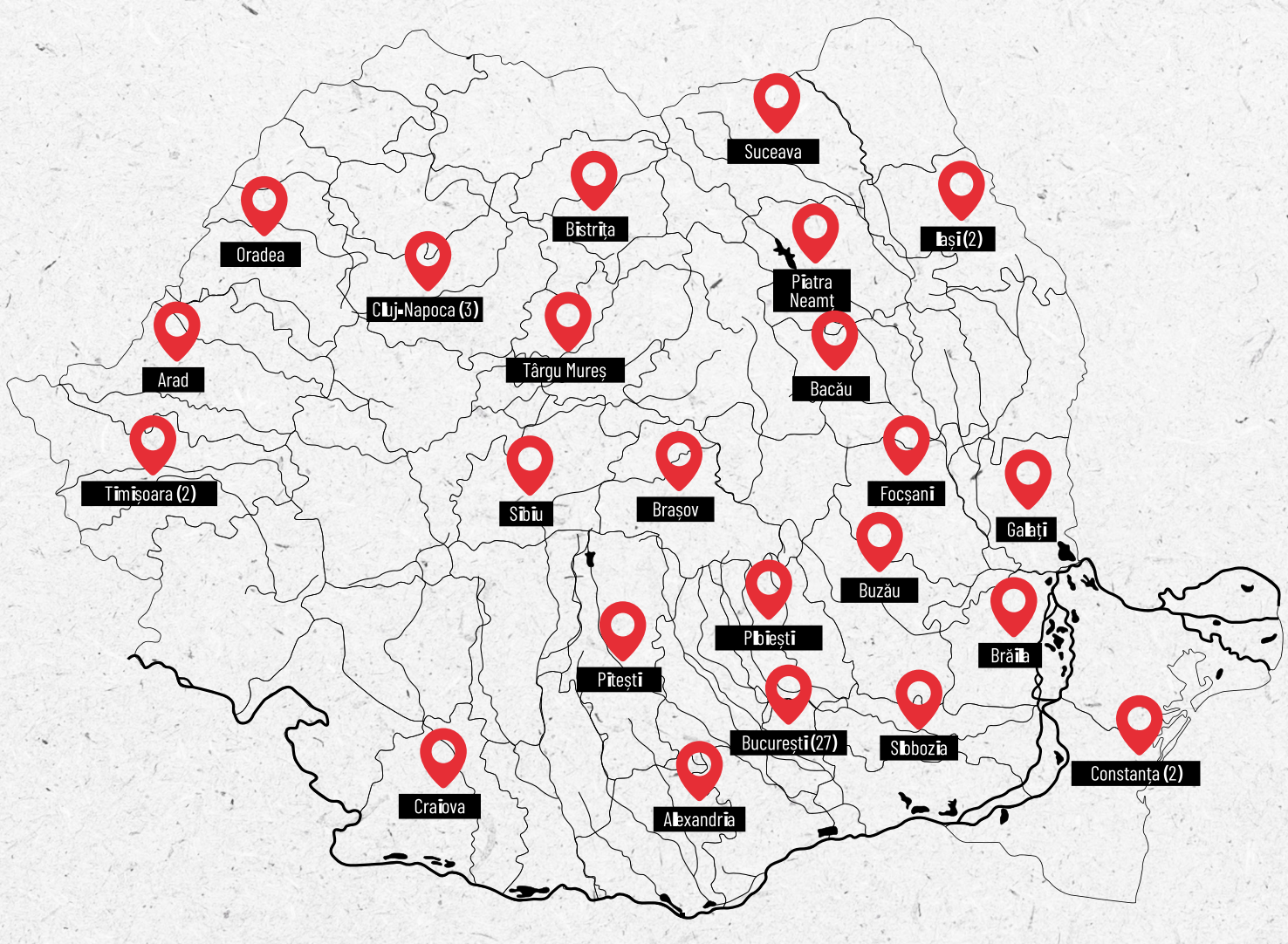
Structure of the loan portfolio by domains



Date of Reference
December 31st 2021

Presence in Romania

Libra Internet Bank has a network of 54 branches, in Bucharest and in the main cities of Romania

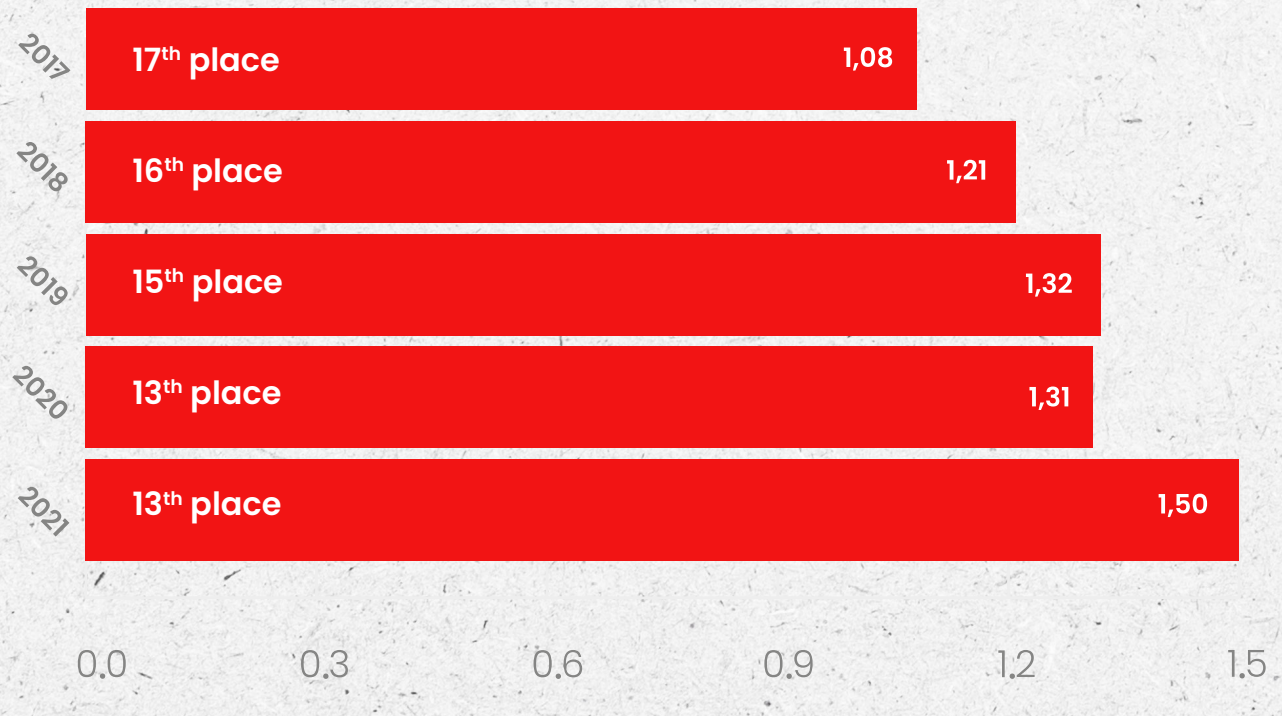


Date of Reference
December 31st 2021

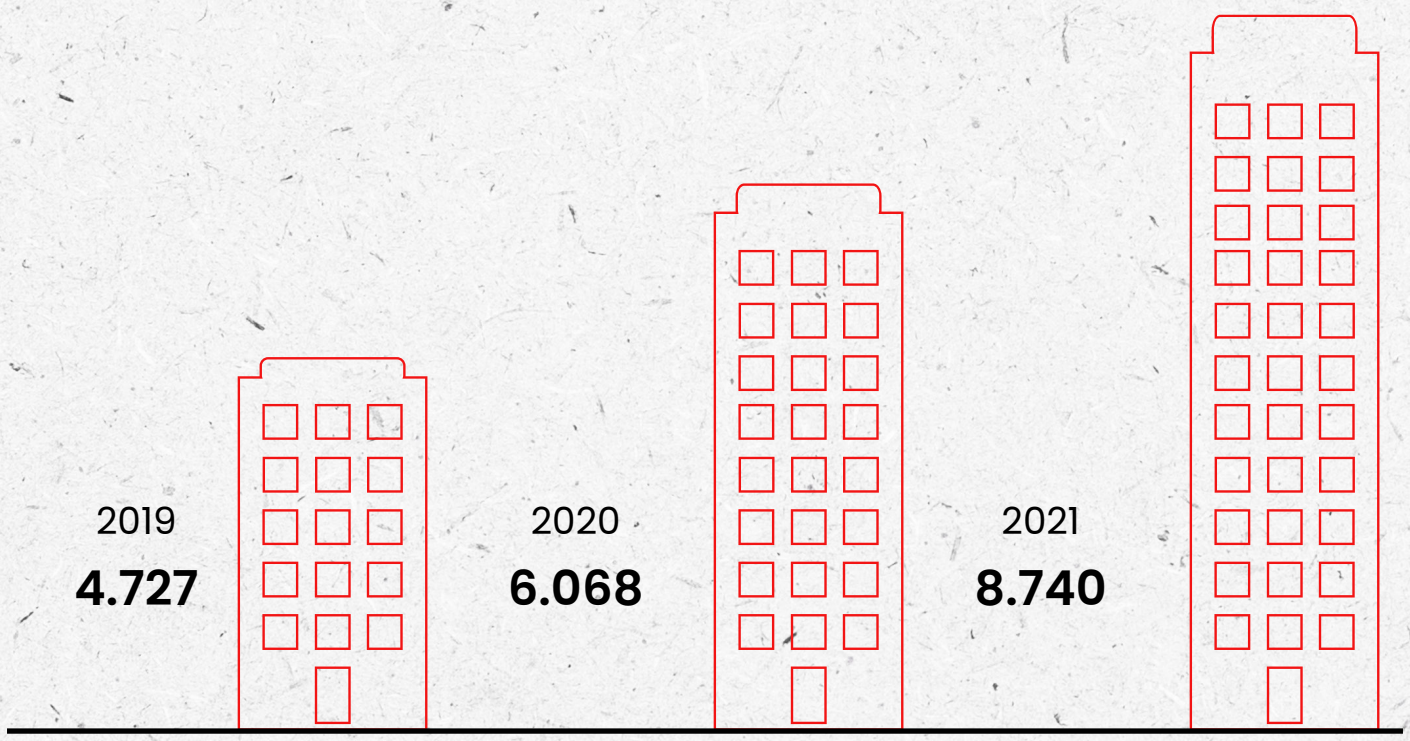
Evolution in the last 5 years

Net profit evolution

Evolution of market share by asset value



Apartments built with Libra Internet Bank financing

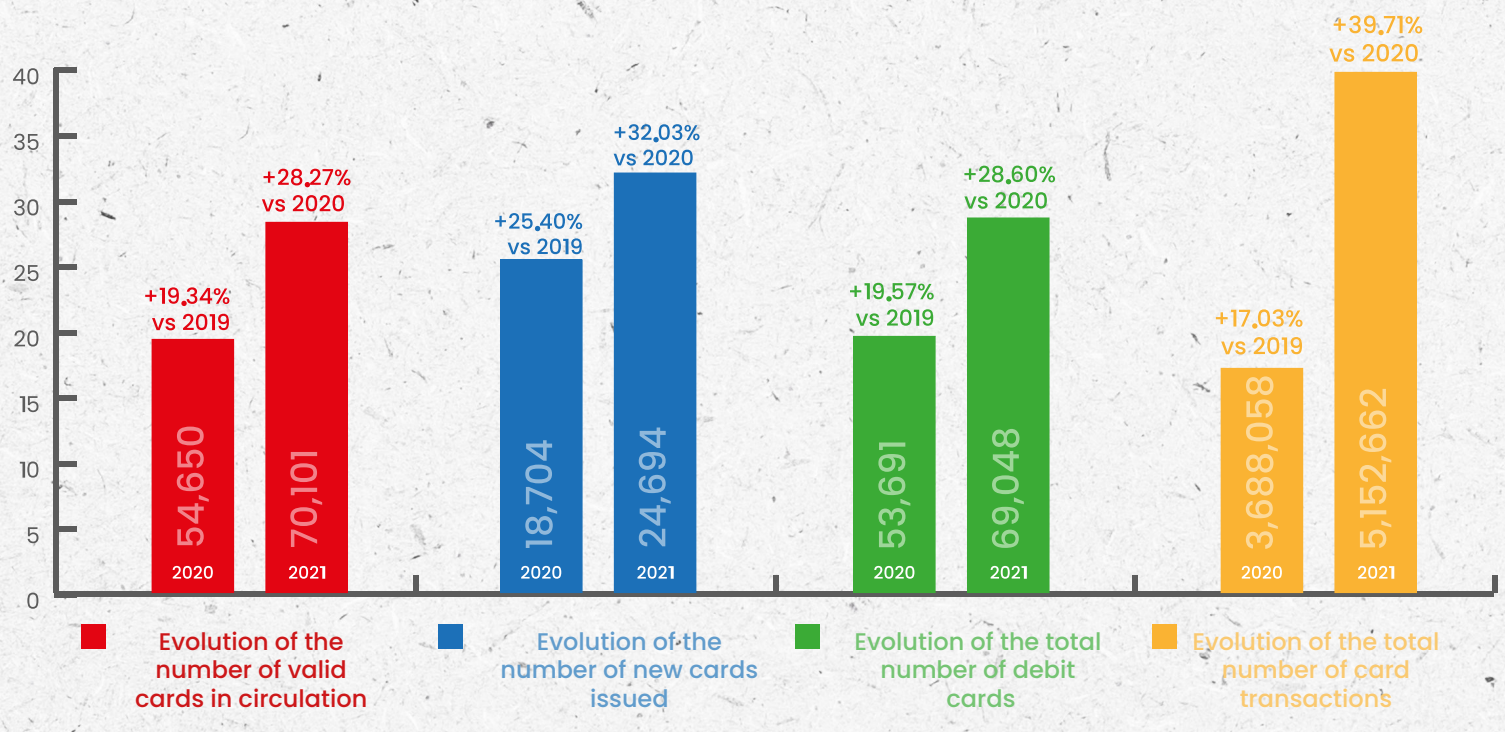


Card activity

On the card market in Romania, Libra Internet Bank has a consistent presence, much appreciated by customers, built around the accessibility of services and real benefits for the users.

During the pandemic, Libra Internet Bank intensified its strategy of being close to its customers, offering remote solutions for ordering or delivering cards and increasing access to settings through friendly mobile interfaces. At the same time, Libra continued to launch innovative products, such as the Radio Guerrilla card (the first card co-branded between a bank and a radio station) or the Libra Pay app (the bank's own phone payment solution for users of devices with Android operating system). In 2021, Libra Internet Bank made Google Pay available to all users of cards issued by the bank, both legal entities and individuals.

This approach, focused on the real needs of customers, led to a rapid increase in the confidence level regarding card usage as a payment method. This increase is fully visible in the evolution of the specific indicators in recent years.



From 2022, the bank's approach to card business becomes "get a card to use a card", offering premium products at the lowest fees and commissions. This new direction involves an upgrade of benefits and a downgrade of commissions and came into effect as of April 2022, through the simplification of the cards offer for individuals and the launching of the new Avanpost debit cards, in partnership with Radio Guerrilla.

These unique cards on the Romanian market offer holders a 10% instant cashback for purchases made in the network of almost 600 Radio Guerrilla Outposts and 3 free withdrawals from any ATM in the world, every month.

Currently, Libra Internet Bank is a reference name in the Romanian banking landscape, also in the cards area, given the bank's rapid assistance and constant expansion of the portfolio of solutions and services offered to customers. At the same time, the increases registered in the last years establishes Libra Internet Bank's approach sustainability in terms of card activity.

What makes us different?

Libra Internet Bank is one of the most dynamic banks in Romania, with a niche strategy that has demonstrated its long-term sustainability and efficiency. The bank pays special attention to modern technology and partnerships with FinTech companies, being a true trendsetter in the banking system where it stands as the first bank in Romania to launch the 100% online account and the 100% online credit.

Libra Internet Bank manages to maintain its agility and dynamism, while remaining consistent with the main directions through which it differentiates itself in the market:

- its **niche strategy,** specializing in areas such as the liberal professions, real estate developers and agribusiness;
- its **availability and readiness for partnerships** with any player in the FinTtech area, retail or any other field;
- its appetite and **ability to implement new technologies.**

Partnerships

FinTech

Users of banking services have the most to gain from the digital partnerships concluded by Libra

Libra Internet Bank - provider of banking solutions for successful FinTech companies

2019

The first bank in Romania to export banking technology within an international instant payments project

2020

The year of partnerships with international FinTech companies

February – monese

July – wise

June – paySera

November – Revolut

2021

May – transferGo

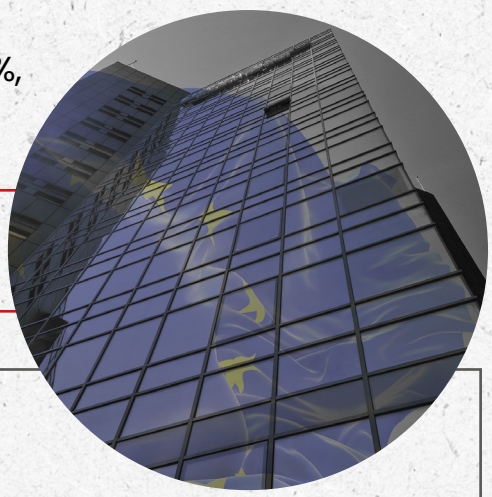
We explore new territories

We are open to any partnerships with FinTech companies or neobanks

We rely on technology and on the power of innovation

European financial institutions

>EUR 200M loans available for SME development, with European Investment Fund (EIF) guarantees of up to 90%, through the agreements concluded over time:



2019	Portfolio Risk Sharing Loan Programme
2017 & 2019	SME Initiative Programme
2017	Programme for the Cultural and Creative Industries Sector
2016	European Programme for Employment and Social Innovation EaSI
2015 & 2019	COSME Programme - Competitiveness of Enterprises and SMEs
2014	PROGRESS programme

EUROPEAN INVESTMENT FUND

European Investment Bank The EU bank

Agreements with guarantee funds and other Romanian institutions

Libra Internet Bank's pro-partnership approach is also perfectly reflected in the numerous agreements that the bank has concluded with important bodies of Romanian economy, such as:

National Credit Guarantee Fund for SMEs (FNGCIMM) in order to stimulate the establishment and development of small and medium enterprises, through guarantees offered by FNGCIMM, within certain ceilings, for the obligations to reimburse the financing granted by Libra to eligible beneficiaries **- 5 active agreements at the end of 2021**

Romanian Rural Credit Guarantee Fund – IFN SA (FGCR – IFN SA), in order to stimulate the development of agricultural activity and of other eligible activities, through guarantees from FGCR, within certain ceilings, for the obligations to reimburse the financing granted by Libra to eligible beneficiaries **- 2 active agreements at the end of 2021**

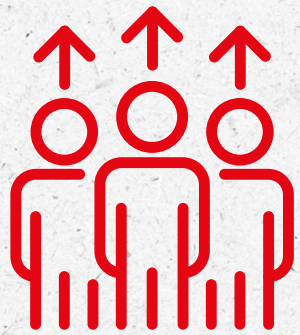
Banca de Export-Import a României EximBank S.A. (EximBank) – at the end of 2021, 2 normative acts through which Libra could conclude tripartite guarantee agreements (together with EximBank and the beneficiary of the loan offered by the Bank) were active: *GD no. 79/2016 for the approval of the Norm EximBank Guarantees in the name and on behalf of the state and GD no. 241/2021 for the approval of the Norm EximBank guarantees within the state aid scheme COVID-19* –

Agricultural Payments and Intervention Agency (APIA), in order to finance the working capital for carrying out current activities by beneficiaries of Measure 14 - Animal welfare (commitment year 2021) and support schemes implemented by APIA (Campaign 2021) -**3 active agreements at the end of 2021**

Romania Green Building Council (RoGBC) for the purpose of offering by Libra of preferential interest rates to individual customers who purchase a certified Green Home (Green Building)

Agency for the Financing of Rural Investments (AFIR), aiming to facilitate the access of farmers and other investors from rural areas to European funds under the National Rural Development Program (NRDP), in the transition period 2021-2022

Libra, the best employer in the financial-banking field



70%
of the management positions were occupied through internal promotion

55%
among the managerial positions are held by women

Libra Internet Bank also stands out in Romania for the way it has built its organizational culture around its own employees, while having the Client as a fundamental value. The bank is recognized for the quality of its employee benefits and programs, through which it encourages team spirit, competitiveness and a healthy lifestyle.

In 2021, the bank continued to focus on employee development and on attracting young banking talents. The result was the recognition for the second consecutive year as the Best employer in Romania, in the category of banks/financial institutions, within the Top Employers made by the Undelucram.ro platform.

This performance confirms that the bank's results have a solid foundation of a healthy organizational culture, focused on collaboration and performance recognition, with over 70% of the managerial positions being held by internally promoted people. The share of women among the bank's employees is also notable, especially when it comes to managerial positions, where this percentage approached 55%, in 2021.

The main programs organized for employees in 2021 were:

Libra Energize – traditional internal competition, resumed after the interruption in 2020 caused by pandemic conditions. In this program, teams consisting of bank employees compete in sports competitions such as asphalt or mountain running, cycling, swimming, climbing, kayaking, crossfit, archery, etc. The 9th edition, held in 2021, was attended by 60 employees, grouped into 10 teams.

New experiences: SUP, adventure park, orienteering tests, canoe with superb view, bowling, MTB with snow and thick fog. From Cozia to Ceahlau; from the sea to the mountains, from 30 degrees to 0 degrees.

Libra Debatable – aimed to develop the debating and argumentation skills of the Libra people. The program took place in the form of a team debate championship, with eliminatory tests. After more than 85 hours of training with external trainers, the 24 participants, grouped into 8 teams, delivered live debates within internal online shows.

Libra Mentoring – personal and professional development program, focused on direct interaction between mentors and mentees, in order to stimulate personal and professional development. During the 6 months of development, 47 mentees and 16 mentors participated in the program.

PhotoAgility – internal photography contest to highlight the creativity of employees and increase cohesion between teams by sharing the beautiful moments captured in photos. The theme of the first edition was Freedom, with over 200 photos submitted by 125 employees. The photos were also displayed at Headquarters and on the bank's intranet page - where colleagues could vote for their favorite photos.

Best employer in Romania
for the second consecutive year
in the category of banks/financial institutions within the Top Employers made by the Undelucram.ro platform

2020
2021
2020
2021
2020
2021

Products launched in 2021

Current account for FinTech companies – related to the business relationship with financial institutions issuing electronic money, payment institutions (including their agents), generically called "FinTech", in order for these companies to manage their own clients' funds and to settle the transactions ordered by them.

Irrigation credit – addressed to legal entities (farmers or processors of agricultural products). The product offers a seasonal payment plan, with 3 installments/year, at harvest, and is granted for any expenses necessary for the realization of an irrigation system: water supply, pressurization, irrigation equipment.

Libra Invest – is an Integrated stock investment product, developed in partnership with TradeVille. It is accessible from Libra Internet Bank's mobile banking app and it allows the opening of an online stock exchange account at TradeVille, respectively instant transfers between the investment account and the bank account.

Green Mortgage Credit – for the purchase of green homes with preferential interest rates. The classification of green homes is based on the Green Certification granted following an evaluation carried out by specialized institutions, such as RoGBC (Romanian Council for Green Buildings), Libra Internet Bank's partner for this type of financing.

Google Pay – digital wallet and online payment system developed by Google to enable in-app purchases, online shopping, contactless payments and cash withdrawals via compatible devices. Visa and Mastercard cards issued by the bank can be registered in this digital wallet.

Electric-Up Loan – bridge loan for the beneficiaries of the "Electric Up" program, who can thus obtain from Libra Internet Bank a short-term financing of up to EUR 100,000 euros (lei equivalent), in order to quickly cover the non-refundable expenses necessary to implement the approved project, before their effective settlement within the government program.

Awards obtained in 2021

As every year, Libra Internet Bank's activity was highly appreciated in the market, the bank's performance and initiatives receiving important recognitions, such as:

Best employer in Romania,
banks and financial institutions category,
Top Employers - Undelucram.ro

The most active bank in FinTech partnerships
Future Banking Gala

Award for Excellence in partnerships with FinTech companies
Fintech Forum

Most Innovative Banking Brand
Brand Excellence Hall of Fame Awards

Best Bank for Liberal Professions
Financial Leaders' Hall of Fame Awards Gala

Retail Bank of the Year
"Piața Financiară" Magazine Awards Gala

Best Performance in Internet Banking
for the largest number of transactions in 2020, within the peer banks in the same category of banks by assets, Gala Online Banking Gala

Loaning Dynamics Award
Top Bankers Gala

"Saving Dynamics" Award
Top Bankers Gala

Green Banking Advocate of The Year
Business Arena Awards for Excellence

LIBRA INTERNET BANK S.A

Individual and Separate Financial Statements

31 December 2021

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

This version of the financial statements is a free translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the financial statements takes precedence over this translation.

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www.kpmg.ro

Independent Auditors' Report

(free translation[1])

To the Shareholders of Libra Internet Bank S.A.

No. 6-6A, Calea Vitan, District 3, Bucharest
Unique Registration Code: 8119644

Report on the Audit of the Individual and Separate Financial Statements

Opinion

1. We have audited:
   - The accompanying individual financial statements of Libra Internet Bank S.A. ("the Bank") which comprise the individual statement of financial position as at 31 December 2021, the individual statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information ("hereinafter "the individual financial statements").
   - The accompanying separate financial statements of Libra Internet Bank S.A. ("the Bank") which comprise the separate statement of financial position as at 31 December 2021, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information ("hereinafter "the separate financial statements"), collectively "the individual and separate financial statements".
2. The individual and separate financial statements as at and for the year ended 31 December 2021 are identified as follows:

• Total equity (individual financial statements)	Lei 904,107,197
• Net profit for the year (individual financial statements)	Lei 180,825,930
• Total equity (separate financial statements)	Lei 904,437,122
• Net profit for the year (separate financial statements)	Lei 181,135,529

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

Fiscal registration code
RO12997279
Trade Registry
no J40/1133/2000
Share Capital 2,000 RON

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KPMG

3. In our opinion:

- the accompanying individual financial statements of the Bank give a true and fair view of the individual financial position of the Bank as at 31 December 2021, and of its individual financial performance and its individual cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.
- the accompanying separate financial statements of the Bank give a true and fair view of the separate financial position of the Bank as at 31 December 2021 and of its separate financial performance and its separate cash-flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing ("ISAs"), Regulation (EU) no. 537/2014 of the European Parliament and of the Council ("the Regulation") and Law no. 162/2017 ("the Law"). Our responsibilities under those standards and regulations are further described in the *Auditors' Responsibilities for the Audit of the Individual and Separate Financial Statements* section of our report. We are independent of the Bank and its associate in accordance with *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code")* together with the ethical requirements that are relevant to our audit of the individual and separate financial statements in Romania, including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Expected credit losses of loans and advances to customers

As at 31 December 2021, the individual and separate financial statements include:

- Gross loans and advances to customers of RON 5,592,230,160 (31 December 2020: RON 4,800,303,015);
- Allowance for expected credit losses of RON 151,408,945 (31 December 2020: RON 167,160,706);

and for the year then ended:

- Net release of expected credit losses for loans and advances to customers in the statement of profit or loss for the year then ended of RON 10,770,372 (2020: net charge of RON 109,787,728).

See Notes 3d) *Significant accounting policies – Financial assets and liabilities*, 4a) *Financial risk management – credit risk*, 5 *Use of estimates and judgements*, 10 *Impairment losses on financial instruments*, 14 *Loans and advances to customers* to the individual and separate financial statements.

The key audit matter	How the matter was addressed in our audit
As described in the notes to the individual and separate financial statements, the expected credit losses ("ECLs") have been determined based on the requirements of IFRS 9 *Financial Instruments* ("IFRS	Our audit procedures, performed, where relevant, with the assistance from our own financial risk management, valuation and information technology (IT) specialists, included, among others:

CF

9" or "the standard").

Impairment allowances represent management's best estimate of the expected credit losses within loans and advances to customers (collectively, "loans", "exposures") at amortized cost at the reporting date. We focused on this area as the measurement of impairment allowances requires management to make complex and subjective judgements and assumptions.

Collective impairment allowances for the performing exposures (stage 1 and stage 2 in the IFRS 9 hierarchy), as well as non-performing exposures (stage 3) with amounts not exceeding certain pre-determined thresholds individually, are determined by modelling techniques relying on key parameters such as the probability of default (PD), exposure at default (EAD) and loss given default (LGD), taking into account historical experience, identification of exposures with a significant increase in credit risk ("SICR"), forward-looking information and management judgment (together "collective impairment allowance").

Impairment allowances for exposures in excess of certain thresholds, classified in stage 3, are determined on an individual basis by means of a discounted cash flows analysis. The process relies on a number of complex assumptions, in particular those in respect of the recovery scenarios and the expected proceeds from the sale of the related collateral and estimated period for collateral disposal.

In the wake of the COVID-19 pandemic and the downward macroeconomic effects of the increase in energy and other commodity prices and resulting inflationary pressures and disruptions in the global supply chains, measurement of ECLs was associated with additional complexities and an increased estimation uncertainty. In addition, application of post-model adjustments was required from management in arriving at the year-end estimate of impairment losses.

Considering the above factors, we determined expected credit losses of loans and advances to customers to be associated with a significant risk of material misstatement in the individual and separate financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.

- Inspecting the Bank's ECL method and models and assessing their compliance with the relevant requirements of the financial reporting standards. This included challenging the management on whether the level of the method's sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors.
- Testing the design, implementation and operating effectiveness of selected controls in the ECL process. This included testing the controls over (i) completeness and accuracy of relevant data inputs (mainly for amount granted, interest rates, maturity date, (ii) approval of loans (iii) system configuration for debt service and payment allocation and (iv) testing of the IT control environment for data security and access.
- Assessing whether the definition of default, assessment of SICR and the staging criteria were consistently applied and are appropriate by reference to the standard. As part of this procedure, for a sample of loans classified as stage 1 and stage 2, we critically assessed, by reference to the underlying loan files and through inquiries of responsible loan officers and credit risk management personnel, the existence of any triggers for classification to stage 2 or stage 3.
- For expected credit losses determined on a collective basis:
    - Challenging the macroeconomic forecasts used in the ECL model in terms of their relevance and source accuracy by comparing them to publicly available data. As part of the procedure, we challenged the consideration of the economic uncertainty relating to COVID-19 and the increase in energy and other commodity prices and resulting inflationary pressures and disruptions in the global supply chains, by means of corroborating inquiries of the management board members and inspection of publicly available information;
    - Testing the relevance and reliability of the data used in the process of calculating the PD, EAD and LGD parameters used in the collective ECL computation, on a sample basis, by reference to the supporting documentation, such as credit file, debt service status, repayment schedules, restructuring operations and underlying data for collections occurring after default date;
    - Challenging significant post-model adjustments, by evaluating key underlying assumptions, inspecting the calculation method and tracing a sample of data used

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	therein back to sources. ○ Based on the outcome of the preceding procedures, recomputing the collective ECL as at reporting date. • For impairment allowances determined on an individual basis: ○ For a sample of loans, challenging the estimates of future cash flows used within the ECL measurement, with main focus on the recovery period and collateral value, primarily by reference to valuation reports by experts engaged by the management, whose competence, experience and objectivity we independently assessed; ○ For a sample of loans, recomputing the individual ECL as at reporting date. • Assessing the accuracy and completeness of the ECL-related disclosures in the individual and separate financial statement against the requirements of the relevant financial reporting standards.

Other information – Board of Directors' Report

6. The Board of Directors is responsible for the preparation and presentation of other information. The other information comprises the Board of Directors' Report, which includes also the Non-Financial Statement and the Annual Report (prepared as per the requirements of Financial Supervisory Authority Regulation 5/2018), but does not include the individual and separate financial statements and our auditors' report thereon.

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

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

   Other reporting responsibilities Related to Other Information - Board of Directors' Report

   With respect to the Board of Directors' Report we read and report whether the Board of Directors' Report is prepared, in all material respects, in accordance with NBR Order no. 27/2010, articles 12, 13, 15, 16 and 17 of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

   Based solely on the work required to be undertaken in the course of the audit of the individual and separate financial statements, in our opinion:

   a) The information given in the Board of Directors' Report for the financial year for which the individual and separate financial statements are prepared is consistent, in all material respects, with the individual and separate financial statements;

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b) The Board of Directors' Report has been prepared, in all material respects, in accordance with NBR Order no. 27/2010, articles 12, 13, 15, 16 and 17 of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

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

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

7. Management is responsible for the preparation of individual and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of individual and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility for the Audit of the Individual and Separate Financial Statements

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

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

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

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

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

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

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

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements - Report on Compliance with the ESEF Regulation

15. In accordance with Law no. 162/2017 on statutory audits of annual financial statements and consolidated financial statements and amendment of certain regulations, we are required to express an opinion on compliance of the individual and separate financial statements, with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management

16. Management is responsible for the preparation of the individual and separate financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes the preparation of the individual and separate financial statements in the applicable xHTML format, including ensuring consistency between the digital format and the signed individual and separate financial statements and the design, implementation and maintenance of internal controls relevant to the application of the RTS on ESEF.

Auditors' Responsibilities

17. Our responsibility is to express an opinion on whether the individual and separate financial statements comply in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

    A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the RTS on ESEF, whether due to fraud or error.

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Our procedures included evaluating the appropriateness of the digital format of the individual and separate financial statements and assessing consistency between the digital format and the signed and audited individual and separate financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

18. In our opinion, the individual and separate financial statements of the Bank, as at and for the year ended 31 December 2021 have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Report on Other Legal and Regulatory Requirements -EU Regulation (EU) No 537/2014

19. We were appointed by the General Shareholders' Meeting on 28 March 2018 to audit the individual and separate financial statements of Libra Internet Bank S.A. for the year ended 31 December 2021. Our total uninterrupted period of engagement is 4 years, covering the periods ended 31 December 2018 to 31 December 2021.

20. We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank, which we issued on 19 April 2022. We also remained independent of the audited entity in conducting the audit.
- we have not provided to the Bank the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014.

The engagement partner on the audit resulting in this independent auditors' report is Furtuna Cezar-Gabriel.

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

Refer to the original signed Romanian version

FURTUNA CEZAR-GABRIEL	**KPMG Audit SRL**
registered in the electronic public register of financial auditors and audit firms under no AF1526	registered in the electronic public register of financial auditors and audit firms under no FA9

Bucharest, 21 April 2022

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LIBRA INTERNET BANK S.A.

Individual and separate statement of profit or loss and other comprehensive income

For the year ended 31 December

In RON	Note	Individual		Separate	
		2021	2020	2021	2020
Interest income calculated using the effective interest method	6	379,119,657	358,775,103	379,119,657	358,775,103
Interest expenses	6	(62,643,693)	(76,649,110)	(62,643,693)	(76,649,110)
Net interest income		**316,475,964**	**282,125,993**	**316,475,964**	**282,125,993**
Fee and commission income	7	63,982,511	45,492,203	63,982,511	45,492,203
Fee and commission expense	7	(25,158,778)	(15,758,785)	(25,158,778)	(15,758,785)
Net fee and commission income		**38,823,733**	**29,733,418**	**38,823,733**	**29,733,418**
Net income from financial instruments at FVTPL		84,841	638,889	84,841	638,889
Share of loss from Associates	16	(309,599)	(20,326)		-
Net gain from foreign exchange transactions and revaluation		32,865,328	26,353,443	32,865,329	26,353,443
Other operating income	8	4,252,930	2,573,733	4,252,930	2,573,733
Total operating income		**392,193,198**	**341,405,150**	**392,502,797**	**341,425,476**
Personnel expenses		(129,862,223)	(109,737,653)	(129,862,223)	(109,737,653)
Amortization and depreciation		(15,864,955)	(15,239,268)	(15,864,955)	(15,239,268)
Other operating expenses		(51,189,489)	(68,554,673)	(51,189,489)	(68,554,673)
Total operating expenses	9	**(196,916,667)**	**(193,531,594)**	**(196,916,667)**	**(193,531,594)**
Profit before impairments and tax		**195,276,531**	**147,873,556**	**195,586,130**	**147,893,882**
Impairment losses on financial instruments	10	16,407,525	(104,046,903)	16,407,525	(104,046,903)
Profit before tax		**211,684,056**	**43,826,653**	**211,993,655**	**43,846,979**
Income tax expenses	11	(30,858,126)	(5,834,118)	(30,858,126)	(5,834,118)
Net profit for the year		**180,825,930**	**37,992,535**	**181,135,529**	**38,012,861**
Other comprehensive income		-	-	-	-
Total comprehensive income		**180,825,930**	**37,992,535**	**181,135,529**	**38,012,861**

The financial statements were authorized for issue by the Board of Directors on 20 April 2022.

Eugen Goga,
Vice President

Doina Andrei,
Head of Finance Division

LIBRA INTERNET BANK S.A. 2

The notes on pages 7 to 65 are an integral part of these individual and separate financial statements.

LIBRA INTERNET BANK S.A.
Individual and separate statement of financial position

As at 31 December

In RON	Note	Individual		Separate	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Assets					
Cash at hand	12	91,511,155	82,219,566	91,511,155	82,219,566
Financial assets at fair value through profit or loss	16	13,403,252	11,370,482	13,403,252	11,370,482
Loans and advances to the National Bank of Romania	13	2,397,623,472	867,637,497	2,397,623,472	867,637,497
Loans and advances to banks	12	406,160,803	689,560,214	406,160,803	689,560,214
Loans and advances to customers	14	5,440,821,214	4,633,142,309	5,440,821,214	4,633,142,309
Investment securities at amortized cost	16	1,100,828,743	865,291,278	1,100,828,743	865,291,278
Investment in associates	16	7,510,075	7,819,674	7,840,000	7,840,000
Assets held for sale		22,145,666	22,272,072	22,145,666	22,272,072
Property and equipment	17	51,978,139	57,109,432	51,978,139	57,109,432
Intangible assets	17	2,502,796	3,500,431	2,502,796	3,500,431
Deferred tax asset	11	1,715,766	3,372,502	1,715,766	3,372,502
Other assets	15	54,260,144	75,392,320	54,260,144	75,392,320
Total assets		**9,590,461,225**	**7,318,687,777**	**9,590,791,150**	**7,318,708,103**
Liabilities and Equity					
Deposits from customers	18	7,781,433,303	6,405,096,125	7,781,433,304	6,405,096,125
Deposits form other banks		552,427,978		552,427,978	
Loans from financial institutions	19	22,017,455	31,454,700	22,017,455	31,454,700
Subordinated bonds	19	221,659,495	21,196,508	221,659,495	21,196,508
Provisions	20	13,585,091	20,284,242	13,585,091	20,284,242
Current tax liability		22,141,492	1,192,522	22,141,492	1,192,522
Other liabilities	21	73,089,214	73,182,413	73,089,214	73,182,413
Total liabilities		**8,686,354,028**	**6,552,406,510**	**8,686,354,028**	**6,552,406,510**
Share capital	22	506,165,200	506,165,200	506,165,200	506,165,200
Reserves	23	226,319,382	222,915,684	226,335,878	222,915,684
Retained earnings		171,622,615	37,200,383	171,936,044	37,220,709
Total equity		**904,107,197**	**766,281,267**	**904,437,122**	**766,301,593**
Total liabilities and equity		**9,590,461,225**	**7,318,687,777**	**9,590,791,150**	**7,318,708,103**

The financial statements were authorized for issue by the Board of Directors on 20 April2022.

Eugen Goga,
Vice President

Doina Andrei,
Head of Finance Division

LIBRA INTERNET BANK S.A.

The notes on pages 7 to 65 are an integral part of these individual and separate financial statements.

LIBRA INTERNET BANK S.A.

Individual statement of changes in equity

In RON	Note	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2020		506,165,200	21,034,223	91,045,564	110,043,745	728,288,732
Profit for the year		-	-	-	37,992,535	37,992,535
Other comprehensive income, net of tax						
Transfer to legal reserves		-	2,192,349	-	(2,192,349)	-
Profit distribution to reserves	23			108,643,548	(108,643,548)	-
Total comprehensive income		-	2,192,349	108,643,548	(72,823,362)	37,992,535
Transactions with owners of the Bank						
Share capital increase		-	-	-	-	-
Dividends distribution		-	-	-	-	-
Total distributions and contributions		-	-	-	-	-
Balance at 31 December 2020		506,165,200	23,226,572	199,689,112	37,200,383	766,281,267
Balance at 1 January 2021		506,165,200	23,226,572	199,689,112	37,200,383	766,281,267
Profit for the year		-	-	-	180,825,930	180,825,930
Other comprehensive income, net of tax						-
Transfer to legal reserves		-	10,599,683	-	(10,599,683)	-
Profit distribution to reserves	23			35,788,898	(35,788,898)	-
Total comprehensive income		-	10,599,683	35,788,898	134,437,349	180,825,930
Transactions with owners of the Bank						
Share capital increase		-	-	-	-	-
Dividends distribution		-	-	-	-	-
Total distributions and contributions		-	-	(43,000,000)	-	(43,000,000)
Balance at 31 December 2021		-	-	(43,000,000)	-	(43,000,000)
		506,165,200	33,826,254	192,478,010	171,637,733	904,107,199

The financial statements were authorized for issue by the Board of Directors on 20 April 2022

Eugen Goga,
Vice President

Doina Andrei,
Head of Finance Division

LIBRA INTERNET BANK S.A.

The notes on pages 7 to 65 are an integral part of these individual and separate financial statements.

LIBRA INTERNET BANK S.A.

Separate Statement of changes in equity

In RON	Note	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2020		506,165,200	21,034,223	91,045,564	110,043,745	728,288,732
Profit for the year		-	-	-	38,012,861	38,012,861
Other comprehensive income, net of tax						
Transfer to legal reserves		-	2,192,349	-	(2,192,349)	-
Profit distribution to reserves	23			108,643,548	(108,643,548)	-
Total comprehensive income		-	2,192,349	108,643,548	(72,823,036)	38,012,861
Transactions with owners of the Bank						
Share capital increase		-	-	-	-	-
Dividends distribution		-	-	-	-	-
Total distributions and contributions		-	-	-	-	-
Balance at 31 December 2020		506,165,200	23,226,572	199,689,112	37,220,709	766,301,593
Balance at 1 January 2021		506,165,200	23,226,572	199,689,112	37,200,383	766,281,269
Profit for the year		-	-	-	181,135,529	181,135,529
Other comprehensive income, net of tax						-
Transfer to legal reserves		-	10,599,683	35,788,898	(35,788,898)	-
Profit distribution to reserves	23					-
Total comprehensive income		-	10,599,683	35,788,898	146,366,226	181,135,529
Transactions with owners of the Bank						-
Share capital increase						-
Dividends distribution		-	-	(43,000,000)	-	(43,000,000)
Total distributions and contributions		-	-	(43,000,000)	-	(43,000,000)
Balance at 31 December 2021		506,165,200	33,826,254	192,478,010	171,967,658	904,437,122

The financial statements were authorized for issue by the Board of Directors on 20 April 2022

Eugen Goga,

Vice President

Doina Andrei,

Head of Finance Division

LIBRA INTERNET BANK

The notes on pages 7 to 65 are an integral part of these individual and separate financial statements.

LIBRA INTERNET BANK S.A.

Individual and Separate Statement of cash flows

For the year ended 31 December

In RON	Note	Individual 2021	Individual 2020	Separate 2021	Separate 2020
Cash flows from operating activities:					
Profit before tax		**211,684,056**	**43,826,652**	**211,993,655**	**43,846,979**
Adjustments for non-cash items:					
Depreciation and amortization	17	15,864,954	14,787,984	15,864,954	14,787,984
Loss from disposal of intangible assets and fixed assets	17	121,400	-	121,400	-
Fair value increase for financial instruments at FVTPL		(2,032,770)	(638,889)	(2,032,770)	(638,889)
Net release of provisions	10, 20	(6,587,785)	11,100,544	(6,587,785)	11,100,544
Net impairment release on loans and advances	10	(10,770,372)	109,787,728	(10,770,372)	109,787,728
Dividends on equity securities		(682,403)	(624,085)	(682,403)	(624,085)
Share of loss from associate		309,599	20,327		-
Other adjustments		275,597	(202,758)	275,597	(202,758)
Changes in:					
Loans and advances to NBR		(1,529,985,975)	(214,855,638)	(1,529,985,975)	(214,855,638)
Other assets		21,132,176	(12,052,948)	21,132,176	(12,052,948)
Other liabilities		43,093,197	(7,686,333)	43,093,197	(7,686,333)
Deposits from customers		1,376,337,178	736,880,400	1,376,337,178	736,880,400
Loans and advances to customers		(896,945,003)	(751,811,779)	(896,945,003)	(751,811,779)
Deposits from banks		552,427,978	-	552,427,978	-
Income tax paid		(8,252,420)	(6,614,273)	(8,252,420)	(6,614,273)
Dividends received		682,403	624,085	682,403	624,085
Net cash used in operating activities		**(233,328,192)**	**(76,820,096)**	**(233,328,192)**	**(76,820,096)**
Cash flow from investment activities:					
Purchases of tangible and intangible assets	17	(1,541,090)	(5,122,300)	(1,541,090)	(5,122,300)
(Purchase) of securities		(769,807,698)	(285,022,043)	(769,807,698)	(285,022,043)
Proceeds from securities		689,720,759	398,361,679	689,720,759	398,361,679
Investment in associate			(7,840,000)		(7,840,000)
Net cash used in investment activities		**(81,628,029)**	**100,377,336**	**(81,628,029)**	**100,377,336**
Cash flow from financing activities:					
Proceeds from bonds issued		200,462,988	21,196,508	200,462,987	21,196,508
Repayments from loans from financial institutions		(9,437,245)	(9,392,026)	(9,437,245)	(9,392,026)
Lease payments		(9,757,679)	(10,001,066)	(9,757,679)	(10,001,066)
Proceeds from selling loans to IFN		58,030,862		58,030,862	
Dividends paid		(43,000,000)		(43,000,000)	
Net cash from financing activities		**196,298,926**	**1,803,416**	**196,298,925**	**1,803,416**
Net increase/(decrease) in cash and cash equivalents		**-118,657,297**	**25,360,656**	**-118,657,297**	**25,360,656**
Cash and cash equivalents, at 1 January		**821,048,713**	**795,688,056**	**821,048,713**	**795,688,056**
Effect of exchange rate fluctuations on cash and cash equivalents held		-	-	-	-
Cash and cash equivalents, at 31 December	12	**702,391,416**	**821,048,712**	**702,270,015**	**821,048,712**

The notes on pages 7 to 65 are an integral part of these individual and separate financial statements.

Statement of cash flows (*continued)*

Interest received by the Bank during the year ended 31 December 2021 and 31 December 2020 amounted to 455,313,146 RON, and 472,238,061 RON, respectively. Interest paid by the Bank during the year ended 31 December 2021 and 31 December 2020 amounted to 70,589,085 RON, and 76,385,043 RON respectively.

In cash and cash equivalents are included the investments in securities of 204,719,458 RON with contractual maturity of up to 3 months (at 31 December 2020 there were 49,268,933 RON).

The financial statements were authorized for issue by the Board of Directors on 20 April2022.

Eugen Goga,
Vice President

LIBRA INTERNET BANK 2

Doina Andrei,
Head of Finance Division

2. Basis of preparation (continued)

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

— Note 3. II. (d)(vi): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL and assessment of post model adjustments..

— Notes 3.II (d)(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2021is included in the following notes:

— Notes 3.II.(d)(vi), 4 (a) and 5: impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information, all in the context of the ongoing COVIDpandemic and the recent unfavorable economic developments arising from the increase in energy prices and resulting inflationary pressures and disruptions in the global supply chain.

— Note 5 and 24: measurement of the fair value of financial instruments with significant unobservable inputs.

3. Significant accounting policies

These accounting policies adopted and applied by the Bank as set out below have been applied consistently to all periods presented in these individual and separate financial statements, unless otherwise stated.

I. Investments in associates

Individual financial statements (equity accounting)

An associate is an entity over which the Bank exercises significant influence in terms of financial and operating policy decision making, but without controlling the entity. Significant influence is when the Bank holds between 20% and 50% of the voting rights. The existence and impact of the potential rights that are currently enforceable or convertible are also taken into consideration in order to determine whether the Bank exercises significant influence.

Other factors taken into consideration in order to determine whether the Bank exercises significant influence are the representation in the Board of Directors and the inter-company relevant transactions. The existence of such factors may require the application of the equity method of accounting for a certain investment, even if the Bank's investment in voting shares is lower than 20%.

In accordance with the equity method, the Bank's investments in associates and jointly controlled entities are initially booked at cost, including any costs directly connected with transactions, and are subsequently increased (or decreased) to reflect both the proportional share of the Bank after the acquisition in the net income (or loss) of the related entity or of the jointly controlled entity, as well as other direct changes in the shareholders' equity of the related entity or of the jointly controlled entity.

The goodwill generated by the acquisition of an associate or of a jointly controlled entity is included in the investment book value. Since goodwill is not reported separately, it is not tested for impairment. In fact, the whole investment accounted based on the equity method is tested for impairment upon each balance sheet preparation.

Separate financial statements (cost accounting)

In the separate financial statements, the Bank has elected to measure the investment in associates at cost and to periodically test it for impairment.

3. Significant accounting policies *(continued)*

II. Accounting policies

a) Foreign currency

Transactions denominated in foreign currency are translated to RON at the exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated to the functional currency at the exchange rate at that date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the income statement at the date of settlement using the exchange rate ruling on that date. Monetary assets and liabilities denominated in foreign currency are expressed in RON at the balance sheet date.

The exchange rates of major foreign currencies were:

Currencies	31 December 2021	31 December 2020	%
Euro (EUR)	1: RON 4.9481	1: RON 4.8694	+1.62%
US Dollar (USD)	1: RON 4.3707	1: RON 3.9660	+10.2%%

Unrealized foreign currency gains/ (losses) arising from the translation of monetary assets and liabilities, and realized gains/ (losses) from dealing transactions in foreign currencies are reported in the income statement in line 'Net gain from foreign exchange transactions and revaluation'.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated in the functional currency by using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rate valid at the date when the fair value is determined.

b) Interest income and expenses

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognized in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, under 'Net income from other financial instruments at FVTPL'.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument. The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognized in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortized cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

c) Fees and commission income and expenses

Fee and commission income and expenses include fees other than those that are an integral part of EIR (see above). The fees included in this part of the Bank's income statement include, among other things, fees charged for servicing a loan, non-utilization fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement and loan syndication fees.

Other fees receivable are recognized when earned. Dividend income is recognized when earned.

d) Financial assets and liabilities

3. Significant accounting policies *(continued)*

Financial assets and financial liabilities recorded in the balance sheet include cash and cash equivalents, debt and equity securities, loans to customers, trade and other accounts receivable and payable, long-term loans, deposits, bonds issued and investments. The accounting principles for these items are disclosed in the respective accounting policies.

i. Recognition and initial measurement

The Bank recognizes the financial assets and liabilities in its balance sheet when, and only when, it becomes a part of the contractual provisions of the instrument.

The Bank initially recognizes loans and advances, deposits, bonds issued, borrowings received at fair value, on the date that they are originated. Regular transactions with debt and equity instruments are accounted for at the date when they are transferred (settlement date). All other financial assets and liabilities are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument, at fair value less transaction costs that are directly attributable to the acquisition or issue.

If a financial asset or financial liability is recognized initially, the Bank measures it at its fair value plus or minus, in the case of a financial asset or financial liability, not at fair value through profit or loss, transaction costs that may be directly attributed to the acquisition or issue of the financial asset or financial liability.

ii. Classification

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”) on the basis of both:

- The Bank's business model for managing the financial assets and
- Their characteristics regarding contractual cash flow (hereinafter referred to as the "SPPI test").

A financial asset measures at amortized cost if both of the following conditions are met and is not designated as at FVTPL:

(a) The asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

a) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

Business model

The business model reflects how the Bank manages a group of assets to generate cash flows and determines whether the cash flows will result from the collection of contractual treasury flows, sales or both. Consequently, the Bank has identified the following business models:

- Held to Collect;
- Held to Collect and Sale; and
- Other business models.

To classify a financial asset in the "Held to Collect" model, the Bank will have to assess whether the sales are compatible with this category:

II. Accounting policies (continued)

3. Significant accounting policies *(continued)*

Business model (continued)

a) there is no limitation on sales made due to the increase in credit risk. Near-maturity sales are allowed if certain criteria are met.
b) for all other sales, the Bank will have to assess whether these sales have significant value and the frequency level.

As part of this sales valuation, the Bank has established the following policy criteria and thresholds:

- When there was an increase in credit risk;
- When sales are considered close to maturity;
- When sales are considered significant for loans and bonds;
- When sales are considered frequent.

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI Test)

With regard to the initial recognition of a financial instrument, the Bank assesses whether the cash flows represent Solely Payments of Principal and Interest (SPPI) which compensate for the time value of money, credit risk and other core lending risks (for example, liquidity risk, administrative costs and reasonable profit margin). Characteristics that are not related to the core lending arrangements will most likely fail at the test. All loans and debt securities that do not meet the SPPI criteria are measured at Fair Value through profit or loss (FVTPL).

The Bank classifies financial liabilities, other than financial guarantees and credit commitments, at amortized cost (AC) or at fair value through profit or loss (FVTPL).

Reclassifications

Reclassifications between measurement categories will be allowed only when the Bank changes its business model for a group of assets. These changes are expected to be very rare.

Financial liabilities

The Bank classified its financial liabilities as measured at amortized cost (i.e. Deposits from banks, Deposits from customers, Borrowings, Bonds issued).

iii. Derecognition

The Bank derecognizes a financial asset when:

- the contractual rights to receive cash flows from that financial asset expire, or
- it transfers the financial asset and the transfer cumulatively fulfills the following 2 conditions:
  - transfers the contractual rights to receive cash flows from the financial asset, or
  - retains the contractual rights to receive cash flows from the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients under a contract that meets the following conditions:
    - ✓ The Bank has no obligation to pay amounts to prospective beneficiaries, unless the Bank collects equivalent amounts from the transferred asset;
    - ✓ The Bank is prohibited under the terms of the asset transfer contract to sell or pledge the initial asset, for reasons other than guaranteeing the obligation to pay cash flows to prospective beneficiaries;
    - ✓ The Bank transfers any cash flows it collects on behalf of the beneficiaries, without significant delays.

The Bank will derecognize a financial liability when it is extinguished - e.g. when the obligation specified in the contract has been fulfilled, it is canceled or has expired.

iv. Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Bank has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis, or realize the asset and settle the liability simultaneously.

II. Accounting policies (continued)

3. Significant accounting policies *(continued)*

***iv. Offsetting* (continued)**

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

v. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

vi. Impairment

The Bank holds financial assets at amortized cost ("AC") in the form of loans and advances to customers, loans and advances to banks and debt securities. For financial assets measured at AC, the expected loss from impairment reduces their gross carrying amount and is recognized in profit or loss.

The Bank uses the three-stage expected credit loss ("ECL") approach that reflects credit quality changes from initial recognition.

1. Stage 1 covers instruments that did not significantly deteriorate in terms of credit quality from initial recognition or instruments with low credit risk;
2. Stage 2 covers financial instruments that have deteriorated significantly in terms of credit quality since initial recognition but for which there is no objective evidence of an impairment event;
3. Stage 3 covers financial assets that have objective evidence of impairment at the time reporting.

Financial instruments in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.

Instruments in Stages 2 or 3 have their expected credit losses measured based on expected credit losses on a lifetime basis.

The Bank recognizes loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognized will be 12-month ECLs:

- Debt investment securities that are determined to have low credit risk at the reporting date. The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'; and
- Other financial instruments for which credit risk has not increased significantly since initial recognition.

The impairment assessment require management judgments, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

II. Accounting policies (continued)

3. Significant accounting policies *(continued)*

***vi. Impairment* (continued)**

- Estimating the future cash-lows expected from loans and advances classified in Stage 3 and the probability of reasonable scenarios;
- Assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- Incorporating forward-looking information into the measurement of ECLs.

Measurement of ECLs

Expected credit losses are the difference between the total contractual cash flows due to the Bank and the total cash flows the Bank expects to receive (i.e. the total amounts not to be collected), updated to the effective interest rate at the time of the calculation. For unused credit commitments, credit loss is the present value of the difference between the contractual cash flows due to the Bank if the borrower uses the loan and the cash flows the bank expects to receive if the loan is drawn.

In order to measure the expected credit loss, the Bank estimates future cash flows taking into account all terms and conditions of the financial instrument (e.g, spread, early maturity and similar options) over the estimated lifetime, including cash flows of the performance of the guarantee.

Predicted credit losses are an estimate of loan losses (i.e. the present value of the total cash deficit) over the estimated life of a financial instrument, based on a probability weighted-value.

The ECL is determined separate for individually analyzed exposures and for collective analyzed exposures.

The individual credit exposures analysis in the ECL calculation process is applied to the following groups of exposures:

Significant individual exposures:

- Significant non-performing exposures that have up to 90 days of arrears; exposures of debtors in bankruptcy, or similar states;
- Exposures of customers with debt service over 180 days, without eligible collateral;
- Assets that register a debt service for more than 360 days and for which no legal proceedings have been initiated,
- Exposures individually identified as being impaired;
- Nonperforming forborne exposures;
- All exposures exposed to the risk of exercising the debtor's legal option to pay the mortgaged property

Collective Analysis.

Under IFRS 9, customers are classified in stages according to the associated risk as follows:

Stage 1 - Clients with debt service less than 30 days and no information as to the increase in credit risk;

Stage 2 - Clients with increased credit risk identified by:

- Debt service higher than 30 days;
- Forborne status;
- Debtors restructured during the probation period as defined in the Non-performing Exposures Procedure;
- Clients on watch list;
- Clients included in Overlay due to Covid-19 pandemic (clients that benefited from grace period according to moratoria conditions that are part of economic sectors greatly affected by the pandemic)

Stage 3 - Defaulted clients as identified by the criteria listed under the Non-Performing Exposure Procedure (“the Procedure”).

Default status

The Bank uses the following default definition, as described in the Procedure:

II. Accounting policies (continued)

3. Significant accounting policies *(continued)*

***vi. Impairment* (continued)**

- More than 90 days overdue amounts above the materiality threshold of 1% of total exposure and either 150 RON for Retail or 1.000 RON for Corporate;;
- Unlikeliness to pay based on result of client monitoring;
- Court proceedings having been initiated against the debtor in order to recover the outstanding;
- Debtors in bankruptcy, insolvency, preventive conciliation, and similar status;
- Borrowers who have benefited from restructuring operations with financial difficulties and are classified as non-performing restructuring in accordance with the Procedure.

The Bank applies the principle of contamination: if one client has a defaulted exposures, all the other exposures of the client will be considered in default.

POCI exposures (impaired on purchase or origin)

Credit exposures classified as impaired at acquisition or origination (POCI) are those exposures showing evidence of impairment from origination, either at the time of acquisition or at the time of origination if the exposure resulted from a derecognition process of another exposure was depreciated.

Significant increase in credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

The Bank has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework is aligned with the Bank's internal credit risk management process.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not overlap with the same point in time when an asset becomes 30 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;
- Exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

The Bank primarily identifies whether a significant increase in credit risk occurred since the initial recognition based on the information held by the Bank that allow a realistic assessment of the client's reimbursement capacity. Also are considered relevant data regarding the market value evolution of the collaterals supporting the obligation, changes in the quality of the guarantees by guarantors, changes in the payment status of borrowers in the group, etc.

The Bank may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis.

The criteria for determining whether credit risk has increased significantly varies by portfolio and include a backstop based on delinquency. As a backstop the Bank presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

II. Accounting policies (continued)

3. Significant accounting policies *(continued)*

vii. Modification of financial assets

If the terms of a financial assets are modified, the Bank evaluates whether the cash-flows of the modified asset are substantially different like: -10% change in the value as a result of changes due to rescheduling of loans, reassignment of loans, reduction of credit costs, other changes (e.g. granting grace periods, reducing costs, changing conditions of use, changing repayment schedules), If the cash-flows are substantially different, then the contractual rights to the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized (see 3 d) *iii*) and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If the cash flows are modified as a result of financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms than to originate an asset with substantially different terms. If the Bank plans to modify an asset in a way that would result in forgiveness of cash-flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below the write-off policy). In these cases, the derecognition criteria are not met but the assessment is taken into account in the measurement of expected credit losses.

viii. Write off policy

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash-flows to repay the amounts subject to write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in "Impairment losses on financial instruments" in the income statement. Financial assets written off could still be subject to enforcement activities in order to comply with the Bank's procedure for recovery of amounts due.

ix. Taking possession of collateral

In the course of enforcement procedures for defaulted exposures, the Bank may take possession of the collateral underlying the impaired exposure and settle the debt. Repossessed collateral is recognized at fair value and subsequently measured according to its classification. The Bank has classified repossessed collaterals as "assets held for sale". An asset is considered as being held-for-sale if the following conditions are met: the asset value is recovered through sale and not by its continuous use, the asset must be available for immediate sale and the sale of the asset must be likely to happen. The probability of sale is justified by means of a sales plan at the level of the Bank's management and by the active involvement of the Bank in identifying a buyer. The valuation of the asset classified as available-for-sale shall consider the lower value between the book value and the fair value, minus the sales-related costs.

e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position. For the purpose of the cash flow statement, the minimum reserve deposit required by the National Bank of Romania is not included as a cash equivalent due to restrictions on its availability.

f) Loans and advances

Loans and advances' captions in the statement of financial position include loans and advances measured at amortized cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

II. Accounting policies (continued)

3. Significant accounting policies *(continued)*

g) Investment securities

The investment securities of the Bank comprise of:

- Debt securities measured at amortized cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method;
- Financial assets (equity securities) measured at FVTPL; these are held at fair value with changes recognized immediately in profit or loss.

h) Fixed tangible and intangible assets

Tangible and intangible assets are stated at their historical cost less accumulated depreciation and impairment.

The Bank recognizes in the carrying amount of tangible assets the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Bank and the cost of the item can be measured reliably. All other expenditures are recognized in the statement of profit or loss as an expense as incurred.

Depreciation and amortization is provided on a straight-line basis over the estimated useful lives of each item of the tangible and intangible assets category, as follows:

Buildings	2%
Equipment, fixtures and fittings	5 - 20%
Vehicles	20%
Others	6.67%-3.34%
Software	33.33%

Depreciation methods and useful lives are reassessed at each reporting date. Gains and/or losses from de-recognition of tangible and intangible assets are determined as difference between revenues from sales of tangible assets and the expenses with their disposal and /or their retirement and are recognized in profit or loss for the year (within other operating income or expenses).

i) Impairment of non-financial assets

The carrying amounts of the Bank's assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

j) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of

3. Significant accounting policies *(continued)*

II. Accounting policies (continued)

j) Leases (continued)

time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into (or changed) on or after 1 January 2019.

Bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

For leases of branches and office premises the Bank has elected to separate nonlease components and account for them in other operating expenses.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

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

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or

rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. Significant accounting policies *(continued)*

II. Accounting policies (continued)

k) Deposits from customers

Deposits from customers are initially measured at fair value plus transaction costs, and subsequently measured at amortized cost using the effective interest method.

l) Bonds issued, borrowings and loans from financial institutions

Borrowings such as loans from banks and other financial institutions and bonds issued are recognized initially at fair value, net of transaction costs occurred. Bonds issued and Loans from financial institutions are subsequently stated at amortized cost.

m) Provisions

A provision is recognized in the statement of financial position when the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

n) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortized amount and the amount of loss allowance.

The Bank has issued no loan commitments that are measured at FVTPL. Also, the Bank has issued no loan commitments to provide loans at a below-market interest rate.

For other loan commitments, the Bank recognizes impairment allowance in accordance with IFRS9, refer to accounting policy 3.II.d) *vi*.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

o) Employee benefits

Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are recognized as expense when services are rendered.

The Bank, in the normal course of business makes payments to the Romanian State funds on behalf of its employees for pension, health care and unemployment benefit. All employees of the Bank are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the income statement as incurred. The Bank does not have any further obligations. The Bank does not operate any independent pension scheme and, consequently, has no obligation in respect of pensions. The Bank does not operate any other postretirement benefit plan. The Bank has no obligation to provide further services to current or former employees.

p) Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of prior periods.

Deferred tax is provided using the balance-sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement

3. Significant accounting policies *(continued)*

II. Accounting policies (continued)

p) Income tax (continued)

of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance-sheet date. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

The deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the tax related benefit will be realized. Current and deferred tax receivables and payables are offset only when they are related to the same tax entity, they are related to the same tax authority and when there is a legal right to set off. The tax rate used to calculate the current and deferred tax position at 31 December 2020 is 16% (31 December 2019: 16%). Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

q) Segment Reporting

The Bank discloses information at segment level to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. Segment reporting is based on the following business lines of the Bank: Individuals, Small companies (clients as micro companies, professionals, agriculture), Large companies (clients with turnover over 4 mil EUR), Treasury and Others and GM (other clients and other operations allocated to General Management not being allocated on the specific segments).

q) New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods beginning on or after 1 January 2021, and earlier application is permitted. The Bank has not early adopted any of these new and amended standards and does not expect that they will have a significant impact on the Bank financial statements when become effective.

The following amended standards are not expected to have a significant impact on the Bank's individual and separate financial statements:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Disclosure of Accounting Policies (Amendments to IAS 1);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16);
- IFRS 17 Insurance contracts and amendments to IFRS 17 Insurance contracts;
- Annual Improvements to IFRS Standards 2018-2020.

The following standards and amendments have not been endorsed by the EU as at 23 January 2022:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);
- Disclosure of Accounting Policies (Amendments to IAS 1);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12); I
- Initial application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17).

4. Financial risk management

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital.

The Bank has exposure to the following risks from financial instruments:

a. credit risk;
b. liquidity risk;
c. market risks (interest rate risk, foreign currency risk and price risk)

a. Credit risk

The Bank takes on the exposure to credit risk with respect to all credit facilities and loans granted, which is the risk that the counterparty may be unable to pay the amounts in full when they fall due. The Bank's objective regarding credit risk management is to improve and to maintain the loan portfolio quality by monitoring the loan exposures to private individuals, professionals, corporate and real estate clients.

The exposure to credit risk is managed through a regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when

appropriate. Exposure to credit risk is also managed in part by obtaining mortgage collaterals and also corporate and personal guarantees.

The Bank's strategy regarding credit risk management includes in particular:
- Limiting and decreasing the concentration risk: achieved through monitoring of particular categories of customers, monitoring of exposures to individual debtors and groups of connected debtors, monitoring of exposures to geographical segments, monitoring of exposures to economic sectors, monitoring of exposures to specific lending products and risk diversification;
- Increasing the quality of collaterals;
- Limiting the credit risk per types of collaterals accepted;
- Credit risk control: through loans preapproval process and subsequent credit control procedures
- Ensuring the adequate management of the credit risk by preparation and analysis of specific reports;
- Developing and maintaining the internal process of early warning and recovering of outstanding receivables;
- Regular monitoring of loans including monitoring of debt service rating of the borrowers;
- Portfolio review based on a system of credit risk indicators with predefined alert thresholds

Collaterals received from customers

As part of its credit risk management policy the Bank calls for adequate collateral on approving loans to customers. In accordance with the internal regulations the Bank accepts as collaterals the following types of assets:

- Real estate mortgage and production facilities;
- Merchandise stock and equipment;
- Securities;
- Cash collaterals and deposits;
- Liens over receivables;
- Insurance policies;
- Financial guarantees.

With respect to the above mentioned types of collaterals the Bank's policy is that the ratios of the collaterals values to the loans approved shall be as follows:

- Real estate mortgages and guarantee funds: between 110/120% and 120/150% depending on customer risk grading (exception from this rule: loans to professional customers that have a coverage degree of minimum 100%);
- Merchandise stock and equipment: minimum 130%;

Cash collaterals, deposits, securities and financial guarantees: minimum 100%.

i. Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the

4. Financial risk management (continued)

i. Credit quality analysis (continued)

amounts committed or guaranteed, respectively. Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 3.II. (d) (iv). The customers are classified into 4 risk categories representing the following:

- Standard – all financial assets measured at amortized cost which are current or with days past due less than 30 days and which are not in Watch List;
- >30 Days – all financial assets measured at amortized cost with days past due greater than 30 Days and which are not impaired;
- Watchlist – Financial assets measured at amortized cost which are identified with increased credit risk based on internal procedure and are classified either in Stage 2 or in Stage 3 – only if unlikeness to pay conditions are identified;
- Loss – Financial assets measured at amortized cost included in Stage 3.

	2021			
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to Banks				
Standard	2,804,216,956	-	-	2,804,216,956
Loss Allowance	**(210,073)**	-	-	**(210,073)**
Carrying amount	**2,804,006,883**	-	-	**2,804,006,883**
Investment securities				
Standard	1,048,000,000	-	-	1,048,000,000
Loss Allowance	**(113,180)**	-	-	**(113,180)**
Carrying amount	**1,047,886,820**	-	-	**1,047,886,820**
Loans and advances to customers				
Standard	4,957,769,691	-		4,957,769,691
>30 Days	-	98,699,667		98,699,667
Watchlist	-	427,192,477		427,192,477
Loss	-		108,568,324	108,568,324
Loss Allowance	**(48,058,958)**	**(31,997,890)**	**(71,352,098)**	**(151,408,945)**
Carrying amount	**4,909,710,733**	**493,894,255**	**37,216,226**	**5,440,821,215**

	2021			
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan commitments and financial guarantee contracts				
Standard	2,119,541,021	-	-	2,119,541,021
>30 Days	-	3,090,721		3,090,721
Watchlist	-	41,108,028	- -	41,108,028
Loss			258,182	258,182
Loss Allowance	**(3,055,742)**	**(549,930)**	**(4,749)**	**(3,610,421)**
Carrying amount	**2,116,485,279**	**43,648,820**	**253,433**	**2,160,387,532**

4. Financial risk management (continued)

i. Credit quality analysis (continued)

The Bank contaminates the debt service at client level and monitors the related off balance sheet commitments using the same criteria.

Considering the days of delay parameter, loans and advances to customers are further broken down as follows:

	2021			
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortized cost - gross carrying amount				
Current	4,882,143,192	427,192,477	43,082,049	5,352,417,718
<=30 days	75,626,499	76,930,473	15,240,246	167,797,218
<=90 days	0	21,766,319	15,963,760	37,730,079
<= 180 days	0	2,875	9,538,449	9,541,324
> 180 days	0	0	24,743,821	24,743,821
Total	**4,957,769,691**	**525,892,144**	**108,568,324**	**5,592,230,160**
Loss allowance	**-48,058,958**	**-31,997,890**	**-71,352,098**	**-151,408,945**
Carrying amount	**4,909,710,733**	**493,894,255**	**37,216,226**	**5,440,821,215**

Considering the portfolio split by credit risk concentration category for the determination of historical probabilities of default, loans and advances to customers are further broken down as follows:

	2021			
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortized cost - gross carrying amount				
Agri	931,607,534	79,582,033	11,719,125	1,022,908,692
Real Estate	1,547,186,460	225,081,532	7,972,706	1,780,240,697
Corporate	1,292,536,451	146,408,433	75,833,834	1,514,778,718
Professionals	809,656,153	72,190,513	12,443,698	894,290,364
Individuals	376,783,093	2,629,633	598,962	380,011,688
Total	**4,957,769,691**	**525,892,144**	**108,568,324**	**5,592,230,160**
Loss allowance	**(48,058,958)**	**(31,997,890)**	**(71,352,098)**	**(151,408,945)**
Carrying amount	**4,909,710,733**	**493,894,255**	**37,216,226**	**5,440,821,215**

	2020			
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to Banks				
Standard	**1,557,289,411**	**-**	**-**	**1,557,289,411**
Loss Allowance	**(91,699)**	**-**	**-**	**(91,699)**
Carrying amount	**1,557,197,712**	**-**	**-**	**1,557,197,712**
Investment securities				
Standard	**865,399,419**	**-**	**-**	**865,399,419**
Loss Allowance	**(108,141)**	**-**	**-**	**(108,141)**
Carrying amount	**865,291,278**	**-**	**-**	**865,291,278**

Loans and advances to customers				
Standard	3,584,590,168	-	-	3,584,590,168
>30 Days	-	43,224,899	-	43,224,899
Watchlist	-	1,067,980,788	-	1,067,980,788
Loss	-	-	104,507,160	104,507,160
Loss Allowance	**(47,034,080)**	**(53,566,264)**	**(66,560,362)**	**(167,160,706)**
Carrying amount	**3,537,556,088**	**1,057,639,423**	**37,946,799**	**4,633,142,309**

	2020			
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan commitments and financial guarantee contracts				
Standard	1,426,231,229	-	-	1,426,231,229
>30 Days	-	1,300,274	-	1,300,274
Watchlist	-	136,851,921	-	136,851,921
Loss	-	-	18,594,014	18,594,014
Loss Allowance	**(4,099,616)**	**(1,545,608)**	**(142,535)**	**(5,787,759)**
Carrying amount	**1,422,131,613**	**136,606,586**	**18,451,479**	**1,577,189,708**

	2020			
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortized cost - gross carrying amount				
Current	3,500,615,895	868,752,943	52,244,521	4,421,613,359
<=30 days	83,974,273	199,227,845	10,397,120	293,599,237
<=90 days	-	43,224,899	3,802,146	47,027,045
<= 180 days	-	-	33,919,375	33,919,375
> 180 days	-	-	4,143,999	4,143,999
Total	**3,584,590,168**	**1,111,205,687**	**104,507,161**	**4,800,303,015**
Loss allowance	(47,034,080)	(53,566,264)	(66,560,362)	(167,160,706)
Carrying amount	**3,537,556,088**	**1,057,639,423**	**37,946,799**	**4,633,142,309**

Considering the portfolio split by credit risk concentration category for the determination of historical probabilities of default, loans and advances to customers are further broken down as follows:

	2020			
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortized cost - gross carrying amount				
Agri	851,751,799	70,019,972	32,575,335	954,347,105
Real Estate	1,088,470,868	522,467,266	8,569,607	1,619,507,742
Corporate	880,958,305	394,340,397	49,590,568	1,324,889,270
Professionals	601,737,323	122,382,402	13,553,395	737,673,120
Individuals	161,671,873	1,995,649	218,255	163,885,777
Total	**3,584,590,168**	**1,111,205,687**	**104,507,160**	**4,800,303,015**
Loss allowance	(47,034,080)	(53,566,264)	(66,560,362)	(167,160,706)
Carrying amount	**3,537,556,088**	**1,057,639,423**	**37,946,799**	**4,633,142,309**

4. Financial risk management *(continued)*

a. Credit risk (continued)

i. Credit quality analysis (continued)

The Bank holds loans and advances to banks of RON 2,803,784,275 as at 31 December 2021 (31 December 2020: RON 1,557,197,711). From these, the loans and advances with the National Bank in amount of RON 2,397,623,472 (31 December 2020: RON 867,637,497), fall under the rating BBB-, Baa3, BBB-, based on the ratings issued by Fitch, Moody's or Standard & Poor's.

Loans and advances to banks can be analyzed on rating as follows:

In RON	**31 December 2021**	**31 December 2020**
No rating	30,598,776	221,292,800
AA-	34,630,125	
BB+	108,116,296	2,971,434
BBB	13,725	-
BBB-	2,608,883,910	1,148,959,145
BBB+	21,605,461	184,081,636
Total	**2,803,784,275**	**1,557,289,411**

The investments securities at amortized cost as at 31 December 2021 and 31 December 2020 include treasury bills and bonds issued by the Government of Romania, with Standard & Poor's rating of BBB-.

ii. Collateral held

The Bank holds collateral against certain of its credit exposures. The following tables stratify credit exposures split by loans to retail customers (private individuals) and loans and advances to non-retail customers (legal entities) by ranges of loan-to-value (LTV) ratio.

LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral is based on the most recent appraisals. The Bank's policy is to revalue residential mortgage every three years and commercial mortgage every year.

RON	**Gross carrying amounts**					
RETAIL	**31 December 2021**			**31 December 2020**		
LTV	Not impaired loans	Impaired loans	**TOTAL**	Not impaired loans	Impaired loans	**TOTAL**
Less than 50%	40,089,143	184,895	40,274,038	19,808,498	194,765	20,003,263
51-70%	65,597,365	220,157	65,817,523	29,695,039	0	29,695,039
71-90%	185,535,123	200,620	185,735,743	77,517,874	0	77,517,874
91-100%	213,671,194	0	213,671,194	91,323,862	203,828	91,527,691
More than 100%	35,869,949	348,890	36,218,838	35,029,944	229,044	35,258,988
Grand Total	**540,762,774**	**954,562**	**541,717,336**	**253,375,217**	**627,637**	**254,002,855**

RON	**Gross carrying amounts**					
NON RETAIL	**31 December 2021**			**31 December 2020**		
LTV	Not impaired loans	Impaired loans	**TOTAL**	Not impaired loans	Impaired loans	**TOTAL**
Less than 50%	823,634,514	15,095,165	838,729,679	479,577,777	20,347,094	499,924,871
51-70%	1,241,538,469	28,604,675	1,270,143,144	1,382,814,448	17,791,795	1,400,606,243
71-90%	1,545,407,080	16,087,088	1,561,494,168	1,349,640,664	25,187,031	1,374,827,695
91-100%	306,728,887	2,208,329	308,937,216	361,112,715	11,022,273	372,134,988
More than 100%	1,025,590,112	45,618,506	1,071,208,618	869,275,033	29,531,331	898,806,364
Grand Total	**4,942,899,062**	**107,613,762**	**5,050,512,824**	**4,442,420,637**	**103,879,524**	**4,546,300,161**

4. Financial risk management *(continued)*

ii) Colateral held (continued)

The table below sets out the carrying amount and the value of identifiable collateral (mainly real estate and cash collateral) held against loans and advances to customers. For each loan, the value of disclosed collateral is capped at the carrying amount of the loan that it is held against.

	2021		2020	
RON	**Carrying amount**	**Collateral**	**Carrying amount**	**Collateral**
Stages 1 and 2	5,403,604,988	4,681,302,850	4,595,195,511	4,042,562,529
Stage 3	37,216,226	77,786,844	37,946,798	79,941,900

Inputs, assumptions and techniques used for estimating impairment

For a description of the Bank's policy related to impairment of financial assets, please refer to 3. II. (d) (vi). The key inputs into the measurement of ECLs include the following variables:

- Probabilities of default ("PD");
- Loss given default ("LGD");
- Exposure at default ("EAD"); and
- Forward looking information ("FLI").

For purpose of estimating PDs the Bank collects performance and default information about its credit risk exposures analyzed by borrower and by type of product. The Bank employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. This includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors – gross domestic product ("GDP").

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The scope of LGD calculation is to reflect the cash flows arising from the various ways that the loans may be recovered, not only throughout foreclosure. Therefore, the following two components are determined: LGD secured reflecting Bank's collaterals recoverability experience at guarantee type; LGD unsecured reflects the recoverability of the unsecured exposure for each of the homogeneous portfolios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortization. The EAD of a financial asset is the gross carrying amount at default. For lending commitments and financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract using credit conversion factors.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

Subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECLs considering a tenor computed as the maximum between 12-month and the actual contractual period over which the Bank it is exposed to credit risk.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

4. Financial risk management *(continued)*

a. Credit risk (continued)

ii) Colateral held (continued)

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include type of counterparty and type of products. The grouping is subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. The current groups are: Private Individuals, Corporate, Agribusiness, Professionals, Real Estate, Banks, Treasury bills and bonds.

iii. Amounts arising from expected credit losses ("ECL")

The credit risk is deemed to have increased significantly since initial recognition based on quantitative and qualitative factors linked to the Bank's credit risk management processes. This will be the case for exposures that meet certain heightened risk criteria that lead to placement on a watch list. Such factors are based on its expert judgment and relevant historical experiences:

- debt service of loans at other financial institutions
- performing forbearance in probation
- financial difficulties of the client as identified by the Bank
- depreciation of the client's rating
- clients with request for insolvency from third parties; this is not automatically a trigger to classify as "default" but may become a "default" criteria if the individual analysis of the Bank, considering other criteria as well, arrives at this conclusion;
- other qualitative criteria, depending of the severity, such us: decrease of the turnover throughout Bank's account, CIP payment incidents, breaching of the contractual covenants, garnishments measured as percentage from the turnover, PAR 90 (debt service over 90 days past due) for the last 12 months, etc)

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

The Bank incorporates forward-looking information into the measurement of ECL. The Bank formulates three economic scenarios: a base case, which is the median scenario, and two less likely scenarios, one pessimistic and worst case scenario.

	2021			**2020**		
As of 31 December	Base case scenario	Pessimistic scenario	Worst case scenario	Base case scenario	Pessimistic scenario	Worst case scenario
Scenario probability weighting	20%	40%	40%	25%	30%	45%

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities, supranational organizations such as the International Monetary Fund, World Bank, European Commission, etc.

The forward-looking scenarios are reviewed whenever relevant significant forecasts become available. A comprehensive review is performed at least annually on the design of the scenarios with the closely involvement of the Bank's senior management.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers for credit risk for credit portfolio are:

Unemployment rate (UR), long term interest rate (IR), gross domestic product (GDP), consumer price index (CPI) and housing price index (HPI). These are the parameters for which was identified an adequate correlation with the historic PD of the Bank.

4. Financial risk management *(continued)*

a. Credit risk (continued)

iii. Amounts arising from expected credit losses ("ECL")

The Bank used the following macroeconomic scenarios in its calculation of expected credit losses for December 2021:

GDP:

Year of forecast	AVERAGE MACRO SCENARIO	Base case scenario	Pessimistic scenario	Worst case scenario
1	2.2%	4.8%	4.3%	-1.2%
2	2.1%	3.8%	3.8%	-0.4%
3	1.9%	3.8%	3.4%	-0.6%

Unemployment:

Year of forecast	AVERAGE MACRO SCENARIO	Base case scenario	Pessimistic scenario	Worst case scenario
1	5.4%	4.9%	2.9%	8.1%
2	5.7%	4.9%	2.8%	8.9%
3	5.9%	4.9%	2.6%	9.8%

Consumer price index:

Year of forecast	AVERAGE MACRO SCENARIO	Base case scenario	Pessimistic scenario	Worst case scenario
1	11.0%	7.0%	9.0%	15.0%
2	8.0%	6.0%	7.0%	10.0%
3	6.0%	4.0%	5.0%	8.0%

House price index:

Year of forecast	AVERAGE MACRO SCENARIO	Base case scenario	Pessimistic scenario	Worst case scenario
1	-0.1%	1.2%	0.8%	-1.6%
2	-0.1%	1.2%	1.6%	-2.5%
3	0.3%	1.1%	1.4%	-1.3%

Long term interest rate:

Year of forecast	AVERAGE MACRO SCENARIO	Base case scenario	Pessimistic scenario	Worst case scenario
1	6.40%	5.00%	5.50%	8.00%
2	5.62%	4.50%	4.80%	7.00%
3	5.46%	4.30%	4.50%	7.00%

December 2020

Year of forecast	GDP Base case scenario	GDP Pessimistic scenario	GDP Worst case scenario
1	-6.00%	-5.00%	-8.00%
2	4.20%	3.90%	1.00%
3	3.00%	3.00%	2.00%

ECL methodology was changed in 2021 in order to incorporate the impact form more macroeconomic indicators than only GDP compared to 2020.

The Bank has performed a sensitivity analysis on the stock of expected credit losses as at 31 December 2021, using the assumptions from macro scenario 3 (worst case scenario). The impact for this scenario amounts to an ECL increase of 27.1 million RON.

4. Financial risk management *(continued)*

a. Credit risk (continued)

iii. Amounts arising from expected credit losses ("ECL")

Modified financial assets

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of the credit risk at the reporting date based on the modified terms with the credit risk at initial recognition and the original contractual terms. When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans may be subject to the forbearance transactions. The Bank's Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance policy, the borrower's payment performance is evaluated against the modified contractual terms and considers various behavioral indicators. Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3.II.d), vi). A customer needs to demonstrate consistently good payment behavior (e.g. no payments over 60 days past due) over a period of time (minimum 12 months) before the exposure is no longer considered to be credit-impaired/in default such that the loss allowance reverts to being measured at an amount equal to Stage 2 during a 24 month probation period and afterwards in Stage 1 if good payment behavior is proven.

The gross carrying amount of loans with renegotiated terms (and related allowance for impairment) is as follows:

31 December 2021
In RON

	Stage 1	Stage 2	Stage 3	Total
Gross amount	**3,490,338**	**23,141,470**	**47,683,208**	**74,315,015**
Allowance for impairment	**-333,582**	**-944,692**	**-35,879,554**	**- 37,157,828**
Carrying amount	**3,156,756**	**22,196,777**	**11,803,654**	**37,157,187**

31 December 2020

In RON	Stage 1	Stage 2	Stage 3	Total
Gross amount	**4,563,213**	**6,582,034**	**53,051,986**	**64,197,233**
Allowance for impairment	14,184	47,130	34,230,557	34,291,871
Carrying amount	**4,549,029**	**6,534,904**	**18,821,429**	**29,905,362**

Restructured exposures are loan contracts for which restructuring measures have been applied and which are still under closed monitoring

iv. ECL changes and impact during 2021:

- in Q3 2021 the ECL methodology was changed, using full LGD and additional management overlays;;
- in Q4 2021 and additional change to incorporate the behavioral maturity for credit lines was performed, amounting to an increase of 3 Mln RON;
- for end of the year calculation, the ECL models were validated and recalibrated considering new definition of default data up to December 2021 and new macro scenarios, thus resulting in an increase of approx. 13. Mln RON.
-

— **4. Financial risk management** ***(continued)***
— ***a. Credit risk (continued)***
— ***iv. ECL changes and impact during 2021 (continued)***

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

	2021			
In RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to banks				
Balance at 1 January	**91,749**	**-**	**-**	**91,749**
Transfer to Stage 1	**-**	**-**	**-**	**-**
Transfer to stage 2	**-**	**-**	**-**	**-**
Transfer to Stage 3	-	-	-	**-**
Net remeasurement of loss allowance	**118,323**	-	-	**118,323**
Balance at 31 December	**210,072**	**-**	**-**	**210,072**

	2020			
In RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to banks				
Balance at 1 January	**82,337**	**-**	**-**	**82,337**
Transfer to Stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	**9,412**	**-**	**-**	**9,412**
Balance at 31 December	**91,749**	**-**	**-**	**91,749**

	2020			
In RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment securities				
Balance at 1 January	**114,081**	**-**	**-**	**114,081**
Transfer to Stage 1	**-**	**-**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
Net remeasurement of loss allowance	**(5,940)**	**-**	**-**	**(5,940)**
Balance at 31 December	**108,141**	**-**	**-**	**108,141**

In 2021, similarly to 2020, there were no transfers between Stages for investment securities.

— **4. Financial risk management *(continued)***
— ***a. Credit risk (continued)***
— **Loss allowance**

	2021			
In RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment securities				
Balance at 1 January	**108,141**	**-**	**-**	**108,141**
Transfer to Stage 1	**-**	**-**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
Net remeasurement of loss allowance	**5,039**	**-**	**-**	**5,039**
Balance at 31 December	**113,180**	**-**	**-**	**113,180**

	2020			
In RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers				
Balance at 1 January	**9,451,556**	**715,207**	**51,309,984**	**61,476,747**
Transfer to Stage 1	181,367	(122,388)	(58,980)	-
Transfer to Stage 2	(2,113,114)	4,293,328	(2,180,214)	-
Transfer to Stage 3	(92,573)	(47,949)	140,522	-
Net increase in allowance	40,849,108	48,748,138	21,830,479	111,427,725
Write-offs*	(1,242,264)	(20,073)	(4,481,429)	(5,743,766)
Balance at 31 December	**47,034,080**	**53,566,263**	**66,560,362**	**167,160,706**

	2021			
In RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers				
Balance at 1 January	47,034,080	53,566,264	66,560,362	167,160,706
Transfer to Stage 1	11,951,803	-11,638,139	-313,663	0
Transfer to Stage 2	-2,116,700	19,497,753	-17,381,053	0
Transfer to Stage 3	-514,466	-8,303,292	8,817,758	0
Net Remeasurements of loss allowance	-23,632,908	-17,852,598	31,986,204	-9,499,302
New financial assets originated or purchased	20,618,421	7,653,326	158,030	28,429,778
Financial assets that have been derecognized	-5,281,273	-10,925,424	-18,475,538	-34,682,235
Balance at 31 December	48,058,958	31,997,890	71,352,100	151,408,947

*The contractual amount outstanding on financial assets that were written off during 2021 and are still subject to enforcement activity amounts to RON 5,301,402 (2020: RON 5,743,766)

Deposits at other banks and at National Bank of Romania and treasury bills owned by the Bank are neither past due, not impaired and are in good (standard) credit quality.

— **4. Financial risk management *(continued)***
— ***a. Credit risk (continued)***

v). Concentration risk

The maximum exposure of the Bank to credit risk is as follows:

In RON	31 December 2021	31 December 2020
Cash and cash equivalents	91,511,155	82,219,566
Loans and advances to the National Bank of Romania	2,397,623,472	867,637,497
Loans and advances to banks	406,160,803	689,560,214
Loans and advances to customers	5,440,821,214	4,633,142,309
Investment securities at amortized cost	1,100,828,743	865,291,278
Loan commitments and financial guarantee contracts	2,160,387,532	1,577,189,708
Total	**11,597,332,920**	**8,715,040,572**

The Bank monitors concentration risk by geographical regions and by Industry/sector

Analysis by geographical sector 2021

Indicator	Bucharest-Ilfov	South (Muntenia)	Centre-Noth-West (Transilvania)	South-East	North-East	Total
%Exposure	61.68	5.26	15.21	8.97	8.87	100.00
% NPL	1.71	2.90	1.04	2.39	4.09	1.94
% Stage 2	9.32	10.77	8.07	9.71	11.18	9.40

Analysis by geographical sector - 2020

Indicator	Bucharest-Ilfov	South (Muntenia)	Centre-Noth-West (Transilvania)	South-East	North-East	Total
%Exposure	59.33	5.69	16.60	9.37	9.01	100.00
% NPL	1.89	3.86	1.52	4.89	1.42	2.18
% Stage 2	23.53	12.08	35.08	14.53	14.62	23.15

Analysis by industry	31 December 2021	31 December 2020
Construction	1,416,404,139	1,044,735,710
Wholesale and retail trade	436,715,731	376,443,525
Agriculture, forestry and fishing	923,623,240	883,859,737
Real estate transactions	574,987,934	748,572,979
Manufacturing industry	151,265,935	148,835,559
Professional, scientific and technical activities	344,411,905	292,936,013
Hotels and restaurants	293,389,324	331,469,850
Financial intermediation and insurance	187,706,285	36,145,853
Health and social care	418,739,592	383,224,004
Information and communications	58,957,456	46,995,435
Production and supply of electric and thermal energy, gas, hot water and air conditioning	10,568,589	17,145,842
Transport and storage	27,876,706	20,239,903
Other service activities	15,942,215	10,609,076

4. Financial risk management (continued)

Analysis by industry(continued)

Water distribution; sanitation, waste management, decontamination activities	67,444,692	71,941,206
Administrative support activities and support activities	63,746,838	69,431,368
Performing, cultural and recreational activities	28,544,271	35,287,985
Extractive industry	1,176,496	2,032,769
Education	10,385,249	10,287,977
Public administration and defense; social insurance in the public system	325,659	62,305
Individuals	560,017,904	270,045,919
TOTAL	**5,592,230,160**	**4,800,303,015**

b. Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Bank controls these types of risks by means of maturity analysis, determining the Bank's strategy for the next financial period.

In order to monitor and manage the liquidity risk the Bank calculates the following liquidity ratios:

- Immediate liquidity: this liquidity indicator is calculated as the ratio of highly liquid assets to total borrowed funds and is used for daily liquidity monitoring by the Bank's management and the Treasury Division. The minimum limit established by the Bank's management for this indicator in 2021 was 37%. At 31 December 2021 the liquidity indicator was 45.71%.
- Liquidity indicator depending on maturity bands: this liquidity indicator is calculated by dividing the assets of the Bank by its liabilities as adjusted by their remaining maturities. This indicator is calculated monthly and is monitored by the Bank's management and the Treasury Division. The minimum limit established by the Bank's management for this indicator is 100%.
- Resources concentration degree: this indicator is calculated to measure the dependence of the Bank on a single deponent or a group of related deponents and is calculated as the total funds from single deponents divided by the total borrowed funds. This indicator is calculated regularly and its maximum limit is established by the Bank's management at 40%.
- Loans to total assets and loans to borrowed funds ratios: these liquidity indicators are regularly calculated to determine if the strategic directions of the liquidity risk management policies are being followed within the credit policy of the Bank. The maximum limits established by the Bank's management for these indicators are around 65% and 75%, respectively.

Maturity analysis of assets and liabilities as at 31 December 2021 and 31 December 2020 is disclosed in below. The assets and liabilities remaining maturities are presented therein, as established in contracts concluded by Bank. However, current accounts and deposits from customers have a historically proven stickiness, which means they will not be reimbursed as contractually stated, but rather prolonged, therefore the liquidity gap as presented in these financial statements does not represent any imminent risk for the Bank.

4. Financial risk management (continued)

b. Liquidity risk (continued)

ANALYSIS OF MATURITY OF FINANCIAL LIABILITIES BASED ON UNDISCOUNTED CASH FLOWS

The following tables detail the Bank's remaining contractual maturities for its financial liabilities. This analysis has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Bank can be required to settle its liabilities, and includes both interest and principal cash flows.

31 December 2021	Up to 1 month	1-3 Months	3 Months – 1 year	1-5 years	Over 5 years	Total
Deposits from other banks	552,427,978	-	-	-	-	552,427,978
Customer deposits and savings accounts (incl interests)	4,576,930,395	1,188,598,470	1,802,151,744	243,597,517	7,561	7,811,285,687
Subordinated bonds	-	443,940	8,665,444	36,437,535	264,730,430	310,277,348
Loans from financial institutions	3,225,714	-	4,875,209	7,731,406	6,185,125	22,017,455
Total financial liabilities	**5,132,584,088**	**1,189,042,410**	**1,815,692,397**	**287,766,458**	**270,923,116**	**8,696,008,468**
Off Balance sheet commitments	**19,576,573**	**77,179,837**	**361,838,689**	**1,358,128,437**	**344,711,225**	**2,161,434,761**

31 December 2020	Up to 1 month	1-3 Months	3 Months – 1 year	1-5 years	Over 5 years	Total
Deposits from other banks	-	-	-	-	-	-
Customer deposits and savings accounts (incl interests)	3,826,537,324	706,090,915	1,624,275,248	251,087,887	12,059	6,408,003,433
Subordinated bonds	-	-	-	21,196,508	-	21,196,508
Loans from financial institutions	(13689)	4,883,682	4,787,156	18,758,85	3,038,787	31,454,700
Total financial liabilities	**3,826,523,535**	**710,974,597**	**1,629,062,404**	**291,043,259**	**3,050,846**	**6,460,654,641**
Off Balance sheet commitments	**1,577,189,679**	**-**	**-**	**-**	**-**	**1,577,189,679**

Notes to the individual and separate financial statements

4. Financial risk management (continued)

b. Liquidity risk (continued)

ANALYSIS OF ASSETS AND LIABILITIES BY REMAINING MATURITY (DISCOUNTED CASH-FLOWS)

	Up to one month	From 1 to 3 months	From 3 months to 1 year	From 1year to 5 years	Over 5 years	Non-defined maturity	TOTAL
31-Dec-21							
ASSETS							
Cash and balances with banks	135,218,155	362,453,803	-	-	-	-	497,671,958
Balance due from the National Bank of Romania	2,397,623,472	-	-	-	-	-	2,397,623,472
Loans and advances to customers	53,309,098	99,340,537	404,060,223	1,787,256,614	3,110,037,603	-	5,454,004,074
Other assets	195,764	37,880,324	2,583,866	106,758	228,591	35,410,507	76,405,810
Investments	-	-	204,606,278	327,017,534	497,134,648	93,313,535	1,122,071,995
Total assets	**2,586,346,489**	**499,674,664**	**611,250,367**	**2,114,380,906**	**3,607,400,842**	**128,724,042**	**9,547,777,309**
Liabilities							
Deposits from other banks	552,427,978	-	-	-	-	-	552,427,978
Customer deposits and savings accounts	5,529,119,891	196,546,217	12,477	1,323,484,999	732,269,722	-	7,781,433,307
Other liabilities	8,350,756	15,463,837	10,730,231	36,677,491	529,809	1,337,091	73,089,215
Loans from financial institutions	3,225,714	-	4,875,209	7,731,406	6,185,125	-	22,017,455
Subordinated bonds					221,659,495		221,659,495
Total liabilities	**6,093,124,339**	**234,151,546**	**15,617,917**	**1,367,893,897**	**960,644,151**	**1,337,091**	**8,672,768,941**
Liquidity risk at 31 December 2021	**(3,506,759,289)**	**265,523,118**	**595,632,449**	**746,487,009**	**2,646,756,691**	**181,867,886**	
Cumulative liquidity gap	**(3,506,777,850)**	**(3,241,254,732)**	**(2,645,622,283)**	**(1,899,135,274)**	**747,621,417**	**929,489,303**	

	Up to one month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Non-defined maturity	TOTAL
31 December 2020							
ASSETS							
Cash and balances with banks	135,218,155	362,453,803	-	-	-	-	771,779,780
Balance due from the National Bank of Romania	2,397,623,472	-	-	-	-	-	867,637,497
Loans and advances to customers	53,309,098	99,340,537	404	1,414,162,193	2,712,283,317		4,633,142,309
Other assets	195,764	37,880,324	1,113,038	274,748	14,072	11,243,380	97,664,392
Investments	-	-	316,541,281	426,750,402	72,736,819	19,210,482	884,501,760
Total assets	**1,746,234,165**	**176,809,186**	**675,006,975**	**1,841,187,343**	**2,785,034,208**	**30,453,862**	**7,254,725,738**
Liabilities							
Customer deposits and savings accounts	3,829,920,602	710,120,334	1,638,019,719	227,028,029	7,440	-	6,405,096,125
Other liabilities	7,447,756	2,857,231	6,859,873	39,312,384	12,973,439	3,731,730	73,182,413
Loans from financial institutions	(13,788)	4,883,682	4,787,156	18,758,865	3,038,787	-	31,454,700
Subordinated bonds					21,196,508		21,196,508
Total liabilities	**3,837,354,570**	**717,861,247**	**1,649,666,748**	**285,099,278**	**37,216,174**	**24,015,972**	**6,530,929,746**
Liquidity risk at 31 December 2020	**(2,091,120,405)**	**(542,244,583)**	**(974,659,773)**	**1,556,088,066**	**2,769,014,542**	**81,427,293**	**798,505,139**
							-
Cumulative liquidity gap	**(2,091,120,405)**	**(2,633,364,988)**	**(3,608,024,762)**	**(2,051,936,695)**	**717,077,846**	**798,505,139**	

The short-term refinancing of the Bank is assured by the possibility of refinancing with other banks as well as by the availability of loan facility in amount of USD 60 million concluded with Broadhurst Investments Limited and by adoption of adequate interest policy which would allow for attracting higher volume of resources. The Bank has assets pledged as collateral amounting RON 11.7 mil for daily settlement activity with Visa, Mastercard and SENT. The liquidity gap risk could further be mitigated by short term operations of reverse repo with NBR using T-Bills. In addition to this, the majority of customer deposits with maturities less than 3 months are rollover deposits.

4. Financial risk management (continued)

c. Market risk

Market risk represents the current or prospective risk to earnings and capital arising from adverse market movements in equities prices and interest rates, as well as from movements in foreign exchange rate and commodities prices for the whole business of the credit institution. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign currency risk

The Bank enters into transactions in both Romanian Lei (RON) and foreign currencies. Hence, exposures to foreign exchange rates fluctuations arise. The Bank is mainly exposed to a risk of exchange rate change for monetary assets and liabilities denominated in USD and EUR, which constitute the most part of its foreign currency denominated assets and liabilities.

In order to manage the foreign currency risk the Bank maintains open currency exposure within the following limits as required by the National Bank of Romania:

- Net exposure in single foreign currency – no more than 10% of total own funds calculated in accordance with the requirements of the National Bank of Romania.
- Net aggregated exposure in foreign currencies – no more than 20% of total own funds calculated in accordance with the requirement of the National Bank of Romania.

As of 31 December 2021 and 2020, the net exposure of the Bank to foreign currency risk is as follows:

Currency	31 December 2021	31 December 2020
EUR	591,739	16,335,581
USD	278,708	(458,378)
GBP	204,269	435,061
CHF	(1,448)	334,107
SEK	435,021	(15,859)
CAD	45,032	(26,060)
Other	33,626,740	341,328
Total exposure	**35,180,061**	**16,945,720**

All amounts are in RON equivalent.

Foreign currency sensitivity analysis

The following information reflects the Bank's sensitivity to depreciation and appreciation of the domestic currency against EUR, USD, GBP, CHF, SEK and CAD by 5%. The rate 5% is the sensitivity rates which has been used for reporting the foreign currency risk exposure by the Bank for internal risk management purposes and represents the Bank's assessment of the reasonably possible change in foreign exchange rates in future. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 5% change in foreign currency rates.

4. Financial risk management (continued)

c. Market risk (continued)

In RON Currency	31 December 2021		31 December 2020	
	+5%	-5%	+5%	-5%
EUR	29,587	(29,587)	816,779	(816,779)
USD	13,935	(13,935)	(22,919)	22,919
GBP	10,213	(10,213)	21,753	(21,753)
CHF	(72)	72	16,705	(16,705)
SEK	21,751	(21,751)	(793)	793
CAD	2,252	(2,252)	(1,303)	1,303
Other currencies	1,681,337	(1,681,337)	17,066	(17,066)
TOTAL	**1,759,003**	**(1,759,003)**	**847,288**	**(847,288)**

Interest Rate Risk

Interest rate risk includes interest rate price risk and interest rate cash flow risk. Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rates that apply to the financial instrument. Interest rate cash flow risk is the risk that the interest cost and the associated cash flows will fluctuate over time. Financial instruments of the Bank mainly carry both variable and fixed interest rates. As a result the Bank is exposed to both interest rate cash flow risk and interest rate price risk. Interest rates applicable to various financial assets and liabilities are disclosed in respective notes to these financial statements.

Interest rate risk management is realized by the Bank through the following measures:

- Insuring maximum possible correlation of the maturities of fixed interest rate bearing funds attracted with those of the fixed interest rate bearing assets;
- Limitation of the interest rate gap by originating interest rate bearing assets having similar interest rate structure (in terms of maturity, type of interest rates and repricing period) as that of the funds attracted;
- Establishment of interest rate level on Bank's assets and liabilities;
- Determination of interest rates characteristics (floating or fixed);
- Analysis of maturity differences in assets and liabilities, sensible to interest rate change and maintaining an adequate structure of assets and liabilities;
- Providing interest rate flexibility, periodical change of rates on bank's financial instruments;
- Evaluation of working assets structure and structure of paid liabilities, taking measures oriented to decrease the ratio of working assets to paid liabilities;
- Examination of information on interest rate risk by the committee ALCO and Bank's management with further adjustment of bank's policy on attraction and placement of means;
- Projection of perspective interest rate level on the basis of factors which may have influence on its increase or decrease, etc.

4. Financial risk management (continued)

c. Market risk (continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been prepared based on the exposure to changes in interest rates for interest bearing assets and liabilities outstanding as of 31 December 2021 and 2020.For the purpose of the sensitivity analysis the Bank reviewed its portfolios of interest bearing assets and liabilities and extracted those which bear a floating interest rate. Instruments which bear a fixed interest rate have been excluded from the below analysis. The percentages of increase/decrease in interest rates as indicated below are used when reporting sensitivity to change in interest rates for internal reporting purposes of the Bank and represent the Bank's assessment of the reasonably possible change in interest rates.

The balances in the table below represent an effect of increase in interest rates on profit and loss account.

	31 December 2021		31 December 2020	
In RON	**+1%**	**-1%**	**+1%**	**-1%**
Loans and advances to customers sensitive to interest rates	55,438,229	(55,438,229)	47,354,274	- (47,354,274)
Customer deposits and savings accounts sensitive to interest rate	(39,188,348)	39,188,348	(36,340,101)	36,340,101
International Financial Institutions sensitive to interest rate	-	-	-	-
TOTAL	**16,249,881**	**(16,249,881)**	**11,014,173**	**(11,014,173)**

Price risk

The Bank's exposure to the market price risk arises from the financial instruments at fair value through profit and loss evaluated at market price and the table below represent an effect of increase market price on profit and loss account

	31 December 2021		31 December 2020	
In RON	**+1%**	**-1%**	**+1%**	**-1%**
Financial instruments at fair value sensitive to market price	103,996	103,996	84,433	(84,433)

4. Financial risk management (continued)

d. Capital management

The Bank is in compliance with the regulatory capital requirements as of 31 December 2021 and as of 31 December 2020. The regulatory capital allocation is detailed below.

Regulatory Capital Allocation

- Credit Risk: The regulatory capital allocation for the credit risk is calculated according to the Standardized Approach.
- Risk of settlement/delivery related to the banking book
- Market Risk: The regulatory capital allocation for the foreign currency risk is calculated according to the Standardized Approach.
- Operational Risk: the Bank calculates the regulatory capital requirement for operational risk according to Basic Indicator Approach (NBR Regulation and EBA)

Other risks management

Taxation risk

The Romanian tax legislation provides for detailed and complex rules and has suffered various changes in the recent years. Interpretation of the text and practical implementation procedures of tax legislation could vary and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Bank's treatment.

The Romanian Government has a number of agencies that are authorized to conduct audits of companies operating in Romania. These audits are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Bank will continue to be subject to regular controls as new laws and regulations are issued.

Operational risk

In case of increase or decrease of net banking income by +/- 10% the impact on capital requirements is calculated below

	31 December 2021		31 December 2020	
In RON	**+10%**	**-10%**	**+10%**	**-10%**
Capital requirement for Operational risk sensitive to net banking income	1,963,710	(1,963,710)	1,707,756	(1,707,756)

5. Use of estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances

The Bank assesses and measures credit risk on all lending exposures. The measurements of allowances are built upon IFRS 9 requirements and result in the appropriate and timely recognition of ECL in accordance with the applicable accounting framework. ECL measurement occurs at the individual lending exposure level and also at the collective portfolio level by grouping exposures based on identified shared credit risk characteristics.

ECL post model adjustments

On top of the results obtained from modeling of risk parameters used in ECL calculation, the bank uses additional adjustments to account for the recent unfavorable economic developments arising from the increase in energy prices and resulting inflationary pressures and disruptions in the global supply. Such adjustments are additional increase of PD and LGD curves to compensate for future uncertainty

Allowances assessment take into account relevant factors and expectations at the reporting date that may affect the collectability of remaining cash flows over the life of a group of lending exposures or a single lending exposure. The Bank considers information which goes beyond historical and current data, and takes into account reasonable and supportable forward-looking information, including macroeconomic factors, which are relevant to the exposures being evaluated in accordance with the applicable accounting framework.

Under the general approach the loss allowances are recognized based on either 12M ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The simplified approach does not require the track of the changes in credit risk, but instead requires the recognition of a loss allowance based on lifetime ECLs right from origination.

The Bank uses general approach for credit portfolio and for banks and sovereign (low credit risk simplification) and the simplified approach for other assets than loans depending on the quality of the assets, they are classified in 3 stages. In the Stage 1 are included the performing loans, in Stage 2 the performing portfolio with significant increase in credit risk and in the Stage3 the defaulted financial assets. The Bank considers exposures to banks and sovereigns as having low credit risk (Stage 1) if the external ratings of these exposures at the reporting date are in the “investment grade” range.

Collective assessment

Stage 1 and 2 exposures are subject to collective assessment. For the purpose of determining a loss allowance on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis. The loans portfolio was split in 5 groups, the exposures on sovereigns and those to banks and the rest of the exposures have each dedicated groups as follows:

5. Use of estimates and judgments (continued)

Collective assessment (continued)

- Retail (Individuals) – individual clients
- Professionals – Clients in the category of liberal professions and other companies without legal form
- Corporate – Legal entities that are not included the Professionals or Agri categories
- Agri – customers working in the agricultural or related sectors
- Real Estate – Customers who are financed for real estate purpose, defined under the Credit Policy as loans granted to real estate developers who, as a result of their funding, earn revenues either from the sale of buildings or from renting them.

The Bank monitors that exposures within the groups remain homogeneous in terms of their response to credit risk drivers relevant and credit risk characteristics. The grouping of exposures are re-evaluated and exposures are re-segmented when significant change in the credit portfolio or changes in the Bank's risk profile occurs.

Stage 1 and 2 ECL diverge due to the maximum residual maturity considered: in case of exposures classified in Stage 1, 12 month horizon is considered as ceiling, while in case of transactions classified in Stage 2, lifetime horizon is considered. The key inputs into the measurement of ECLs include the following variables: probability of default (PD), LGD (loss given default) and exposure at default (EAD). PDs and LGDs are involved in collective computation of the Stage 1 and 2 ECLs (only LGDs are used for Stage 3 ECLs).

Individual assessment of impairment losses on loans and advances to customers

The purpose of estimating expected credit losses is neither to estimate a worst-case scenario nor to estimate the best-case scenario. Instead, an estimate of expected credit losses reflect the possibility that a credit loss occurs and the possibility that no credit loss occurs even if the most likely outcome is no credit loss. It is required the estimate of expected credit losses to reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes without the need for a large number of detailed simulations of scenarios. The expected credit losses reflect at least three outcomes. The scenarios and their probability occurrence for each of the scenarios are properly supported and documented and reflect the recovery stage and the recovery strategy at client level. The scenarios are updated whenever significant evolutions occur, in order to maintain their relevance. Refer also to the disclosures under Note 3d, 3f and 4a for more information regarding significant judgments related to impairment of financial assets.

Fair value of financial instruments at FVTPL

The Bank has a small portfolio of shares not kept for trading, which are accounted through profit and loss at fair value. These shares have been evaluated considering:

- The market price for listed companies (Elvila, Swift, Visa);
- Dividend discount model for those shares where the companies are not listed but they are providing dividends yearly (Transfond, Biroul de credit)

- **5. Use of estimates and judgments (continued)**

Individual assessment of impairment losses on loans and advances to customers (continued)

The Bank has a portfolio of assets available for sale resulted from the foreclosure process.

At 31 December 2021, the repossessed assets amounted 22,145,666 RON compared with 22,272,072 RON at 31 December 2019. The main asset in in this portfolio is HOTEL PROIECT SA in amount of 21,975,769 RON, which was executed in February 2020.

The main assumptions considering these evaluations were:

- going concern for all the companies evaluated that means cash flows that are being discounted or the dividends are, we assumed that the company will continue to be in business for the foreseeable future;
- dividend payout**,** where based on the past dividend payout of the company, its expected growth rates and its free cash flow, we could make an educated guess of what the dividend payout ratio for any given company will be.
- Macro-Economic Assumptions and Industry Assumptions where the expected growth rates have been assumed.
-

6. Net interest income

In RON	2021	2020
Interest income calculated using the effective interest method**:**		
Loans and advances to banks	5,056,917	5,575,496
Loans and advances to customers	343,890,479	322,759,061
Investment securities at amortized cost	30,172,261	30,440,546
Total interest income	**379,119,657**	**358,775,103**
Interest expense:		
Deposits from banks	(160,570)	(349,221)
Customers deposits and current accounts	(56,966,346)	(72,731,465)
Subordinated bonds	(1,057,595)	(799,663)
Lease liability	(1,960,698)	(1,706,297)
Borrowings	(2,498,484)	(1,062,464)
Total interest expenses	**(62,643,693)**	**(76,649,110)**
Net interest income	**316,475,964**	**282,125,993**

Interest income on loans and advances to customers includes RON 13,274,262 (2020: RON 10,583,965) representing interest income on impaired financial assets.

7. Net fee and commission income

In RON	2021	2020
Commission from collections and payments from customers operations	29,265,072	20,266,475
Commission from ATM and card transactions	25,798,321	18,968,699
Commissions related to lending business	8,582,758	4,660,989
Other commissions	336,360	1,596,039
Total commissions from contracts with customers	**55,399,753**	**40,831,214**
Commissions related to lending business	8,582,758	4,660,989
Total commission income	**63,982,511**	**45,492,202**
Commission expenses		
Expenses with commissions from interbank operations	(7,604,502)	(4,824,328)
Expenses related to payment operations	(13,102,074)	(9,367,225)
Other commissions	(4,452,202)	(1,567,231)
Total commission expenses	**(25,158,778)**	**(15,758,785)**
Net fee commission income	**38,823,733**	**29,733,417**

8. Other operating income

In RON	2021	2020
Dividend income	682,403	624,085
Other income	3,570,526	1,949,648
Total other operating income	**4,252,929**	**2,573,733**

9. Operating expenses

In RON	2021	2020
Personnel expenses *(i)*	(129,862,223)	(109,737,653)
Professional fees, rent and insurance	(26,271,483)	(13,059,897)
Repairs, maintenance and utilities	(5,803,173)	(5,707,558)
Other taxes *(ii)*	(15,180,778)	(12,127,245)
Amortization and depreciation expenses *(iii)*	(15,864,955)	(15,239,268)
Other expenses with services rendered	(5,243,311)	(3,978,415)
Other expenses with third parties	(2,318,515)	(22,581,014)
Other provisions *(Note 20)*	6,587,685	(11,100,544)
Other expenses *(iv)*	(2,959,915)	(1,400,000)
Total operating expenses	**(196,916,667)**	**(193,531,594)**

9. Operating expenses (continued)

(i) The Bank had 1,027 employees at 31 December 2021 and 941 employees at 31 December 2020. The average number of employees was 980 and 933 during the year end 31 December 2021, 2020 respectively.

The split of personnel expenses per management and operating personnel is as follows:

	31 December 2021		31 December 2020	
	No. of employees	Salary costs	No. of employees	Salary costs
In RON				
Operating personnel	933	99,472,969	857	86,470,394
Management personnel	94	30,389,254	84	23,267,259
	1,027	**129,862,223**	**941**	**109,737,653**

(ii) In 2021, the Bank recognized in this line the amortization of the Right of Use Asset for Operational Leasing amounting to RON 11,518,326 (2020: 10,785,624 RON)

(iii) Expenses with KPMG Audit SRL representing audit services provided in 2021 are in amount of RON 741.09 thousand. The total audit expenses for 2020 were in amount of RON 460.7 thousand.

(iv) Other expenses presented above representing in principal the sponsorships of the Bank and income(loss) from disposal assets

	2021	2020
Expenses with sponsorships	(3,191,391)	(1,400,000)
Income from disposal assets	231,476	-
Total other expenses	**(2,959,915)**	**(1,400,000)**

10. Impairment losses on financial instruments

In RON	2021	2020
Net charge/(release) of expected losses for nostro accounts	(116,402)	(9,039)
Net charge of expected losses for investment securities	(4,997)	6,098
Net charge of expected losses for loans and advances to customers	10,770,372	(109,787,728)
Revenues from loans previously written-off	5,758,553	5,743,766
Total impairment loss on financial instruments	**16,407,525**	**(104,046,903)**

The movement in the expected loss accounts is presented below:

10. Impairment losses on financial instruments (continued)

In RON	Expected losses for nostro accounts	Expected losses for investment securities	Expected losses for loans and advances to customers	Total
1 January 2020	**82,337**	**114,082**	**61,771,305**	**61,967,724**
Net impairment charge	9,039	(6,098)	109,787,728	109,787,728
Impairment allowance of loans written-off	-	-	(5,743,766)	(5,743,766)
E/R differences	373	157	956,717	957,247
Unwinding	-	-	388,722	388,722
31 December 2020	**91,749**	**108,141**	**167,160,706**	**167,360,596**
Net impairment charge	116,402	4,997	(10,770,372)	-23,831,832
Impairment allowance of loans written-off			(5,758,553)	(5,758,552)
E/R differences	1,921	33	134,946	136,900
Transition reserve				-
Unwinding	-		642,219	642,218
31 December 2021	**210,072**	**113,180**	**151,408,945**	**151,732,199**

11. Income tax expenses

Income tax comprises:

In RON	2021	2020
Current tax expense	(29,201,390)	7,624,282
Deferred tax (income)/expense	(1,656,736)	(1,790,164)
Total income tax expense	**(30,858,126)**	**5,834,118**

Reconciliation of income before tax with the Statement of Comprehensive income is presented below

	2021	2020
Gross profit before tax	**211,993,655**	**43,846,979**
Taxation at statutory rate of 16%	**33,918,985**	**7,015,517**
Non-deductible expenses	6,732,839	3,528,064
Non-taxable revenues	(6,497,649)	(3,309,462)
Corporate income tax before fiscal credit	**34,154,175**	**7,234,119**
Fiscal credit from sponsorship and fiscal credit	(3,296,049)	(1,400,000)
Total income tax expense	**30,858,126**	**5,834,119**

11. Income tax expenses (continued)

The main sources of tax recognition of temporary differences are presented below:

In RON	2021	2020
Taxable/(deductible) temporary differences:		
Provisions	(13,228,963)	(20,596,237)
Tangible and intangible assets	(409,019)	(481,901)
Total temporary differences	**(13,637,982)**	**(21,078,138)**
Deferred tax assets at 16%	**(2,182,077)**	**(3,372,502)**

The provision, which are not deductible and which are generating deferred tax mainly comprise of provisions for litigations, provisions for postponed bonuses and provisions for undrawn loan commitments and financial guarantees (see Note 20).

The change in deferred tax is presented in the table below:

In RON	2020	charge 2020 or reversal in reserves	2021
Tangible and intangibles assets	(77,104)	11,661	(65,443)
Operational provisions	(3,295,398)	1,178,764	(2,116,634)
Total	**(3,372,502)**	**1,190,425**	**(2,182,077)**

12. Cash and current accounts with banks

Cash and current account with banks comprise the following balances with initial maturity less than 3 months:

In RON	31 December 2021	31 December 2020
Cash on hand	91,511,155	82,219,566
Loans and advances to banks, of which	406,160,803	689,560,214
Nostro accounts with banks	244,441,713	*198,328,227*
Term deposits with banks	161,719,091	*491,231,988*
Total	**497,671,958**	**771,779,781**
Investments with remaining maturity of up to 3 months	204,719,458	49,268,933
Total cash and cash equivalents (Cash-flow)	**702,391,416**	**821,048,713**

At December 31, 2021 and 2020 term deposits with banks included deposits with banks in Romania in RON, EUR and USD with remaining maturities of up to 1 month.

At 31 December 2021 and 2020, the interest rates on term deposits with banks were as follows:

12. Cash and current accounts with banks (continued)

Initial currency	31 December 2021	31 December 2020
RON	2.00% - 2.35%	1.75% - 2.75%
USD	0.03% - 0.07%	0.07% - 1.5%
EUR	-	-

13. Loans and advances to National Bank of Romania

Current accounts with the National Bank of Romania in amount of RON 2,397,623 thousand (31 December 2020: 867,637 thousand) include balances in RON, USD and EUR and are used for domestic payments (Settlement account Target 2) and for maintaining minimum mandatory reserves (RMO).

The structure of the Loans and advances to National Bank of Romania are presented in the table below

	31 Dec 2021	31 Dec 2020
Current account with NBR for RMO (RON)	1,514,417,711	506,303,830
Current account with NBR for RMO (foreign currency)	310,482,219	135,114,970
Settlement Account Target 2	572,723,542	226,218,697
Total current accounts with NBR	**2,397,623,472**	**867,637,497**

The National Bank of Romania requires commercial banks to maintain an amount calculated as a percentage of their funding other than local inter-bank originated for achieving the monetary policy targets. As of 31 December 2021 the required rate for RON and foreign currency compulsory reserves was 8% for ON and 5% for foreign currency, while in 2020 it was the same. As of 31 December 2021 and 2020, the interest rates on current accounts balances with the National Bank of Romania were as follows:

Initial currency	31 December 2021	31 December 2020
RON	0.13%	0.11%
USD	0.01%	0.01%
EUR	0.00%	0.00%

14. Loans and advances to customers

In RON	31 December 2021	31 December 2020
Loans and advances to customers	5,592,230,160	4,800,303,015
Allowance for expected credit losses (Note 10)	(151,408,946)	(167,160,706)
Total	**5,440,821,214**	**4,633,142,309**

14. Loans and advances to customers (continued)

At 31 December 2021 and 2020, loan interest rates were as follows:

Initial currency	31 December 2021	31 December 2020
RON	0%-21.25%	0%-21.25%
EUR	0%-13.9%	0%-13.9%
USD	0%-12.5%	0%-12.5%

15. Other assets

In RON	31 December 2021	31 December 2020
Prepayments	3,092,979	2,913,323
Cash in transit (from ATM network supplier)	27,830,960	20,648,750
Warranty deposits paid and sundry debtors	11,736,168	11,624,681
Suspense accounts	11,600,037	40,205,567
Total	**54,260,144**	**75,392,321**

During 2021 and 2020 the Bank has recognized dividend income from Transfond SA in the amount of RON 634,340 (2020: RON 540,696), RON 41,710 from VISA (2020: RON 76,039) and from Biroul de Credit in the amount of 6,353 RON (2020: RON 7,350).

16. Investments

In RON	31 December 2021	31 December 2020
Financial assets amortized cost		
Government debt securities	1,100,941,923	865,399,420
Allowance for expected credit losses	(113,180)	(108,142)
Financial assets fair value through P&L		
Equity securities	13,403,252	11,370,482
Financial assets at cost		
Investment in associate (separate financial statements)	7,840,000	7,840,000
Total	**1,122,071,995**	**884,501,760**

At 31 December, 2021, the investments include bonds denominated in RON and EUR and bearing coupon with interest rates between (3.4% - 5.85%) p.a. for RON and 2.38% p.a. for EUR.

16. Investments (continued)

At 31 December 2021, part of the portfolio of government bonds in the amount of RON 33,521,661 (31 December 2020: RON 33,133,759) is pledged in favor of the National Bank of Romania

Details of Equity securities are as follows:

Company name	Activity	Place of incorporation	Ownership interest	Carrying amount (RON) 31 December 2021	Carrying amount (RON) 31 December 2020
Casa de Compensare București	Clearing and settlement house	Romania		-	-
Transfond SA	Money transfers	Romania	2,56%	2,953,366	2,931,559
Biroul de Credit	Bank information services	Romania	0,18%	50,267	52,895
SWIFT	Money transfers	Belgium	17 shares	1,677,802	437,927
Elvila S.A.	Furniture, trade and manufacture	Romania	1,84%	349,885	447,353
Visa			50 pref shares	8,371,932	7,348,950
Total equity securities fair value				**13,403,252**	**11,218,685**

Investments in Associate

In 2021, the Bank recognized its share of 49% of the loss of the investment in associate, namely in LIBRA Development IFN SA, amounting to RON 309,559. There were no dividends received in 2021 from the associate.

The summarized unaudited financial information of the associate is as follows:

Statement of Financial position	31-Dec-21
Assets	
Cash and cash equivalents	745,711
Loans and advances to customers	88,933,234
Property plant and equipment	1,065,903
Intangible assets	408,441
Deferred tax asset	112,159
Other receivables	79,742
Total assets	**91,345,190**
Equity and liabilities	

Statement of comprehensive Income	2021
Interest revenue	3,895,733
Interest expenses	(1,994,087)
Net interest income	**1,901,646**
Commission income	25,281
Commission expenses	(3,997)
Net commission income	**21,285**

Financial liabilities	
Borrowings from banks	74,204,629
Lease liabilities	936,359
Current tax payables	1,829
Other payables	851,243
Provisions	24,447
Total liabilities	**76,018,507**
Issued capital	16,000,000
Other reserves	-
Retained earnings	(673,317)
Total equity	**15,326,683**
Total equity and liabilities	**91,345,190**

Net impairment on financial assets and commitments	(617,079)
Other income	-
Net operating income	**1,305,852**
Personnel expenses	(1,346,432)
Amortization expenses	(330,235)
Other operating expenses	(321,691)
FX differences	(15,510)
Total operating expenses	**(2,013,868)**
Loss before tax	**(708,017)**

The associate started the operations effectively in 2021 after receiving the approval from National Bank of Romania and its financial situation in 2020 is described below:

In RON	**31 December 2020**
Cash and cash equivalents	15,514,355
Tangible and intangible assets	415,713
Other liabilities	(2,110)
	2020
Revenues (interest income)	109,397
Operating expenses	104,273

For the individual financial statements, the investment in associates is as follows:

In RON	**2021**	**2020**
Balance as of 1 January	7,819,674	-
Acquisition of associate	-	7,840,000
Share of loss of associate	(309,599)	(20,326)
Balance as of 31 December	**7,510,075**	**7,819,674**

17. Tangible and intangible fixed assets

a. Property plant and equipment

In RON	Land and buildings	Office equipment	Vehicles	Fix assets in progress	Right of use asset	Total
COST						
At 31 December 2019	**7,811,499**	**12,584,395**	**7,432,534**	**214,172**	**63,018,756**	**91,061,355**
Additions	106,661	3,216,747	436,704	3,720,734	10,213,873	17,694,719
Disposals	-	-	(411,116)	(3,760,110)	(3,718,700)	(7,889,926)
At 31 December 2020	**7,918,160**	**15,801,142**	**7,458,122**	**174,796**	**69,513,929**	**100,866,148**
Additions	-	724,089	0	708,999	8,512,588	9,836,412
Disposals	-	-874,471	-300,997	-724,089	-411,824	-2,202,117
At 31 December 2021	**7,918,160**	**15,650,760**	**7,157,125**	**159,707**	**77,614,693**	**108,500,446**

ACCUMULATED DEPRECIATION AND IMPAIRMENT

In RON	Land and buil	Office equipment	Vehicles	Fix assets in progress	Right of use asset	Total
At 31 December 2019	**(4,824,982)**	**(9,169,185)**	**(5,504,993)**	**-**	**(11,441,547)**	**(30,940,707)**
Charge for the year	(404,059)	(1,790,346)	(695,209)	-	(10,334,341)	(13,223,954)
Disposals	-	-	411,116	-	-	411,116
At 31 December 2020	**(5,229,041)**	**(10,959,531)**	**(5,791,752)**	**-**	**(21,775,888)**	**(43,756,717)**
Charge for the year	(357,806)	(1,764,847)	(669,706)		(11,518,326)	(14,310,685)
Disposals	-	831,769	300,997		411,824	1,544,591
At 31 December 2021	**(5,586,846)**	**(11,892,609)**	**(6,160,462)**		**(32,882,390)**	**(56,522,307)**
NET BOOK VALUE – TANGIBLE ASSETS						
At 31 December 2020	**2,689,120**	**4,841,105**	**1,666,369**	**174,796**	**47,286,658**	**57,109,432**
At 31 December 2021	**2,331,314**	**3,758,153**	**996,663**	**159,707**	**44,732,303**	**51,978,139**

17. Tangible and intangible fixed assets (continued)

b. Intangible assets

In RON	Intangible Assets	Intangible Assets in progress	Total
COST			
At 31 December 2019	**21,332,962**	**1,076,611**	**22,409,573**
Additions	997,959	1,362,191	2,360,150
Disposals	-	(997,959)	(997,959)
At 31 December 2020	**22,402,130**	**1,440,843**	**23,842,974**
Additions	1,843,476	832,091	2,746,776
Disposals	(2,415,485)	(1,914,685)	(4,330,170)
At 31 December 2021	**21,830,121**	**358,249**	**22,188,370**
ACCUMULATED DEPRECIATION			
At 31 December 2019	**(18,707,302)**	**-**	**(18,707,302)**
Charge for the year	(1,564,030)	-	(1,564,030)
Disposals	-	-	-
At 31 December 2020	**(20,271,332)**	**-**	**(20,271,332)**
Charge for the year	(1,554,270)		(1,554,270)
Disposals	2,140,029		2,140,029
At 31 December 2021	**(19,685,574)**		**(19,685,574)**
NET BOOK VALUE			
At 31 December 2020	**2,059,588**	**1,440,843**	**3,500,431**
At 31 December 2021	**2,144,547**	**358,249**	**2,502,796**

18. Deposits from customers

	31-Dec-2021		
In RON	RON	Foreign currency	Total
On demand	2,621,732,632	1,097,570,152	3,719,302,784
Term deposits	2,776,982,181	1,285,148,339	4,062,130,520
Total	**5,398,714,813**	**2,382,718,491**	**7,781,433,303**

	31-Dec-2021		
In RON	RON	RON	RON
On demand	1,979,125,024	598,914,537	2,578,039,561
Term deposits	2,717,160,144	1,109,896,420	3,827,056,564
Total	**4,696,285,168**	**1,708,810,957**	**6,405,096,125**

18. Deposits from customers (continued)

As of 31 December 2021 and 2020, the interest rates on term deposits were as follows:

Initial currency	31 December 2020	31 December 2019
RON	0%-5.5%	0%-5.5%
EUR	0%-2.5%	0%-2.5%
USD	0%-1.3%	0%-1.9%

As of 31 December 2020, the interest payable on current accounts balances were between 0% - 2.75% p.a. on current accounts in RON, 0%-0.1% p.a. on current accounts in EUR and 0%p.a. on current accounts in USD.

The Bank had significant balances held by the entities – members of Broadhurst Group NCH, the ultimate shareholder, on current accounts and term deposits amounting to RON 249,022,895 as of 31 December 2021 and RON 237,960,000 as of 31 December 2020. At 31 December 2021 the amount exceeded 10% of the Bank's equity. The average interest rate at deposits attracted from related parties is of 0.36% RON equivalent.

19. Loans from financial institutions and bonds issued

The Bank has signed one facility agreement with European Investment Fund. The disbursed amount in EUR at 31.12.2021 was 3,125,000 EUR having an interest rate of 1.27% (1.28% as of 31 December 2020).

The Bank signed a facility agreement with BERD in 10 January 2018 with maturity on 10 July 2022. The disbursed amount as 31 December 2021 was RON 6,657,857, having an interest rate of 2.84%.

On September 22-23 and November 11 2021, the Bank sold in a private placement, a number of 400 MREL eligible (minimum required eligible stable liabilities) senior bonds, nominative, dematerialized, unsecured and non-convertible, denominated in Euro, worth EUR 40 million. Each bond has a nominal value of EUR 100,000, with a 7-year maturity and a fixed coupon rate of 4.25% per year, paid annually.

The total balance of the bonds issued both in 2020 and 2021 as 31 December 2021 is EUR 44.3 million representing principal amount.

20. Other provisions

In RON	Provisions for credit commitments and financial guarantees g	Provision for litigation	Other provisions	Total
As 31 Dec 2020	**5,787,759**	**2,446,433**	**12,050,050**	**20,284,242**
Net drecrease of provision	**-2,063,595**	**138,583**	**-4,662,673**	**-6,587,685**
E/R differences	**-113,744**	**0**	**2,277**	**-111,467**
As 31 Dec 2021	**3,610,421**	**2,585,016**	**7,389,654**	**13,585,091**

20. Other provisions (continued)

During 2021, the total other provisions decreased by 6,699,152 RON, while the provision made for postponed bonuses management decreased by 3,756,394 RON due to the cancelation part of it in the pandemic context.The provision for off balance sheet loans and financial guaranties decreased by 2,177,339 RON.

The bonuses management consists of 50% cash, payable in one year for performance realized in last year and 50% postponed at exit time- minimum three years. In the case of Libra Internet Bank SA, this component represents an adjusted part of the profit realized following the sale of the bank under certain favorable conditions for making this sale (exit securities), under the conditions established contractually with the bank's directors.

21. Other liabilities

In RON	31 December 2021	31 December 2020
Social security, payroll and other taxes payable *(i)*	3,553,919	2,884,514
Leasing Liability	49,178,321	50,835,236
Other creditors	23,895,118	19,462,663
Total	**76,627,358**	**73,182,413**

22. Share capital

In RON	31 December 2021	31 December 20120
Share capital at nominal value	462,616,000	462,616,000
Effect of hyperinflation adjustments up to 31 December 2003	43,549,200	43,549,200
Total share capital	**506,165,200**	**506,165,200**

The shareholders structure as of 31 December 2021 and 2020 is as follows:

	31 December 2021			31 December 2020		
Shareholder	**No. of shares**	**Nominal value**	**%**	**No. of shares**	**Nominal value**	**%**
Broadhurst Investments Ltd.	14,021	22,000	66.67%	14,021	22,000	66.67%
Romarta SA	5,796	22,000	27.56%	5,796	22,000	27.56%
Metex Big SA	-	-	0.00%	-	-	0.00%
Andrei Siminel Cristian	1,205	22,000	5.73%	1,205	22,000	5.73%
Other	6	22,000	0.04%	6	22,000	0.04%
TOTAL	**21,028**		**100%**	**21,028**		**100%**

22. Share capital (continued)

There were no changes in the capital structure during 2021. The value of the capital remained the same

23. Other reserves

Other reserves consist of legal reserves and general risk reserve established in accordance with Romanian legislation.

	31 December 2020	31 December 2019
Legal reserve	33,826,254	23,226,572
General reserve for credit risk	418,133	418,133
General risk reserve	241,330	241,330
Retained earnings	191,818,547	199,029,646
Total	**226,304,264**	**222,915,681**

The legal reserve is established in accordance with Romanian law through allocation of 5% from the gross profit until the reserve reaches 20% from share capital. This reserve is allocated from gross profit and is deductible for income tax purposes. In 2021, the Bank has allocated to the legal reserve the amount of 10,599,683 RON representing 5% of the gross profit recorded in 2021. The remaining amount of 2020 profit amounting to RON 35,788,898 RON was allocated to retain earnings according to the shareholders meeting from April 2021.

In 2020, the Bank has allocated to the legal reserve the amount of 2,192,349 RON representing 5% of the gross profit recorded in 2020.

The remaining amount of 2019 profit amounting to RON 108,643,548 was allocated to retain earnings according to the decision of the shareholders from April 2020.The general risk reserve is established in accordance with Romanian law and is equal to a minimum 1% of risk bearing assets. This reserve cannot be distributed to the shareholders. Any release of this reserve is transferred to the profit and loss account. The credit risk reserve was established historical according to Romanian Law and if it will be used for other reasons than credit risk, than a tax of 16% will be paid.

24. Commitments and contingencies

Letters of guarantee

The aggregate amounts of outstanding letters of guarantee at 31 December 2021 and 31 December 2020 are:

	31 December 2021	31 December 2020
Letters of guarantee in RON		
secured by mortgage	19,188,860	20,187,530
secured by cash	16,368,448	45,115,049
secured by other instruments	187,211	2,949,597
secured by pledge	0	0
Total	**35,744,520**	**68,252,176**

24. Commitments and contingencies (continued)

Letters of guarantee in foreign currency		
secured by cash	6,318,598	5,725,505
secured by mortgage	5,962,465	2,990,293
secured by other instruments	1,046,401	3,935,728
Total	**13,327,464**	**12,651,526**
Total letters of guarantee	**49,071,984**	**80,903,702**

In RON	**31 December 2021**	**31 December 2020**
Undrawn loan commitments	**2,111,315,548**	**1,496,285,977**
Letters of guarantees	**49,071,984**	**80,903,702**
Total Undrawn loan commitments and guarantees	**2,160,387,532**	**1,577,189,679**

At 31 December 2021 the Bank has a funding commitment from Broadhurst Investments Limited amounting to RON 262.24 mil (USD 60,000,000) with a due date on October 15, 2022.

This funding commitment is unconditional, irrevocable and ca be used at any time to protect the Bank Liquidity Management related to contingencies.

For both letters of guarantee and letters of credit issued in RON, the following arrangement was in place: the Bank granted credit line facilities to its customers, mainly secured by mortgage and cash collateral, and subsequently it issued such letters of guarantee and letters of credit within the limits initially approved for the credit lines.

25. Fair value of financial instruments

Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at transaction date where available, fair value is based on quoted market prices. However, no readily available market prices exist for a part of the Bank's financial instruments. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing techniques as appropriate. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. Therefore, the calculated fair value estimates cannot be realized in a current sale of the financial instrument.

(a) Cash and balances with Central Banks

The carrying values of cash and balances with the central bank are generally deemed to approximate their fair value.

(b) Due from banks

Amounts due from banks include balances on Nostro accounts and short term deposits with maturity up to one month. The carrying amount approximates the fair value.

25. Fair value of financial instruments (continued)

(c) Loans and advances to customers

The fair value of variable-yield loans that regularly change their prices without any significant change in credit risk, generally approximates the value reported. On 31 December 2021, the loans at fixed interest rates amount to RON 36,888,276 of the total portfolio and their fair value is RON 68,605,010. On 31 December 2020, the loans at fixed interest rates amount to RON 65,901,874 of the total portfolio and their fair value is RON 98,380,555.

(d) Amounts due to banks, borrowings and customers deposits

The amounts due to banks include short term deposits with maturity of up to one month. The estimated fair value of amounts due to banks approximates the amounts reported. The fair value of deposits payable on demand equals the carrying value of the amounts payable on demand as at the balance sheet date. The fair value of term deposits at variable interest rates approximates their reported values as at the balance sheet date.

At 31 December 2021 the fixed interest rates deposits amounted to RON 4,044,618,199 RON and their fair value amounted to RON 4,020,327,610.

At 31 December 2020 the fixed interest rates deposits amounted to RON 3,813,322,632 RON and their fair value amounted to RON 3,610,838,555.

Upon the classification of the fair value of the financial instruments, the fair value hierarchy is used to reflect the significance of the data input used to make the respective valuations.

The fair value hierarchy comprises the following three levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- inputs, other than quoted prices, included within level 1, that are observable for the assets or liabilities, either directly (that is as prices), or indirectly (that is derived from prices) (level 2).
- inputs for assets or liabilities that are not based on observable market data (unobservable inputs) (level 3).

The classification of the fair value of the financial assets of the Bank on the three levels is presented as follows:

	31 December 2021				
In RON	**Carryng amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	91,511,155	-	91,511,155	-	91,511,155
Balance due from the National Bank of Romania	2,397,623,472	2,397,623,472	-	-	2,397,623,472
Deposits and accounts with banks	406,160,803	406,160,803	-	-	406,160,803
Loans and advances to customers	5,440,821,215	-	-	5,485,720,808	5,485,720,808
State debt securities	1,100,828,743	-	1,096,467,722	-	1,096,467,722
Equity securities	13,403,252	-	-	13,403,252	13,403,252
Total assets	**9,450,348,639**	**2,803,784,275**	**1,187,978,877**	**5,499,124,060**	**9,477,704,352**

25. Fair value of financial instruments (continued)

	31 December 2021				
In RON	**Carryng amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Customer deposits and saving accounts	7,781,433,304	-	-	7,757,142,715	7,757,142,715
Loans from financial institutions	22,017,455	22,017,455	-	-	22,017,455
Bonds issued	221,659,495	-	221,680,754	-	221,680,754
Amounts in transit related to corresponding banks	28,306,474	28,306,474	-	-	28,306,474
Total liabilities	**8,053,416,728**	**50,323,929**	**221,680,754**	**7,757,142,715**	**8,029,147,398**

We assumed that the unquoted securities are kept at fair value through profit and loss and those valuated using quoted prices (Elvila, Swift and Visa) we classified in level 1 and those valuated with Dividend model we classified in level 3 (Transfond and Biroul de credit).

Loans and deposits with fix rates have been discounted at market prices and it was calculated their fair values.

	31 December 2020				
In RON	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	82,219,566		82,219,566		82,219,566
Balance due from the National Bank of Romania	867,637,497	867,637,497	-	-	867,637,497
Deposits and accounts with banks	689,384,691	689,384,691	-	-	689,384,691
Loans and advances to customers	4,633,142,309	-	-	4,663,361,981	4,663,361,981
State debt securities	865,291,278		893,368,566		893,368,566
Equity securities	19,210,482			19,210,482	19,210,482
Total assets	**7,156,885,823**	**1,557,022,188**	**975,588,132**	**4,682,572,463**	**7,215,182,783**
Customer deposits and saving accounts	6,405,096,125			6,202,436,525	6,202,436,525
Loans from financial institutions	31,454,700	31,454,700	-	-	31,454,700
Amounts in transit related to corresponding banks	19,921,878	19,921,878	-	-	19,921,878
Total liabilities	**6,456,472,703**	**51,376,578**	**-**	**6,202,436,525**	**6,253,813,103**

26. Related party transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

The Bank has transactions with entities – members of Broadhurst Group NCH, the ultimate shareholder, as well as with key members of the management, which are summarized below:

31 December 2021	Parent	Associate	Key personnel	Other interest	Total
Loans or advances to customers	-	-	2,123,920	76,411,891	78,535,811
TOTAL ASSETS	**-**	**-**	2,123,920	76,411,891	78,535,811
Deposits from customers	311,338		13,427,639	236,649,571	250,388,548
TOTAL LIABILITIES	**311,338**	**-**	**13,427,639**	**236,649,571**	**250,388,548**
Interest income	-	-	39,352	2,634,763	2,674,115
Interest expense	(3,725)	-	(64,813)	(952,240)	(1,020,778)
Commission income	60,830	-	4,801	1,034,318	1,099,949
Commission expenses	946		22	11,262	12,230
Provision income with long term benefits	-	-	4,756,394	-	4,756,394
Commitments issued	-	-	-	-	-
Commitments received	262,242,000	-	-	-	262,242,000

31 December 2020	Parent	Associate	Key personnel	Other interest	Total
Loans or advances to customers	-	-	1,084,879	9,987,513	**11,072,392**
TOTAL ASSETS	**-**	**-**	1,084,879	9,987,513	**11,072,392**
Deposits from customers	131,317	-	18,704,867	194,477,138	**213,182,005**
TOTAL LIABILITIES	**131,317**	**-**	**18,704,867**	**194,477,138**	**213,182,005**
Interest income	-	-	24,127	1,153,280	**1,177,407**
Interest expense	(6,249)	-	-97,532	-1,651,728	**-1,755,509**
Commission income	60,660	-	5,088	671,056	**736,804**
Commission expenses				(11,013)	**(11,013)**
Provision expense with long term benefits	-	-	-5,510,697	-	**-5,510,697**
Commitments issued	2,379,600	-	290,084	6,207,833	**8,877,517**
Commitments received	237,960,000	-	-	-	**237,960,000**

26. Related party transactions *(continued)*

Key management personnel compensation is as follows:

In RON	31 December 2021	31 December 2020
Expense with short-term benefits (salaries and short term bonuses)	6,387,555	8,339,658
Expense (revenue) with Long-term benefits deferred	(4,756,394)	5,510,697

In Group entities there are: companies' shareholders of the bank, companies owned by the shareholders and companies where the shareholders owns the control.

27. Reporting by segments

The products and services offered by the Bank are addressed to both individuals and legal entities, focusing on five main areas of activity in terms of landing and attracting resources:

- Individuals;
- Small companies, comprising clients from: professionals, agriculture and companies with turnover less than 4 mil EUR;
- Big companies, comprising companies with turnover over 4 mil EUR;
- Treasury comprising activity of dealing, foreign exchange, placements of liquidity excess.
- Other and General Management where there are all other activities not allocated on the business lines described above.

The net interest income is calculated as interest income minus interest expenses and there result is not adjusted with any in-house adjustment related to surplus or deficit of resources by business lines.

The separate statements of profit and loss and other comprehensive income by segments and Statement of financial position by segments are presented below:

27. Reporting by segments (continued)

Separate Statement of financial position by segments 2021

	Individuals	Small companies	Big companies	Treasury	Others and GM	TOTAL
Assets						
Cash at hand	-	-	-	-	91,511,155	91,511,155
Financial assets at fiar value through profit and loss	-	-	-		13,403,252	13,403,252
Loans and advances to National Bank of Romania	-	-	-	2,397,623,472	-	2,397,623,472
Loans and advances to banks	-	-	-	406,160,803	-	406,160,803
Loans and advances to customers	361,071,647	1,701,480,786	3,378,268,780	-	-	5,440,821,214
Investments securities at amortized cost	-	-	-	1,100,828,743		1,100,828,743
Investment in associates	-	-	-	-	7,840,000	7,840,000
Assets held for sale	-	-	-	-	22,145,666	22,145,666
Property and equipment	-	-	-	-	51,978,139	51,978,139
Intangible assets	-	-	-	-	2,502,796	2,502,796
Deferred tax asset	-	-	-	-	1,715,766	1,715,766
Other assets	-	-	-	-	54,260,144	54,260,144
Total assets	**361,071,647**	**1,701,480,786**	**3,378,268,780**	**3,904,613,018**	**245,356,918**	**9,590,791,150**
Liabilities and Equity						
Deposits from customers	2,567,091,029	2,380,888,763	2,833,453,511	-	-	7,781,433,303
Deposits from other banks	-	-	-	552,427,978	-	552,427,978
Subordinated liabilities	-	-	-	22,017,455	-	22,017,455
Titluri emise	-	-	-	221,659,495	-	221,659,495
Provisions	-	-	-	-	13,585,091	13,585,091
Current tax liability	-	-	-	-	22,141,492	22,141,492
Other liabilities	-	-	-	-	73,089,214	73,089,214
Total liabilities	**2,567,091,029**	**2,380,888,763**	**2,833,453,511**	**796,104,928**	**108,815,797**	**8,686,354,028**
Equity						-
Share capital	-	-	-	-	506,165,200	506,165,200
Reserves	-	-	-	-	226,335,878	226,335,878
Retained earnings	-	-	-	-	171,936,044	171,936,044
Total equity	-	-	-	-	**904,437,122**	**904,437,122**
Total liabilities and equity	**2,567,091,029**	**2,380,888,763**	**2,833,453,511**	**796,104,928**	**1,013,252,919**	**9,590,791,150**

27. Reporting by segments (continued)

Separate Statement of financial position by segments 2020

	Individuals	Small companies	Big companies	Treasury	Others and GM	TOTAL
Assets						
Cash at hand	-	-	-	-	82,219,566	82,219,566
Financial assets at fiar value through profit and loss	-	-	-		11,370,482	11,370,482
Loans and advances to National Bank of Romania	-	-	-	867,637,497	-	867,637,497
Loans and advances to banks	-	-	-	689,560,214	-	689,560,214
Loans and advances to customers	155,052,059	1,387,781,132	3,090,309,119	-	-	4,633,142,309
Investments securities at amortized cost	-	-	-	865,291,278		865,291,278
Investment in associates	-	-	-	-	7,840,000	7,840,000
Assets held for sale	-	-	-	-	22,272,072	22,272,072
Property and equipment	-	-	-	-	57,109,432	57,109,432
Intangible assets	-	-	-	-	3,500,431	3,500,431
Deferred tax asset	-	-	-	-	3,372,502	3,372,502
Other assets	-	-	-	-	75,392,320	75,392,320
Total assets	**155,052,059**	**1,387,781,132**	**3,090,309,119**	**2,422,488,989**	**263,076,805**	**7,318,708,103**
Liabilities and Equity						
Deposits from customers	2,196,805,109	1,826,261,381	2,382,029,635	-	-	6,405,096,125
Deposits from other banks	-	-	-	-	-	-
Subordinated liabilities	-	-	-	31,454,700	-	31,454,700
Titluri emise	-	-	-	21,196,508	-	21,196,508
Provisions	-	-	-	-	20,284,242	20,284,242
Current tax liability	-	-	-	-	1,192,522	1,192,522
Other liabilities	-	-	-	-	73,182,413	73,182,413
Total liabilities	**2,196,805,109**	**1,826,261,381**	**2,382,029,635**	**52,651,208**	**94,659,177**	**6,552,406,510**
Equity						-
Share capital	-	-	-	-	506,165,200	506,165,200
Reserves	-	-	-	-	222,915,683	222,915,683
Retained earnings	-	-	-	-	37,220,710	37,220,710
Total equity	-	-	-	-	**766,301,593**	**766,301,593**
Total liabilities and equity	**2,196,805,109**	**1,826,261,381**	**2,382,029,635**	**52,651,208**	**860,960,770**	**7,318,708,103**

27. Reporting by segments (continued)

Separate Statement of Profit and Loss and other comprehensive income by segments 2021

	Individuals	Small companies	Big companies	Treasury	Others and GM	TOTAL
Interest income calculated using the effective interest method	11,008,581	113,278,260	219,603,638	35,229,178	-	379,119,657
Interest expenses	(26,425,301)	(14,190,125)	(15,982,249)	(6,046,018)	-	(62,643,693)
Net interest income	(15,416,720)	99,088,136	203,621,389	29,183,160	-	316,475,964
Fee and commission income	3,004,211	17,836,150	31,137,029	336,149	11,668,972	63,982,511
Fee and commission expense	(681,561)	(2,342,369)	(10,078,143)	(7,604,502)	(4,452,202)	(25,158,778)
Net fee and commission income	2,322,650	15,493,781	21,058,885	(7,268,353)	7,216,770	38,823,733
Net income from financial instruments at FVTPL	-	-	-	-	84,841	84,841
Share of loss from Associates	-	-	-	-	-	-
Net gain from foreign exchange transactions and revaluation	4,755,004	7,316,933	20,129,327	664,066	-	32,865,329
Other operating income	31,387	125,946	196,187	-	3,899,410	4,252,930
Total operating income	**(8,307,680)**	**122,024,796**	**245,005,788**	**22,578,873**	**11,201,021**	**392,502,797**
Personnel expenses	(962,961)	(16,095,212)	(10,179,878)	(550,264)	(102,073,908)	(129,862,223)
Amortization and depreciation	(117,643)	(1,966,313)	(1,243,651)	(67,224)	(12,470,124)	(15,864,955)
Other operating expenses	(379,583)	(6,344,460)	(4,012,735)	(216,905)	(40,235,806)	(51,189,489)
Total operating expenses	(1,460,187)	(24,405,985)	(15,436,264)	(834,393)	(154,779,838)	(196,916,667)
Profit before impairments and tax	(9,767,867)	97,618,811	229,569,524	21,744,480	(143,578,817)	195,586,130
Impairment losses on financial instruments	269,910	3,821,733	12,315,882	-	-	16,407,525
Profit before tax	**(9,497,958)**	**101,440,544**	**241,885,406**	**21,744,480**	**(143,578,817)**	**211,993,655**
Income tax expenses	1,382,537	(14,765,843)	(35,209,216)	(3,177,510)	20,911,905	(30,858,126)
Net profit for the year	**(8,115,420)**	**86,674,701**	**206,676,190**	**18,566,970**	**(122,666,912)**	**181,135,529**
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**(8,115,420)**	**86,674,701**	**206,676,190**	**18,566,970**	**(122,666,912)**	**181,135,529**

27. Reporting by segments (continued)

Separate Statement of Profit and Loss and other comprehensive income by segments 2020

	Individuals	Small companies	Big companies	Treasury	Others and GM	TOTAL
Interest income calculated using the effective interest method	6,123,853	106,062,211	216,540,479	30,048,560	-	358,775,103
Interest expenses	(34,488,204)	(14,860,484)	(23,174,414)	(4,126,008)	-	(76,649,110)
Net interest income	**(28,364,351)**	**91,201,727**	**193,366,065**	**25,922,552**	**-**	**282,125,993**
Fee and commission income	1,739,317	8,975,311	20,200,871	-	14,576,703	45,492,203
Fee and commission expense	(59,664)	(958,746)	(3,079,942)	(4,824,328)	(6,836,104)	(15,758,785)
Net fee and commission income	**1,679,653**	**8,016,565**	**17,120,929**	**(4,824,328)**	**7,740,599**	**29,733,418**
						-
Net income from financial instruments at FVTPL	-	-	-	638,889	-	638,889
Share of loss from Associates	-	-	-	-	-	-
Net gain from foreign exchange transactions and revaluation	2,871,148	4,693,490	17,810,487	978,317	-	26,353,443
Other operating income	27,568	60,844	40,122	-	2,445,200	2,573,733
Total operating income	**(23,785,981)**	**103,972,626**	**228,337,602**	**22,715,430**	**10,185,798**	**341,425,476**
						-
Personnel expenses	(374,106)	(12,968,995)	(9,602,045)	(374,106)	(86,418,402)	(109,737,653)
Amortization and depreciation	(51,952)	(1,801,004)	(1,333,436)	(51,952)	(12,000,924)	(15,239,268)
Other operating expenses	(233,709)	(8,101,916)	(5,998,534)	(233,709)	(53,986,805)	(68,554,673)
Total operating expenses	(659,767)	(22,871,916)	(16,934,014)	(659,767)	(152,406,130)	(193,531,594)
Profit before impairments and tax	(24,445,748)	81,100,711	211,403,588	22,055,663	(142,220,332)	147,893,882
Impairment losses on financial instruments	(2,110,024)	(27,178,578)	(74,758,301)	-	-	(104,046,903)
Profit before tax	**(26,555,772)**	**53,922,133**	**136,645,287**	**22,055,663**	**(142,220,332)**	**43,846,979**
Income tax expenses	3,533,414	(7,174,681)	(18,181,520)	(2,934,646)	18,923,315	(5,834,118)
Net profit for the year	**(23,022,359)**	**46,747,452**	**118,463,767**	**19,121,018**	**(123,297,017)**	**38,012,861**
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**(23,022,359)**	**46,747,452**	**118,463,767**	**19,121,018**	**(123,297,017)**	**38,012,861**

28. Subsequent events

The main subsequent event after 31 December 2021 for LIBRA INTERNET BANK was starting the conflict between Russia and Ukraine on 24 February 2022, which resulted in a series of economic and individual sanctions imposed to Russia mainly by the European Union, the United States of America and United Kingdom. This event generated instability in the region and raised concerns regarding energy shortfalls across Europe. Within this context, Libra Internet Bank performed an analysis and concluded that there are no material risks since the bank does not have exposures towards Russian or Ukrainian counterparties or any business relationships with entities in these countries.

LIBRA INTERNET BANK

REPORT OF THE BOARD OF DIRECTORS

12/31/2021

Prepared in accordance with the NBR Order no. 27/2010, NBR Order no. 7/2016, ASF Regulation no. 5/2018, NBR Regulation no. 5/2013 and with Regulation (EU) no. 575/2013. It includes both the Individual Report of the Board of Directors, as well as the statement on corporate governance and the non-financial statement on environmental, social and personnel issues, respect for human rights and the fight against corruption and bribery.

Summary

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Annual Report according to ASF_2018 Regulation Annex 15
For the financial year: 2021
Report date 4/20/2022
Company name Libra Internet Bank SA ("Bank")
Registered office Calea Vitan, nr. 6-6A, Tronson B, C, Et. 1, 6, 9, 13, Phoenix Tower Building, sector 3, Bucharest
Unique tax registration code: RO8119644
Order number in the Trade Register: J40/334/1996
Phone / fax number: 40 21 208 80 00/ +40 21 230 65 65
Subscribed and paid-in share capital: 462,616,000 lei
Regulated market in which the issued securities are traded: Bucharest Stock Exchange,
The main features of securities:
1. LIBRA30E issue of subordinated, registered, dematerialized, unsecured and non-convertible bonds denominated in EUR with an individual face value of EUR 500 / bond and a total face value of EUR 4,296,500 for 10 years with an interest rate of 5% / a;
2. LIBRA28E issue of registered, dematerialized, unsecured and non-convertible bonds, MREL eligible seniors, with a face value of EUR 100,000 / bond and a total face value of EUR 40 million over 7 years with an interest rate of 4.25% / year

1. Purpose of the Report

The purpose of this Report is to ensure compliance with the publication requirements, in order to provide an adequate level of transparency to market participants by publishing information on:

· Performance of the Bank's activities and financial position
· Corporate Governance Practices, Procedures and Structure
· Selection and recruitment policy for members of management structures, diversity policy, as well as the remuneration policy
· Impact of the company's activity on environmental, social and personnel issues, respect for human rights and the fight against corruption and bribery
· The main risks and uncertainties the company is facing, the objectives and policies regarding risk management, as well as the capital and risk assessment processes, in order to provide a complete picture of the risk profile. In this context, the Report provides a comprehensive overview of the current risk profile as well as the risk management process at Libra Internet Bank.

2. Publication requirements

This Report of the Board of Directors meets the required publication requirements by:

· Law no. 24/2017 on issuers of financial instruments and market operations
· Regulation of the Financial Supervisory Authority (FSA) no. 5/2018 on issuers of financial instruments and market operations
· Order of the National Bank of Romania (BNR) no. 27/2010 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to credit institutions, with subsequent amendments and completions (including NBR Order no. 7/2016)

· The provisions of the NBR Regulation no. 5/2013 on prudential requirements for credit institutions and Part 8 of Regulation no. Regulation (EC) 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 EU Regulation no. 648/2012, hereinafter referred to as CRR.

The information in this report is also presented in accordance with the guidelines and regulations published separately by EBA (the "European Banking Authority"), and meets the following requirements:
- the coordination of the report is the responsibility of the Financial Accounting Division
- the review of the completeness and compliance with the applicable regulations is the responsibility of the Legal Division, which orders the verification with the legal requirements for the publication of the categories and flows of information published in this report.

3. Analysis of the activity of LIBRA Internet BANK SA

3.1 General recital

LIBRA INTERNET BANK S.A. ("The Bank") was established on November 25, 1996 and operates under license no. 000.025 Series B of 01/24/1997 issued by the National Bank of Romania.

From a legal point of view, LIBRA INTERNET BANK is a wholly private joint stock company, established in accordance with Law no. 31/1990 regarding the commercial companies and is registered at the Trade Register under no. J40 / 334/1996, having fiscal code R 8119644, and is a member of the Romanian Association of Banks. The bank's headquarters are located at: Phoenix Tower, Calea Vitan nr. 6-6A , Sector 3, București, România.

The report of the Board of Directors is prepared in accordance with the NBR Order no. 27/2010 Articles 11, 12, 13, 13 ', and 14 of the accounting regulations in accordance with the international financial reporting standards applicable to credit institutions.

During 2021, the Bank carried out its activity in accordance with the Articles of Association approved by the shareholders, the main activity being “Other monetary intermediation activities” - CAEN class 6419

During the financial year 2021, all the Bank's operations, together with those of the clients and on behalf of the clients, were registered in the Bank's registers on the basis of the supporting documents prepared in accordance with the Accounting Law no. 82/1991, republished and supplemented with the amendments contained in the NBR Order no. 27/2010 on the Charter of Accounts for Credit Institutions.

Currently, LIBRA INTERNET BANK operates through its 54 branches, of which 27 are located in Bucharest and 28 in the major cities of Romania.

During 2021, there were no significant mergers, reorganizations and disposals of significant assets. The main event during 2021 was the successful completion of an issue of registered, dematerialized, unsecured and non-convertible bonds, senior MREL eligible, amounting to EUR 40 million over 7 years with an interest rate of 4.25% / year.

The gross value of investments in 2021 in tangible and intangible assets projects for the current activity and for supporting the growth of the budgeted business was 1,541,090 lei versus 5,079,754 lei in 2020 (decreasing by 70% compared to the previous year). There were no major branch openings and acquisitions. There were no purchases of loan portfolios.

During 2021, the bank assigned a portfolio of 7 loans to LIBRA DEVELOPMENT IFN S.A., with a total balance of 57,347,070 lei at an assignment price of 58,030,862 lei. LIBRA INTERNET BANK SA holds a 49% stake in LIBRA DEVELOPMENT IFN, this investment being qualified as an investment in a partner. In 2021, no branch was opened.

3.1.1 Elements of general evaluation of the activity

The External Auditor of the Bank, KPMG Audit SRL, performed the annual audit of the separate and individual financial statements for the financial year ended December 31, 2021. The report of the External Auditor of the Bank can be found in Annex 4 to this Report.

Starting with 2020, the Bank prepares both individual and separate financial statements, taking into account its significant participation in the establishment of the associated entity Libra Development IFN S.A. (during the year 2020).

In the individual financial statements, the Bank presents the investment in the associate at a value equal to 49% of the value of its equity, while in the separate financial statements the investment is presented at cost (with the related impairment test).

The present report of the Administrator refers to the separate financial statements of the Bank.

The audit opinion states that the separate financial statements provide a true and fair view of the Bank's separate financial position as at 31 December 2021, as well as its separate financial performance and of separate cash flows for the financial year ended on that date, in accordance with the International Financial Reporting Standards adopted by the European Union.

The main results of the evaluation of LIBRA INTERNET BANK SA are expressed in the economic-financial indicators below:

Economic and financial indicators	**2021**	**2020**
Net assets	9,590,791,150	7,318,708,103
Turnover	480,672,218	433,454,007
Net result	181,135,529	38,012,861
Market share in terms of assets	1.50%	1.31%
Total equity rate	17.83%	18.72%
Liquidity requirement indicator	183.60%	270.40%
ROA (net result / total assets)	2.04%	0.57%
ROE (net income / equity)	21.4%	5.31%
Cost / revenue	48.6%	52.92%
Cost / revenue	72.1%	75.63%
Immediate liquidity	45.65%	37.74%
Export	-	-

Compared to the Budget, in 2021 the Bank achieved remarkable results, achieving the best results in its existence.

The comparison with the Budget for the main financial budget indicators is presented in the table below:

Net assets	Obtained 2021 9590791150	Budgeted 2020 8226797997	Variation(%) 17%
Gross loans	5,592,230,160	5,605,463,289	0%
Deposits from customers	7,781,433,303	6,963,308,434	12%
Equity	904,437,122	911,227,196	-1%
Net interest income	316,475,964	321,350,161	-2%
Net commission income	38,823,733	25,548,064	52%
Other operational income	37,203,100	37,240,061	0%
Administrative costs	(196,916,667)	(198,766,563)	-1%
Provision expenses	16,407,525	(12,250,659)	-234%
Net profit	**181,135,529**	**144,925,604**	**25%**

3.1.2 Evaluation of the technical element of LIBRA INTERNET BANK S.A.

As of December 31st, 2021, LIBRA INTERNET BANK S.A. operated through its own network of 54 branches, of which 27 in Bucharest and the rest in the main cities in Romania. In addition, the bank also operates through the two IT operations centers in Croiva and Cluj Napoca.

The bank does not have its own ATMs in operation, but using the EURONET network, which operates with 517 ATMs, of which 57 are installed at the bank's offices. At the same time, the bank has 4,595 POS installed at merchants.

In terms of the IT system, Libra Internet Bank uses the centralized T24 system from Temenos. The bank is present in the market with innovative products and services, some of them being offered for the first time in Romania.

Description of the main products made and / or services provided

The bank mainly offers credit products segmented by business lines and areas of activity and deposits that are continuously improved taking into account customer needs and market conditions.

In addition, the bank also offers customers an Internet Banking platform available 24 hours a day, 7 days a week with many features, which makes it a powerful but customer-friendly tool.

With a strong focus on digitization, two other products offered are Libra Pay, which is an electronic payment and banking product on Mobile Phones.

The products and services offered by the Bank are addressed to both individuals and legal entities, focusing on five main areas of activity in terms of lending and attracting resources: Real Estate (real estate clients), Corporate (legal clients), Liberal professions (medical clients, hospitals, medical clinics and medical offices, notaries, lawyers, pharmacists) and Agribusiness (agricultural clients) and Individuals (individuals).

Description of the main products made and / or services provided

The bank mainly offers credit products segmented by business lines and areas of activity and deposits that are continuously improved taking into account customer needs and market conditions.

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However, the Bank's commercial strategy pursues the results on the following sales segments (business lines):

· Individuals
· Small companies (SME clients, liberal professions and agriculture)
· Large companies (companies with a turnover of over EUR 4 million)
· Treasury
· Other and GM (other unallocated areas and General Management)

The structure of the segment loan portfolio at the end of 2021 is summarized in the table below

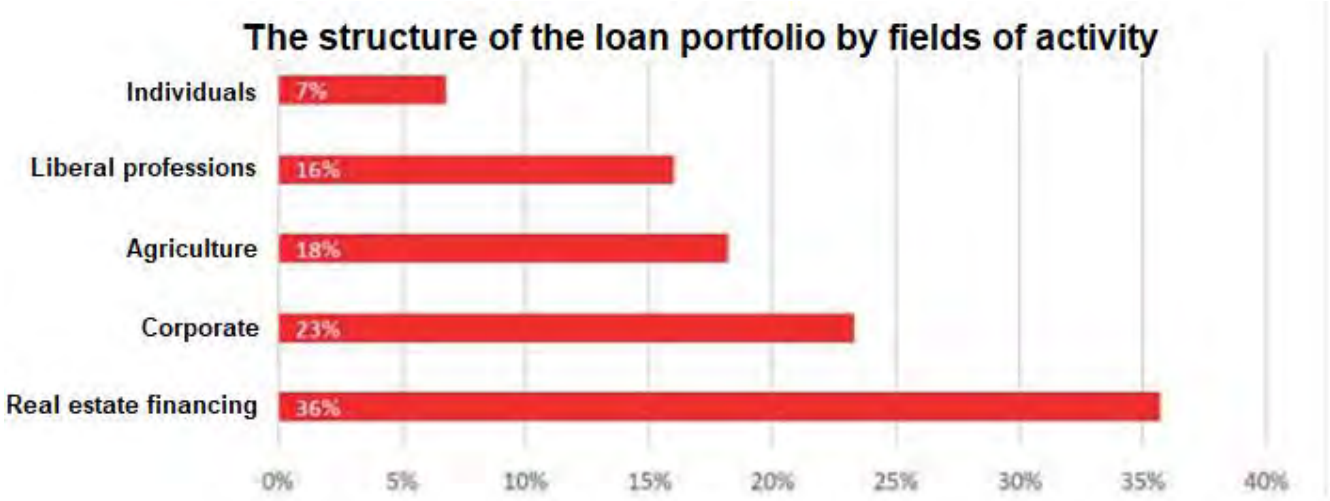
.

Credits	**2021**	**2020**
Individuals	7%	3%
Small companies	31%	30%
Big companies	62%	67%
Treasury	-	-
Others and GM	-	-
Total	**100%**	**100%**

The structure of the deposit portfolio from non - bank customers by segments is presented in table below.

Deposits	**2021**	**2020**
Individuals	33%	34%
Small companies	32%	29%
Big companies	36%	37%
Treasury	-	-
Others and GM	-	-
Total	**100%**	**100%**

From the point of view of credit areas, the structure of credit sales at the end of 2021 is as follows:



The main activities carried out by the bank in 2021 were: fundraising, resource placement, lending, cards, electronic payment solutions Libra Pay and payment collaborations with various Fintechs in the field of receipts and payments.

Libra Internet Bank SA operates only in Romania through its 54 branches, of which 27 in Bucharest and the rest in the main cities of Romania.

The total revenues (defined as net interest income, plus net commission income, plus the net income from foreign exchange transactions plus income from financial instruments at fair value plus other income) of the bank for the last two years broken down by segment is shown in the table below:

Total income	**2021**	**2020**
Individuals	-23,785,981	-8,307,470
Small companies	103,972,626	122,024.79
Big companies	228,337,602	245,005,788
Treasury	22,715,430	22,699,154
Others and GM	10,185,798	11,010,320
Total	**341,425,475**	**392,432,588**

For the next time horizon the directions of action will be:

· in the retail area where the emphasis will be on the digitization of lending activity and on the growth of the mortgage and online consumer portfolio, taking advantage of the good financing relationship that the bank has with the developers of residential projects;

· development of new loan products under the various guarantee / financing programs offered by the national and international financing institution: EIF, EIB, National Guarantee Fund

· Limiting the financing of real estate projects, up to 35% of the total loan portfolio

· Increasing the portfolio of mortgages for individuals, in agriculture and among the liberal professions to ensure a balanced and diversified overall growth of the bank.

New products

The following new products were launched in 2021:

· **Irrigation Credit** – Credit for irrigation for agriculture. It is addressed to legal entities (farmers or processors of agricultural products). The credit offers a seasonal payment plan, with 3 installments / year, at harvest, and is granted for any expenses necessary for the realization of an irrigation system: water supply, pressurization, irrigation equipment.

· **Libra Invest** - Integrated stock investment product, developed in partnership with Tradeville. It is accessible from the mobile banking application and allows the opening of an online stock exchange account at Tradeville, respectively instant transfers between the investment account and the bank account.

· **Electric-Up loan** - Bridge loan for the beneficiaries of the “Electric Up” program, who can obtain from Libra Internet Bank a short-term financing of up to 100,000 euros (lei equivalent), aiming at quickly covering the non-reimbursable expenses necessary for the implementation of the approved project, before their effective settlement within the government program.

· **Green Mortgage Credit** - Credit for the purchase of green homes with preferential interest rates. The classification of green homes is based on the Green Certification granted following an evaluation carried out by specialized institutions, such as ROGBC (Romanian Council for Green Buildings) - Libra Internet Bank partner for this type of financing.

· **Radio Guerrilla Junior Bank Card** - Premium debit card for people aged 10-18. The card has all the benefits of Radio Guerrilla (10% cashback, 3 free withdrawals from anywhere in the world and the other Mastercard Gold benefits).

· **Current account for FinTechs** - Account for business relationship with electronic money issuing financial institutions, payment institution (including their agents) - generically called 'FinTech', for the purpose of managing their clients' funds by Fintechs and settling the transactions ordered by them.

· **Collateral cash loan** - Personal need credit, including credit card, granted without advance, with collateral deposit guarantee (with monthly extension). It is addressed to individuals Romanian and foreign citizens residing in Romania and can be granted for a maximum of 60 months (credit for personal needs), respectively 36 months (credit card).

· **Google Pay** - Google Pay is a digital wallet and online payment system developed by Google to enable in-app purchases, online shopping, contactless cash payments and withdrawals via compatible devices. Visa and Mastercard cards issued by the bank can be registered in this digital wallet.

3.1.3 Evaluation of the technical-material supply activity

This element is not significant for the Bank

3.1.4 Evaluation of sales activity

The sales within the bank are carried out only on the Romanian market through the five business segments described above: Individuals, Small companies (which includes the sales force dedicated to micro-enterprises, agricultural and liberal clients) Large companies, Treasury and Others.

The sales activity takes place in a highly competitive environment, in which banks have developed and adapted their offerings according to market requirements, the impact of exogenous factors on the real economy, as well as the growing pressure of competition on the financial-banking market. Recently, the development of the banking system has materialized both by diversifying banking products and services, and by increasing the settlement speed of banking instruments and the degree of technological upgrading. Libra Internet Bank in this context constantly focuses your attention on product automation, operational flows and digitization.

Description of any significant dependence on a single customer or a group of customers whose loss would have a negative impact on the Bank's revenue

It is not necessary.

3.1.5 Assessing employee / staff issues

At the end of 2021, the Bank had 1,027 employees, of which 94 were management staff and 933 were operational staff. The comparative situation with the year 2020 is presented below.

	12/31/2021		12/31/2020	
	No. of employees	Wage costs	No. of employees	Wage costs
In RON				
Operational staff	933	99,947,792	857	86,470,394
Management staff	94	30,389,254	84	23,267,259
	1027	**129,862,223**	**941**	**109,737,653**

The staffing of the Bank is provided by the Human Resources Division, which oversees the recruitment and selection processes, performance appraisal, employee loyalty and reward, as well as all professional development and training programs to increase employee motivation and commitment.

The evaluation of professional performances is addressed to all employees of the Bank and is performed annually by measuring the achievement of business objectives (KPI), but also the skills necessary to fulfill responsibilities.

The bank's remuneration policy is implemented through the Salary Schedule and is accessible to all employees, and the performance appraisal process is transparent to all employees.

In the bank there is a Collective Labor Agreement that is concluded for a period of two years, on which occasion three employee representatives are elected, who have the role of signing the contract and proposing improvements to the system of non-financial benefits for employees Libra Internet Bank. These proposals are analyzed at the level of the management structure, and the approved ones are implemented with the support of the Human Resources Division and / or other divisions.

There are three types of bonuses in the bank: quarterly bonuses granted to the sales force and divisions that have a variable part of the remuneration, occasional project bonuses granted at the completion of certain projects in the bank and annual bonuses related to the annual evaluation of professional performance. completion of the evaluation process, depending on the fulfillment of the individual quantitative and qualitative objectives, the financial result or the evolution of the bank's financial position.

Management bonuses consist of two components: a cash component and a non-cash deferred component. This deferred component represents an adjusted part of the profit realized on the sale of the bank under certain favorable conditions for this sale (exit securities), under the conditions established contractually with the directors of the bank. The condition for granting the deferred component is that the management staff stays in the bank for at least 3 years.

The deferred component is recorded as a provision, and the expense with this provision for 2021 is shown in the table below.

	12/31/2021	12/31/2020
Management remuneration expenses (short-term salaries and bonuses)	6,387,555	8,339,658
Deferred bonus spending	(4,756,394)	5,510,697

During 2021, a provision of 4,756,394 lei was reversed from the deferred bonus, as a result of the decisions taken by the Board of Directors, in order to cancel this amount in the context of the COVID pandemic 19.

3.1.6 Assessing the aspects related to the impact of the bank's core business on the environment

According to the details in the Non-Financial Statement in Chapter 4.

3.1.7 Evaluation of research and development activity

Research activity is not a significant element for the Bank.

The development activity took into account the objectives established by the activity plan and the 2021 Budget by continuing the processes of automation, efficiency and digitization of the processes in the bank.

The main achievements in this field in 2021 were:

o The first successful implementations of the use of artificial intelligence in money laundering (AML);

o Significant progress in simple, real-time tracking of:

- branch results
- customer requests (requests of any kind, not just credits)
- risk indicators

o Implementation of new models of expected credit losses associated with loans and advances to customers, as well as new customer rating models.

3.1.8 Assessing the bank's risk management activity

The internal control of the bank is directly subordinated to the General Manager of the bank and respects 3 fundamental functions: **the risk management function, the compliance function** and **the internal audit** function.

The control functions are independent of each other, from an organizational point of view, and of the operational and support functions that they monitor and control.

The risk management function is a central component of LIBRA INTERNET BANK's internal control system. This function is provided by the Bank through the Risk Management Division and the Control and Anti-Fraud Division. The Risk Management Division and the Control and Anti-Fraud Division are independent of the bank's operational entities, have sufficient authority, resources and have direct access to the Bank's governing body.

The Bank, in the exercise of its risk management function, carries out its activity in accordance with the legal provisions and the specific banking norms (European and national), with the aim of:

a) Maintaining and developing a culture of risk. The Risk Management Division promotes a culture of risk at the institutional level through a series of complementary activities, such as:

i. Continuous and periodic monitoring of risks, according to the Profile and risk strategy;

ii. Inform employees about good practices in risk management.

b) Maintaining and developing a risk management framework. The Bank has a key role to play in maintaining and updating the risk management framework by:

i). Implement policies, procedures, limits and controls that ensure the identification, assessment, monitoring, reduction and reporting of risks related to the institution's activities at the level of the business lines and at the general level of the credit institution;

ii). Development of anticipatory and retrospective tools for identifying and measuring risks; iii). Establish and manage regular and transparent reporting mechanisms so that the body management and all relevant banking institutions to have timely, accurate, concise, intelligible and meaningful reports and to be able to exchange relevant information by identifying, measuring or assessing and monitoring risks;

c) Develop and implement a policy for approving new products and changes to existing products by:

i). Periodic audits performed at the level of all entities within the Bank;

ii). Promoting the responsibility of bank employees in terms of risk management and reducing them by managing self-control activity.

iii). Testing of front-office employees. Testing targets both the level of theoretical and

practical training and the ability to identify and report incidents or vulnerabilities that may expose the bank to
risk;

In order to maintain a level of risk within acceptable limits, achieving results that offset the risk assumed in accordance with the banks' strategy and business model, the risk management function implements and manages a comprehensive and effective risk management framework, which includes components such as organizational structure, policies, methodologies, processes, controls resulting from the principles and guidelines of the risk strategy, to ensure:

- Risk identification, assessment, measurement, control and monitoring / reporting;
- Establishing and monitoring the risk limits that translate the Bank's risk appetite into an operational level, periodically reporting their classification, identifying the upper limits and the actions to be taken;

The Board of Directors approves and supervises the risk appetite, after defining the objectives, strategies and key risk indicators; the time horizons relevant to the objectives and the types of risks and intervals that the bank is willing to take in order to achieve the objectives. The Board's vision regarding the risk appetite is regularly applied in all banking institutions and it is included in the organizational culture.

The main significant risks to which the bank is exposed are: Credit risk, operational risk, market risk, liquidity risk, strategic risk and compliance risk.

Credit risk is the main risk to which the bank is exposed as a result of its main mission and the nature of its activities. The bank is exposed to this risk as a result of transactions with customers and other counterparties.

With regard to customer exposures, all new exposures are approved by a credit committee, subcommittee or BOD, following an in-depth analysis of potential borrowers.

Operational risk is the risk of loss that results from the use of inadequate internal processes, persons or systems, or that have not performed their function properly or from external
events. Includes legal risk, fraud risk, model risk, IT risk, risk associated with outsourced
activities.

Market risk is the risk of loss on balance sheet and off-balance sheet positions due to unfavorable market fluctuations (relative to the bank's portfolio, exchange rate risk and interest rate risk).

Liquidity risk is the current or future risk of a negative impact on profits and capital, determined by the credit institution's inability to meet its maturity obligations. The main liquidity
rates regulated on 31.12.2021 are above the minimum levels (100%), the liquidity coverage indicator (LCR) having the value of 183.6% and the net stable financing indicator (NSFR) having the value of 162.2.

Strategic risk (including business risk) is defined as the current or future risk of negative income and capital loss due to changes in business environment or unfavorable business decisions, improper implementation of decisions or lack of response to changes from the business environment.

Compliance risk is the current or future risk of loss of profit and capital, which may lead to fines, damages and / or termination of contracts or which may damage the bank's reputation as a result of breaches or non-compliance with the legal and regulatory framework, with the best practices or the ethical standards.

The bank is controlled annually by the National Bank of Romania. The mission in 2021 focused on verifying all the risks associated with capital adequacy, liquidity and all the risks described above. At the end of the audit, Libra Internet Bank's overall rating was 3 on a scale of 1 (lowest risk) to 4 (highest risk).

In 2021, the bank's internal risk profile is presented in the table below:

Credit Risk (CR) Residual Risk (RR)	Medium Low Low
Concentration Risk (CCR)	Medium
Foreign currency credit risk of non-hedged borrowers (FXL)	Medium
Market risk (MR)	Low
Interest rate risk outside the banking book (IRRBB)	
Operational risk	Medium
IT&C risk	Low
Compliance Risk	Medium
Reputational risk	Low
Strategic risk (including business risk)	Medium Low
TOTAL Risk Score CAPITAL	Within the Risk Appetite
Credit Risk (CR)	Medium Low
Liquidity risk	Medium Low

Compliance function

The compliance function, as part of the bank's internal control system, identifies, evaluates, monitors and reports the Bank's management aspects related to the compliance risk associated with the bank's activities, ensures the organizational culture in terms of the compliance framework, its own rules and standards, as well as the codes of conduct established by markets or industry and by providing information related to developments in this field. The compliance plans shall also set out the activities to be carried out on the basis of an annual program which it shall submit to the Management Committee for approval. The annual program shall include at least: implementation and review of specific policies and procedures; compliance risk assessment; testing and informing staff on compliance issues.

Internal audit function

The internal audit activity is strictly monitored by the Audit Committee, which analyzes and debates all the reports prepared by the Internal Audit Division, and in turn makes proposals to the Board of Directors.

3.1.9 Perspectives on the bank's business

Given the high level of uncertainty about the economic situation caused by the pandemic, but also about the economic turmoil resulting from volatility in energy prices, rising inflation rates and disruption of the global supply chain and side effects on the population and the business environment, the Bank proposed a set of measures for 2022 and the following years:

a) Issuance of a new series of bonds to strengthen the capital requirement;
b) Continuing the process of bank digitization and process automation;
c) Efficient and timely participation in state projects in infrastructure, digitization, energy (there will be massive allocations of European funds) - the presence of the bank with products and marketing campaigns in these projects;
d) Resumption of analyzes for entering new areas of credit;
e) Accelerate lending in agriculture and for individuals with mortgages;
f) Development of collaborations with Fintech or other technological platforms.

Given the bleak macroeconomic forecasts with high inflation pressure, exchange rate, balance of payments and current account deficit, the bank aims to combat these unfavorable trends with a 2022 budget to increase above inflation.

3.2 Tangible assets

The bank's tangible and intangible assets are at a very low level of less than 1% of total assets, the bank's policy being to invest only in projects strictly for the optimal operation of the bank.

Their situation compared to 2020 is presented below:

RON	2021	2020
Tangible assets Intangible assets	51,978,139 2,502,796	57,109,432 3,500,431
Total	**54,480,935**	**60,609,863**

The situation of tangible assets according to the main groups of evidence and impairment is presented below:

	2021		2020	
Buildings:	2,331,314	4.5%	2,689,120	4.7%
IT equipment and others	3,758,153	7.2%	4,841,105	8.5%
Vehicles	996,663	1.9%	1,666,369	2.9%
Fixed assets in progress	159,707	0.3%	174,796	0.3%
Right of use				
Leasing	44,732,303	86.1%	47,738,041	83.6%
Total	**51,978,139**	**100%**	**57,109,432**	**100.0%**

The bank's tangible assets are mainly represented by the right to use leases, the structure of the bank's branches as well as the headquarters operating in leased premises.

Tangible fixed assets are in good condition, and the annual percentage of fixed assets is below 0.08% of total fixed assets.

3.3 The market of the securities issued by the bank

During 2021 Libra Internet bank successfully placed another issue of registered, dematerialized, unsecured and non-convertible bonds, eligible MREL seniors (minimum requirement for eligible own funds and liabilities) amounting to EUR 40 million over 7 years with interest of 4.25% / year.

A number of 400 bonds were issued, through a placement addressed exclusively to qualified investors, as well as to natural or legal persons other than qualified investors, being made on the basis of exceptions to the obligation to publish a prospectus provided in Article 1 para. . (4) lit. a) and c) of the Prospectus Regulation.

LIBRA28E bonds were admitted to trading on the main segment of the Bucharest Stock Exchange, Corporate Bonds category.

The bonds issued in 2020 were listed on the regulated market administered by the Bucharest Stock Exchange based on a prospectus prepared for admission to trading approved by the Financial Supervisory Authority. They are traded on the stock exchange with the symbol LIBRA30E starting with September 4, 2020.

Currently, the LIBRA30E bond issue (from 2020) is traded on the S segment, and the LIBRA28E issue (from 2021) on the main segment of the Bucharest Stock Exchange, Corporate Bond category.

As of December 31st, 2021, the Bank did not own any shares, there were no changes in the value of the share capital.

3.4 Corporate Governance and Bank Management

Corporate Governance represents the set of principles that underlie the administration and control framework of the Bank's activity.

Given the trading of the two bond issues, one on the (SMT) Multinational Trading Segment (LIBRA30E) and the other on the main segment of the stock exchange (LIBRA 28E), the Bank's corporate governance respects both the principles of the Bucharest Stock Exchange governance code and the principles of the corporate governance code that apply to SMT bond issuers (AeRO).

Libra Internet Bank S.A. it is managed in a split unitary system (the General Manager and the Chairman of the Board being separate persons) respecting the objectives of corporate governance, transparency of relevant corporate information, protection of the interests of various categories of participants and principles of efficient functioning of the banking market.

LIBRA INTERNET BANK S.A. is a Romanian legal entity organized as a joint stock company, subject to the legislation in force in Romania. The banking operations carried out by the Bank are provided in its articles of incorporation, are authorized by the National Bank of Romania and are stipulated in the Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy.

The management body, the management body in its supervisory and senior management function, the organizational structure, the "identified staff", the persons holding key functions and the internal control of the credit institution:

a) The General Meeting of Shareholders (GMS) is the supreme governing body of the Bank, having the powers provided by law and the constitutive act of the bank. The attributions of the General Meeting of Shareholders, the manner of convening, meeting and taking decisions are provided in the constitutive act of the bank.

b) The management body of the bank (the Board of Directors and the Management Committee) has the attributions and responsibilities provided in the legal regulations in force and in the constitutive act of the bank.

c) According to the articles of association, the management and administration of the Bank is entrusted to the Board of Directors consisting of nine directors, of which one President and two Vice-Presidents. The majority of the members of the Board of Directors are the non-executive directors.

The directors are appointed by the GMS and have the attributions provided in the legal regulations in force and in the constitutive act of the bank.

d) The Board of Directors delegates the management of the Bank to four Directors, appointing one of them as General Manager. The other three Directors hold the position of Deputy General Manager. The Chairman of the Board of Directors cannot be the General Manager of the bank.

The Chairman of the Board of Directors cannot be the General Manager of the bank.
The four directors (the Director-General and the three Deputy Directors-General) together form the Steering Committee.

The General Manager and three Deputy General Managers are directors of the bank in the sense given to this notion by the companies' legislation (persons to whom the Board of Directors has delegated

management responsibilities to the company).

The Board of Directors (the governing body in its supervisory function) of the bank has the attributions established by the Articles of Incorporation in Chapter 17 (annexed).

The Board of Directors may delegate some of its powers in the lending business to the Credit Committee, but without in any way exempting its supervisory function from exercising its duties and responsibilities collectively.

e) The decisions of the Board of Directors and the Management Committee shall be recorded in the minutes, which shall set out, where appropriate, the responsibilities and deadlines for the implementation of those decisions.

The Risk Management Division approves negatively or positively the decisions of the Management Committee and of the Board of Directors, taken under the conditions provided in the articles of association. The visa of the Risk Management Division is notified to the management body which makes the decision and does not impede the decision-making process.

f) The directors are responsible for taking all measures related to the management of the company, within the limits of the object of activity of the company and in compliance with the exclusive powers reserved by law or the articles of incorporation of the Board of Directors and the General Meeting of Shareholders.

The Control Divisions (with the exception of the Internal Audit Division) report monthly to the Secretariat of the Steering Committee the situation of unrepaired deficiencies within the set deadlines, following which the Steering Committee will decide on extending the deadline for implementing corrective measures or adopting other appropriate measures. The Management Board shall be informed by the Secretary of the Management Board on a monthly basis of the status of unimplemented and deferred measures adopted by the Management Committee and its advisory committees.
The Internal Audit Division presents monthly, for information, to the Management Committee the situation of the audit recommendations
not implemented in time.
At the same time, the Internal Audit Division submits to the Audit Committee for approval the proposals to extend the terms of the non-implemented recommendations or proposals for the adoption of other appropriate measures. These are then sent by the Secretary of the Audit Committee for approval by the Board of Directors.

g) Minimum expected time

The members of the Board of Directors and the Management Committee shall, at the beginning of their term of office, complete a statement of commitment regarding the minimum expected time of effective participation for the proper exercise of their prerogatives. Declarations are forwarded to the Compliance Division for safekeeping.

h) The organizational structure of the bank

- The **divisions** represent the first organizational level of this organizational structure and are directly subordinated to the General Manager / Deputy General Managers (members of the Management Committee) according to the organizational charts annexed to these rules of organization and operation. Divisions may include one or more departments in their structure.
- The structure of the bank also includes the **Compliance Officer**, a member of the Management Committee of Libra Internet Bank, the Information Security Officer, subordinate to the director of the Risk Management Division, the Procurement department, subordinate to the Deputy General Manager,

the Data Protection Officer, subordinate General, as well as Chief Technology Innovation Officer, directly subordinated to the General Manager.

• The people who lead the Divisions have the position of Division Director, and those who lead the departments have the position of Head of Department.

• The directors of divisions / heads of departments lead and are responsible for the entire activity of the divisions / departments they coordinate, as well as for the fulfillment, in good conditions, of any other tasks received and which are related to their area of responsibilities. of divisions / heads of departments, as well as of the executive staff are stipulated in their job descriptions.

• The main tasks of the divisions / departments / branches are described in Chapter III of these Organization and Functioning Regulations. Also, the bank's divisions / departments are assigned responsibilities by the bank's internal rules and procedures and / or by the delegations of competence / tasks assigned by the competent statutory bodies of the bank. The Director-General, Deputy Directors-General, Directors of Divisions and Heads of Department, as well as Directors of Subunits, are required to seek the approval of the Legal Division for any new contract and / or project involving the Bank's business or business, within the internal procedures of the Bank. the bank. Also, all divisions and territorial units of the bank are involved in identifying operational risk events.

i) In 2021 there were **eleven committees, three subcommittees and one commission in the bank**:

a) Steering Committee (CD);
b) The Credit Committee (CC), which reports to the Credit Subcommittee and the Restructuring Subcommittee;
c) Monitoring Committee;
d) Executive Risk Committee (ERC), under which the Operational Risk Subcommittee reports;
e) Assets and Liabilities Management and Liquidity Management Committee (ALCO);
f) Audit and Risk Committee;
g) IT Committee;
h) Security Committee;
i) Occupational Health and Safety Committee;
j) IT Change Committee
k) Selection Committee;
l) Remuneration and Nomination Committee.

The prerogatives and responsibilities of these committees (with the exception of the Steering Committee, which functions as set out in Articles 2.4 to 2.5) and of the committee, are set out in the Rules of Organization and Functioning. The Steering Committee coordinates all the above-mentioned committees, with the exception of the Audit Committee and the Remuneration and Nomination Committee.

In order to ensure the optimal conditions for taking over and implementing at the level of the Bank the legislative changes with significant impact, the Compliance Division has the authority to request the elaboration of working commissions. These commissions will be composed of representatives of the divisions / departments affected by the respective changes, as well as of those who have the necessary competence in their implementation.

The responsibilities of the secretaries of committees / subcommittees are as follows:

a) collection of proposals submitted to the Committees;
b) sending proposals to decision-making committees to the Risk Management Division;
c) drafting the minutes and monitoring the obtaining of approvals according to the competencies;
d) obtaining the opinion of the Director of the Risk Management Division / his / her replacement on the decisions
of the Committees;
e) distributing the decisions of the persons involved in their implementation / informing the persons involved;
f) monitoring the implementation of Committee decisions;
g) informing the next Committee of the state of implementation of the decisions taken;
h) monthly reporting to the Steering Committee of unfulfilled or outdated decisions, stating the reason for the delays. Decisions implemented inadequately quality will also be reported;
i) keeping and archiving decisions and related documentation;
j) signing extracts from the minutes, in order to issue proof of the adoption of a decision by
the Committee to which it belongs.

With regard to the responsibilities of the secretaries of committees / subcommittees in the case of the Credit Committee and the Credit Subcommittee, the opinion of the director of the Risk Management Division / his deputy shall be required for amounts greater than or equal to the significant risk limit Administration.

In the case of the Credit Committee and the Credit Subcommittee, the responsibilities of (a), (c), (d), (e) and (i) listed above shall be the responsibility of each analyst for the requests examined, keeping in original all the decisions and the related documentation filed by the analysts.

In the case of the Credit Committee and the Credit Subcommittee, points f), g) and h) listed above apply only to decisions of a general nature, and the information will take place within the deadline set by the Credit Committee and only in cases where they have not been met. decisions made.
Points b), d) and h) do not apply to the secretary of the Audit Committee.

The categories of staff whose professional activities have a significant impact on the bank's risk profile ("Identified staff") are members of the staff whose professional activities have a significant impact on the bank's risk profile, including members of senior management, the personnel
exposing the credit institution to risks - for example, persons who have been granted enhanced individual competencies in conducting transactions involving the bank, such as: dealers, persons authorized to approve significant value credits, control staff and any employee who receives full remuneration, including clauses on discretionary pension benefit, which leads to his being included in the same remuneration category as that of members senior management and staff exposing the bank to risks.
The "Identified staff" category within Libra Internet Bank includes:

- members of the Steering Committee;
- division staff: Internal Audit, Risk Management and Compliance;
- division directors: Corporate Credit Analysis, Professional and Retail Credit Analysis, Operations and Treasury, as well as the Head of the Treasury Arbitration Department within the Treasury Division.

People who hold key positions – staff members whose duties give them significant influence over the direction of the credit institution but who are not members of the management body. Key people include managers of important lines of business, European Economic Area branches, third country subsidiaries, support and control functions.

On 31.12.2021 - the **Board of Directors** had the following structure:

Name Surname	Position held on the Board of Directors	Date of approval in office	Term of office
Radu Grațian Ghețea	Chairman	9/12/2019	4 years (with extension)
Cristina Carmen Mahika Voiconi	Vice-president	1/9/1996	4 years (with extension)
Eugen Goga	Vice-president	4/26/2007	4 years (with extension)
Ovidiu Petre Melinte	Member	8/30/2004	4 years (with extension)
Siminel Cristian Andrei	Member	8/30/2004	4 years (with extension)
Emilian Bituleanu	Member	12/18/2003	4 years (with extension)
Mihaela Sirbu	Member	12/17/2012	4 years (with extension)
Ionel Umbreș	Member	9/12/2019	4 years (with extension)

On 26.10.2021, the Board of Directors of the Bank took note of the resignation of Ms. Mihaela Ioana Biciu from the position of administrator, and on 07.12.2021 and OGMS to take note of the resignation of Ms. Biciu Mihaela Ioana from the position of director of the bank.

Except for the member of the Board of Directors, Siminel Cristian Andrei, who holds 5.73% of the bank's capital, the other members of the Board of Directors do not hold shares in the bank's capital.

The professional training of the administrators is the following:

Radu Grațian Ghețea
INSEAD Business School - Modern Government Program in Banking (2018-2019), Academy of Economic Studies, PhD in Economic Studies, Faculty of Mathematics - University of Bucharest;

Ovidiu Petre Melinte
Romanian-Canadian MBA program - Master in Business Administration, Bucharest Polytechnic Institute;

Cristina Carmen Mahika Voiconi
ASEBUSS - Master in Business Administration, Bucharest Academy of Economic Studies;

Eugen Goga
ASEBUSS - Master in Business Administration, Bucharest Academy of Economic Studies;

Siminel Cristian Andrei
Joseph M. Katz University of Pittsburgh, Master of Business Administration, Bucharest Polytechnic Institute;

Emilian Bituleanu
ASEBUSS - Master in Business Administration, Academy of Economic Studies - Postgraduate Studies, Bucharest Polytechnic Institute;

Mihaela Sîrbu
Case Western Reserve University, Weatherhead School of Management - Master in Business Administration, Bucharest Academy of Economic Studies;

Ionel Umbreș
University of Sheffield UK - Executive Master in Business Administration, Bucharest Polytechnic Institute

The executive management of the Bank is carried out in accordance with the banking legislation in force, by the **Steering Committee** - composed of the following people at the end of 2021:

Name Surname	Position held in the Steering Committee	Date of approval in office	Term of office
Emilian Bituleanu	CEO	2/13/2004	4 years (with extension)
Eugen Goga	Deputy General Manager	7/18/2007	4 years (with extension)
Cristina Carmen Mahika Voiconi	Deputy General Manager	12/24/1998	4 years (with extension)
Ionel Umbres	Deputy General Manager	5/2/2018	4 years (with extension)

There have been no litigation or administrative proceedings in the last 5 years or in the past with any member of the Bank's Board of Directors or the Management Committee.

The persons affiliated with the bank are set out in Annex 1 to this Report.

All related party transactions were concluded on similar terms to non-affiliated transactions, taking into account interest rates and related guarantees. Transactions with related parties are presented in a separate note to the separate and individual financial statements for both the year ended 31.12.2021 and the comparative period.

Thus, in 2021, no situations were identified that would be contrary to the Bank's interests regarding the initiated persons, the persons exercising management responsibilities, as well as the persons who have a close connection with them, not performing in 2021 transactions on their behalf in connection with the shares or debt securities of the Bank or with derivative financial instruments or other related financial instruments, in respect of the Bank.

Conflict of interest
In order to prevent conflicts of interest, employees must avoid and refrain from any activity that is contrary to the interests of Libra Internet Bank and / or its customers, having the obligation to report any situation of a conflict-of-interest nature and to cooperate with the structures. responsible for the efficient resolution and management of any such situations.

During 2021, no conflict-of-interest situations were identified between some members of the Governing Body and the interests of the Bank.

3.5 Financial accounting statement

3.5.1 Considerations regarding the Romanian banking system in 2021

In 2021, a year in the context of the COVID-19 pandemic, the Romanian banking system operated through 34 credit institutions (the same number as in 2020) and recorded an increase in total assets by 14.1%. The solvency ratio of the Romanian banking system at the end of 2021 was 22.26%, decreasing by 3.9% compared to 2020, while the NPL (non-performing loans) rate was 3.35% decreasing compared to 2020 when it was 3.83%.

All these performances were ensured by the banks, together with the governmental measures to protect the businesses affected by the pandemic, through public moratoriums.

As a general conclusion, the entire Romanian banking system worked very well in 2021, ensuring good support for Romanian business and for Romanian individuals, at the same time, in this pandemic year.

	Dec-21	Dec-20	Var
Number of credit institutions	34	34	0%
Total assets (billion lei)	639.7	560.2	14%
Solvency Rate (≥8%) (%)	22.26	23.18	-4%
Debt rate (%) *	8.19	9.46	-13%
Impaired loans and receivables (% of total loans)	1.17	1.31	-11%
Impaired loans and receivables (% of total assets)	0.61	0.66	-8%
Impaired loans and receivables (% of total debt)	0.68	0.74	-8%
Return on assets (ROA) (%)	1.38	0.98	41%
Return on equity (ROE)(%)	13.45	8.86	52%
Profitability ratio - core activity (%)	185.87	185.51	0%
Loans granted / Deposits attracted (%)	68.79	65.89	4%
Non - performing loans in accordance with EBA (%)*	3.35	3.83	-13%

Source: NBR

3.5.2 Presentation of the bank's financial position in 2021

During 2021, Libra Internet Bank focused on achieving the Bank's mission and achieving the strategic objectives set for this year. Therefore, in 2021, the Bank continued to support the financing of its clients as companies, professionals, real estate, agriculture and individuals, but in an effort to achieve better operational efficiency and higher productivity at all levels, according to the Strategy. for 2021-2023.

The financial statements of the Bank as at 31.12.2021 were prepared on the basis of the recapitulative verification balance at the level of the Bank:

3.5.2.2. Separate balance sheet

	(in Lei)	**2021**	**2020**	**2018**
Asset	Cash in the house	91,511,155	82,219,566	90,559,183
	Financial assets at fair value through the profit and loss account	13,403,252	11,370,482	11,218,685
	Loans and advances to the National Bank of Romania	2,397,623,472	867,637,497	652,781,859
	Loans and advances to banks	406,160,803	689,560,214	654,265,779
	Depreciated investment securities	1,100,828,743	865,291,278	980,225,075
	Investment in associates	7,840,000 0	7,840,000	-
	Tangible fixed assets	22,145,666	57,109,432	60120648
	Intangible assets	51,978,139	3,500,431	3,702,270
	Deferred tax claims	2,502,796	3,372,502	1,582,338
	Assets held for sale	1,715,766	22,272,072	296,303
	Other assets	**54,260,144**	**75,392,320**	**63,339,372**
Debt	Deposits from customers	7,781,433,304	6,405,096,125	5,668,215,725
	Bank deposits	552,427,978		
	Loans from financial institutions	22,017,455	31,454,700	40,846,726
	Subordinated bonds	221,659,495	21,196,508	-
	Provisions	13,585,091	20,284,242	9,277,204
	Current tax liabilities	22,141,492	1,192,522	182,513
	Other liabilities	73,089,215	73,182,413	84,374,639
	Total liabilities	**8,686,354,028**	**6,552,406,510**	**5,802,896,807**

Capital	Social capital	506,165,200	506,165,200	506,165,200
	Reserves	226,335,878	222,915,684	112,079,786
	Reported result	171,936,044	37,220,709	110,043,746
	Total equity	**904,437,122**	**766,301,593**	**728,288,732**
	Total debt and equity	**9,590,791,150**	**7,318,708,103**	**6,531,185,539**

3.5.2.3. Separate profit and loss account

(In Lei)	**2021**	**2020**	**2019**
Interest income	379,119,657	358,775,103	336,880,489
Interest expenses	-62,643,693	-76,649,110	-66,903,884
Net interest income	**316,475,964**	**282,125,993**	**269,976,605**
Income from fees and commissions	63,982,511	45,492,203	41,277,766
Expenses with fees and commissions	25,158,778	-15,758,785	-14,397,915
Net income from commissions and fees	**38,823,733**	**29,733,418**	**26,879,851**
Net income from financial instruments at FVTPL	84,841	638,889	10,439,855
Net gains on foreign exchange transactions and revaluations	32,865,329	26,353,443	19,266,091
Other operating revenues	4,252,930	2,573,733	2,561,136
Total operating income	**392,502,797**	**341,425,476**	**329,123,538**
Staff costs	-129,862,223	-109,737,653	-104,496,626
impairment and depreciation	-15,864,955	-15,239,268	-15,214,642
Other operating expenses	-51,189,489	-68,554,673	-68,554,673
Total operating expenses	**-196,916,667**	**-193,893,882**	**-186,893,347**
Operating profit	195,586,130	147,893,881	142,230,191
Impairment losses on financial instruments	16,407,525	-104,046,903	-9,724,474
Profit before tax	**211,993,655**	**43,846,978**	**132,505,717**
Income tax expenses	-30,858,126	-5,834,118	-17,236,883
Net profit for the financial year	**181,135,529**	**38,012,860**	**115,268,834**

During 2021, the bank granted dividends to shareholders in the amount of 43 million lei from Other reserves from profit at the same time as the inclusion in the bank's own capitals of the profit realized in 2021 in the amount of 181,135,529 lei. The bank's equity increased in 1821 by 18%, from RON 766.3 million to RON 904.4 million.

3.5.2.4. Separate cash flow statement

In RON	2021	2020	2019
Cash flows from operating activities:			
Profit before tax	**211,993,655**	**43,846,979**	**132,505,717**
Adjustments for non-monetary items:			
impairment and depreciation	15,864,954	14,787,984	15,214,642
Impairment losses on tangible and intangible assets	121,400	-	63,770
Net growth of fair value financial instruments	-2,032,770	-638,889	-
Net expenses with provisions	-6,587,785	11,100,544	4,475,338
Net impairment loss on loans and advances	-10,770,372	109,787,728	17,448,729
Dividends on equity securities	-682,403	-624,085	-557,638
Loss share from associate	-	-	-
Other adjustments	275,597	-202,758	-2,730,532
Variations in:			
Loans and advances to the NBR	-1,529,985,975	-214,855,638	
Other assets	21,132,176	-12,052,948	-844,117
Other liabilities	43,093,197	-7,686,333	4,925,344
Deposits from customers	1,376,337,178	736,880,400	908,820,319
Loans and advances to customers	852,166,688	-751,811,779	-779,319,540
Income tax paid	552,427,978	-	-23,271,094
Profit tax paid	-8,252,420	-6,614,273	
Dividends received			
Net cash used in operational activities	**233,328,193**	**-76,820,096**	**277,288,576**
Cash flows from investment activities:			
Acquisition of tangible and intangible assets	-1,541,090	-5,122,300	(4,874,000)
(Purchase of) securities	769,807,698	-285,022,043	(427,655,194)
Transferable securities income	689,720,759	398,361,679	76,240,875
Associate investments	-	-7,840,000	-
Net cash used in investment activities	**-81,628,029**	**100,377,336**	**-356,288,319**
Cash flows from financing activities:			
Income from bonds issued	200,462,987	21,196,508	-
Contributions from shareholders	-	-	-

Repayments of loans from financial institutions	-9,437,245	-9,392,026	-16,551,754
Lease payments	-9,757,679	-10,001,066	-5,798,294
Net flows from the assignment of loans to IFN	58,030,862		
Dividends paid	43,000,000		
Net cash from financing activities	196,298,925	1,803,416	-22,350,048
Net increase / (decrease) in cash and cash equivalents	**-118,657,297**	**25,360,656**	**-101,349,791**

The Bank's performance in 2021 was remarkable, managing to keep all indicators at the best intervals and to achieve all Budget and Strategy objectives. Net assets increased by 31% compared to the previous year, and net profit by 377% compared to the previous year.

In addition to the good financial performance of Libra Internet Bank in terms of growth while ensuring the coverage of impaired loans with provisions at a level of 65.72%, as a prudential measure, the bank has also seen good results in launching new products and streamlining and digitizing processes. .

3.5.3 Operating cost analysis

Operating expenses, including impairment, increased by 1.7% in 2021 compared to a 3.55% increase in 2020 compared to 2019. The main increase in expenses was personnel expenses (+ 18.3%) while depreciation expenses increased by 4.1% and the rest of the expenses decreased by 25.3%.

	2021	2020	Var. %
Personnel expenses	-129,862,223	-109,737,653	18.3%
Depreciation and amortization	-15,864,955	-15,239,268	4.1%
Other operating expenses	-51,189,489	-68,554,673	-25.3%
Total operating expenses	**-196,916,667**	**-193,531,594**	**1.7%**

3.5.4 Asset and liability management

Strategy Book Internet Bank S.A. liquidity management is part of the bank's overall development strategy, whose main strategic objectives are to strengthen its position in the SME and liberal professions sector, expand in the agricultural segment, finance real estate projects, manage the quality of the loan portfolio and control costs.

Libra Internet Bank's main objective in managing liquidity is to adopt and maintain an optimal structure of the bank's assets and liabilities, which will allow:

- Maximizing the net interest income, recorded by the bank, at an established level of assets;
- Correlation of interest rates with market developments and their adjustment according to the bank's liquidity needs;
- Carrying out the activity of the bank in optimal conditions, according to the established strategy, avoiding, as much as possible, the dysfunctions that may appear as a result of assuming high risks in the field of liquidity;
- Minimize any negative effects that may occur during crises, in terms of bank liquidity.

Specifically, the bank's development plan for 2021 for the management of assets and liabilities and the management of liquidity took into account the following issues:

The correlation between the quantity and quality of the financial resources used by the bank (especially between the resources attracted from individuals and legal entities - depositors) with the volume of investments; In this regard, the following were considered:

a) Scattering of attracted sources from as many depositors as possible, in foreign countries (in correlation with the structuring of investments in foreign currencies) and for appropriate periods of time (short, medium, long);

b) Maintaining permanent communication with the bank's stable customers, resource providers, in the category of large depositors, both at the level of territorial units and at the central level, so as to anticipate their intentions and availability in terms of investments made by the bank;

c) Along with the evolution of the attracted resources, the adequate provision of provisions for own funds was analyzed, in order to maintain the financial stability of the bank and the creditworthiness; the requirement of capital adequacy to the risks to which the bank is exposed has been met.

• Maintaining the quality and quantity of loans to customers at budget levels:

a) Monitoring the level of balances related to loans granted and setting a maximum ceiling for the balance of loans in foreign currency;

b) Careful structuring of the credit portfolio in terms of its maturity, as well as the structure of currencies, in strict correlation with the nature and type of banking resources (equity and borrowed sources). In this regard, compliance with the limits set by the regulations of the National Bank of Romania in relation to bank liquidity should be verified;

c) Caution, both in the analysis of the refinancing capacity and in the acceptance of guarantees; emphasis on accepting the guarantee of financing guarantees, guaranteeing micro-credits through European funds;

d) Focusing on premium customers, accessing AgriBusiness customers;

• Improving the policy of attracting resources in correlation with the credit policy, by increasing the cohesion between the policy of attracting resources and the credit policy, respectively:

a) managing the margins between interest rates on assets and interest on debt;

b) satisfactory management of liquid assets in correlation with the evolution of attracted sources (in terms of customer typology, currencies and terms);
c) improving cross-selling

• Extending the online sales channel;

• Maintaining a low level of tangible assets and costs generated by: outsourcing (requesting services from specialized companies for a number of activities), reducing areas within the perimeter of the branch, renegotiating leases or relocating the units in which the bank operates ;

• Establishing minimum liquidity levels (expressed by liquidity indicators) and monitoring them in appropriate time intervals (one-day or very short, medium and long-term terms);

• Ensuring the division of responsibilities and the independence of operational positions and positions on monitoring the bank's liquidity situation;

• Establish and maintain at least a minimum level of eligible financial assets that can be used in liquidity-providing transactions (by converting them into liquidity or by using them in secured transactions), under normal and liquidity crisis conditions, to the extent in which the eligible financial assets are considered to be government bonds and certificates of deposit issued by the Ministry of Finance or by the National Bank of Romania;

• Performing activities exclusively in convertible currency;

• Establishing and maintaining lines of work with other banks that are most active in the domestic market; establishing correspondence relations with the leading banks on the international market; exchange activities regarding the money market, foreign exchange, trading of government bonds and certificates of deposit issued by the National Bank of Romania will be carried out mainly on the Romanian market or on the European market;

• Assessing the implications that custody and settlement activities may have on the bank's liquidity position and other potential risks. To that extent, the Bank shall require the provision of storage and custody services only from institutions organized for the provision of such services, which are adequately regulated and supervised by the financial-banking supervisors of the EU and EEA Member States.

The total net profit resulting from the attraction of funds and from the investment activity registered in 2021, based on the structure of assets and liabilities, was set at 317.79 million lei, compared to 282.12 million lei in 2020.

The effective monitoring of the bank's liquidity was carried out on the basis of the liquidity management strategy, by the permanent monitoring of liquidity and forecast fluctuations, in correlation with the institution's approved annual budget and by indicators, models and scenarios whose sufficiency and complexity are regularly reviewed. According to the strategy, the bank had to permanently maintain an adequate level of liquid assets, depending on the volume and structure of the resources attracted. The limits set by the bank's strategy and risk profile were met (immediate liquidity indicators, gross credit indicators from total attracted sources and gross
loans from total gross assets, liquidity indicator at maturity intervals, gross liquidity indicator of total gross assets, maturity liquidity indicator,

internal liquidity indicator, level of concentration of resources on depositors).

3.5.5 Attracted resources

The main resources attracted by the bank in 2021 consisted of deposits and current accounts attracted from individuals and legal entities.

The structure of these resources is presented below:

Resources attracted from customers (in Lei)	2021	2021	Variation 2021/2020
Current accounts	**3,719,302,784**	**2,578,039,561**	**44.3%**
Individuals	2,551,684,310	460,606,601	454.0%
Legal entities	1,167,618,474	2,117,432,960	-44.9%
Total deposits	**4,062,130,520**	**3,827,056,564**	**6.1%**
Term deposits	3,937,207,112	3,634,010,087	8.3%
Collateral deposits	124,923,407	193,046,477	-35.3%
TOTAL CUSTOMER RESOURCES	**7,781,433,303**	**6,405,096,125**	**21.5%**

The volume of sources attracted from customers increased by 21.5%, while lending increased by 17%. The utilization rate of net loans / attracted sources remained at the same level as in 2020 of 70%.

In addition to the resources attracted from customers in the form of deposits and current accounts, the bank has resources attracted from two financial institutions, the EIF and the EBRD, and from the public, through two bond issues described below, in Chapter 3.5.10.

These additional resources represent 9.3% of the bank's total resources, compared to 0.8% in 2020.
The total structure of the Bank's resources is presented below:

	(In Lei)	2021		2020	
	Resource type	**Volume**	**%**	**Volume**	**%**
1	**Treasury resources**	**796,104,928**	**9.3%**	**52,651,208**	**0.8%**
A	Loans from financial institutions	22,017,455	0.3%	31,454,700	0.5%
B	Bond issues	221,659,495	2.6%	21,196,508	0.3%
C	Bank loans	552,427,978	6.4%	-	0%
2.	**Customer resources**	**7,781,433,303**	**90.7%**	**6,405,096,125**	**99.2%**
A	Current accounts	3,719,302,784	43.4%	2,578,039,561	39.3%

B	Customer deposits	4,062,130,520	47.4%	3,827,056,564	59.3%
	TOTAL BORROWED FUNDS	8,577,538,231	100%	6,457,747,333	100%

The gross appropriations from the total sources attracted from customers and from the total net assets met the budget limit and were as follows:	**2021**	**2020**
Gross loans / Total sources attracted from customers	71.87%	74.95%
Gross loans / Total net assets	58.31%	65.59%

3.5.6 Investments and lending activity

During 2021, the lending activity was carried out with the same business lines from 2020. The business segments of the bank are: Individuals, Small companies (SMEs, liberal professions and agriculture), Large companies (companies with a turnover over 4 million euros), Treasury and Others and General Management.

The structure of the loans granted by these commercial lending segments is presented below:

	2021	**2020**
Individuals	7%	3%
Small companies	31%	30%
Large companies	62%	67%
Treasury	-	-
Others and GM	-	-
Total	100%	100%

The gross portfolio of gross loans as of 31.12.2021 amounts to 5,592,230,160 lei, with an increase of 16.5% compared to 31.12.2019, when its value was 4,800,303,015 lei.

Presentation of the loan portfolio	**Dec 31st 2021**	**Dec 31st 2020**
Performing portfolio	5,483,661,836	4,696,478,745
Non-performing portfolio	108,568,324	103,824,270
Total gross loans	**5.592.230.160**	**4.800.303.015**
Minus: provisions for credit risk Total net loans	-151,408,945 5,440,821,215	-167,160,706 4,633,142,309

In 2021, the net loan portfolio increased by 17%, while provisions for credit risk decreased by 9.42%. This recovery was due to the resumption of activity in many of the sectors that were stopped and affected by the pandemic during 2020, which is why part of the credit provisions established in 2020 were reversed in 2021 due to normal activity.

The Bank holds financial assets at amortized cost ("CA") in the form of loans and advances to customers, loans and advances to banks and debt securities. For financial assets measured at CA, the anticipated impairment loss reduces the gross carrying amount and is recognized in profit or loss.

As of January 1, 2018, all banks, including Libra Internet Bank, have begun to apply IFRS 9 - Financial Instruments, which introduces a new model for recognizing impairment losses, also called the Expected Credit Loss Model (ECL), where it exists. a "three-step" approach based on changing the credit quality of financial assets from initial recognition.

The following table provides information on the credit quality of financial assets valued at amortized cost (including loans). Unless expressly stated, for financial assets, the values in the table represent gross book values. Clients are classified into 4 risk categories representing the following:

- Standard - all financial assets valued at amortized cost, which are in progress or overdue for less than 30 days and which are not on the Watch List;
- > 30 days - all financial assets valued at amortized cost, overdue for more than 30 days and not impaired;
- Watch List - Financial assets valued at amortized cost that are identified with increased credit risk based on the internal procedure and are classified in either Stage 2 or Stage 3 - only if conditions of improbability of payment are identified;
- Loss - Depreciated financial assets included in Stage 3.

The structure of the financial instruments in stages of credit risk in 2021 is presented below

2021				
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortized Cost				
Current	4,882,143,192	427,192,477	43,082,049	5,352,417,718
<=30 days	75,626,499	76,930,473	15,240,246	167,797,218
<=90 days	0	21,766,319	15,963,760	37,730,079
<=180 days	0	2,875	9,538,449	9,541,324
Total	**4,957,769,691**	**525,892,144**	**108,568,324**	**5,592,230,160**
Provisions for loss	**-48,058,958**	**-31,997,890**	**-71,352,098**	**-151,408,945**
Book value	**4,909,710,733**	**493,894,255**	**37,216,226**	**5,440,821,215**

2021				
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit commitments and financial collateral agreements				
Standard	2,119,541,021	-	-	2,119,541,021
> 30 days	-	3,090,721	-	3,090,721
Observation list	-	41,108,028	-	41,108,028
Loss			258,182	258,182
Provisions for loss	**(3,055,742)**	**(549,930)**	**(4,749)**	**(3,610,421)**
Book value	**2,116,485,279**	**43,648,820**	**253,433**	**2,160,387,532**

The bank holds loans and advances to banks of 2,803,784,275 lei as of December 31, 2021 (December 31, 2020: 1.557.197.711 lei). Of these, loans and advances to the National Bank in the amount of 2,397,623,472 lei (December 31, 2020: 867,637,497 lei) falls within the rating of BBB-, Baa3, BBB-, based on the ratings issued by Fitch, Moody's or Standard & Poor's.

Securities from amortized cost investments as of December 31, 2021 and December 31, 2020 include treasury bills and bonds issued by the Government of Romania, with the BBB rating of Standard & Poor's.

As of 31.12.2021, the gross portfolio of government bonds of Libra Internet Bank S.A. comprised 1,100.94 million lei, of which 48% have a maturity of up to 5 years and 52% have a maturity of over 5 years.

The portfolio of shares held by the bank with other companies at the end of 2021 comprised the Fund Transfer and Settlement Company TRANSFOND S.A., 17 shares in the Society for WorldWide Interbank Financial Telecommunication - S.W.I.F.T, 7,498.5 shares in the Credit Bureau S.A., 499,836 shares in Elvila S.A., 999 shares in SOPAS - Financial Services & Leasing S.A., 650 ordinary preferred shares series C at VISA Inc and 8,593 shares in the associated company LIBRA DEVELOPMENT IFN.

In 2021, the dividend income was 682,403 lei.

3.5.7 Investment

Libra Internet Bank has recorded investments in tangible and intangible assets projects for current business and to support the growth of the budgeted business.

In 2021, no branch was opened.

The total investments made by Libra Internet Bank in 2021 in tangible and intangible assets projects amounted to 1,541,090 lei compared to 5,122,300 lei in 2020, the main reason for the decrease being that in 2021 no branch was opened.

3.5.8 Main financial indicators and prudential indicators

Regarding the assessment of the solvency, liquidity and structure of the assets, we note the following important aspects:

- The total capital ratio, also called the solvency ratio, is calculated as the ratio between equity and risk-weighted assets.
- The cost / revenue ratio is an efficiency ratio calculated as the ratio of operating expenses to total revenue;
- Return on Assets - ROA is calculated as net profit for the year divided by the average net assets for the year.
- Return on Equity ROE is calculated as the net profit for the financial year, divided by the average capital for the year.
- Liquidity coverage indicator, calculated as the ratio between the actual liquidity and the required liquidity according to the legal norms in force of the National Bank of Romania (CSF report)

The evolution of the main financial and prudential indicators over the last four years is summarized in the table below:

	Banking system 2021	2021	2020	2019	2018
Solvency Rate	22.26%	17.4%	18.72%	17.87%	18.77%
Return on Equity (ROE)	13.45%	20.81%	5.31%	17.19%	17.87%
Return on Assets (ROA)	1.38%	2.2%	0.57%	1.92%	1.9%
Debt rate (transitional Level 1 definition)	8.19%	8.51%	10.79%	10.79%	10.76%
NBA report defined by EBA	3.35%	1.27%	1.62%	1.70%	1.87%
NPL rate for loans and advances granted to non-financial corporations	4.21%	1.91%	2.33%	2.35%	2.85%
Annual growth rate of total assets	6.1%	31.04%	12.08%	19.72%	18.39%
Loan deposits ratio	68.79%	71.87%	75.63%	75.94%	70.73%
Liquidity requirement indicator (LCR)	238.57%	183.57%	270.40%	301.12%	237.22%
Immediate liquidity indicator	47.17%	45.65%	37.74%	40.41%	43.39%

3.5.9 Shareholding and share capital structure

The share capital of the Bank, fully subscribed and paid, is 462,616,000 lei, of which 426,709,408.84 lei, USD 6,809,451 (equivalent to RON 17,354,492.10) and EUR 5,195,938.68 (equivalent to RON 18,552,099.06).

The share capital is divided into 21,028 registered shares, with a nominal value of 22,000 lei each.

However, the bank's accounting capital recorded in the balance sheet amounting to 506,165,200 lei also includes the adjustment to inflation as a result of the application of the international accounting standard IAS 29 for hyperinflationary savings, in the period 1997-2003, in the amount of 43,549,200 lei .

There were no changes in the structure and value of share capital in 2021. As of December 31st, 2021, the shareholding structure is as follows:

Broadhurst Investments Limited	66.68%
Romarta SA	27.56%
Andrei Siminel Cristian	5.73%
Other shareholders	0.03%
Total	**100.00%**

3.5.10 Issuance of MREL eligible senior bonds

In addition to the issuance of subordinated bonds issued through private placement of 4,296,500 euros over 10 years, with a coupon rate of 5% from 2020, in 2021 Libra Internet Bank successfully placed one more issue of registered, dematerialized, unsecured and non-convertible bonds, eligible MREL seniors worth 40 million euros, for 7 years, with an interest rate of 4.25% per year.

A number of 400 bonds were issued, through a placement addressed exclusively to qualified investors, as well as to natural or legal persons other than qualified investors, being made on the basis of exceptions to the obligation to publish a prospectus provided in Article 1 para. (4) lit. a) and c) of the Prospectus Regulation.

LIBRA28E bonds were admitted to trading on the main segment of the Bucharest Stock Exchange, Corporate Bonds category, through Alpha Bank Romania S.A.

Currently, both LIBRA30E (from 2020) and LIBRA28E (from 2021) bond issues are traded on the main segment of the Bucharest Stock Exchange, Corporate Bond category.

As at 31.12.2021, the Bank did not own any shares, there were no operations to change the value of the share capital.

3.5.11 Banking operations

In 2021, the total number of banking operations increased by 49.96%, while productivity increased by 46.32% due to the increase in the level of automation of operations and the increase in the number of internet banking operations.

The variation compared to 2020 is presented below:

	2021	2020	Variation
Number of operations	11,526,606	7,686,564	49.96%
Productivity (number of operations per employee)	7,667	5,240	46.32%
Banking using Internet Banking	6,376,980	4,773,918	33.58%
Banking operations using Internet Banking in total operations	57.86%	56.24%	1.62%

3.5.12 Card activity

1. Card issuing activity

At the end of 2021, Libra Internet Bank had 56,690 valid cards issued to both individuals and companies. There are 8 types of debit cards for individuals, 4 types of debit cards for companies and 3 types of credit cards for individuals.

	Debit cards	Credit cards
Individuals	37,714	888
Legal entities	18,088	-
TOTAL	**55,802**	**888**

The evolution of card issuance operations in 2021 is presented in the table below:

Card transactions	Issue transactions 2021		Issue transactions 2020		2021 vs 2020	
	Number	Value	Number	Value	Number	Value
Cash transactions	760,218	1,178,147,775	627.74	932,944,262	21.10%	26.28%

Transactions with merchants	4,327,944	1,004,568,040	3,025,176	656280531	43.06%	53.07%
Query transactions	117,318	0	115,617	0	1.47%	NA
Various transactions	70,741	49,545,586	39,423	19,197,999	79.44%	158.08%
Grand total	**5,276,221**	**2,232,261,400**	**3,807,957**	**1,608,422,792**	**38.56%**	**38.79%**

2. Card acceptance activity

The value of transactions registered in the acceptance activity during 2021 increased by 48.11%, and their evolution by types of transactions is presented in the table below:

Libra Internet Bank ATM / POS card transactions	ATM & POS 2021 acceptance		ATM & POS 2020 acceptance		2021 vs 2020	
	Number	Value	Number	Value	Number	Value
ATM transactions	1,077,588	1,063,305,799	739,792	805,849,722	21.96%	31.95%
POS transactions	6,205,452	1,041,168,363	3,720,699	615,073,321	66.78%	69.28%
Grand total	**7,283,040**	**2,104,474,162**	**4,628,780**	**1,420,923,043**	**57.34%**	**48.11%**

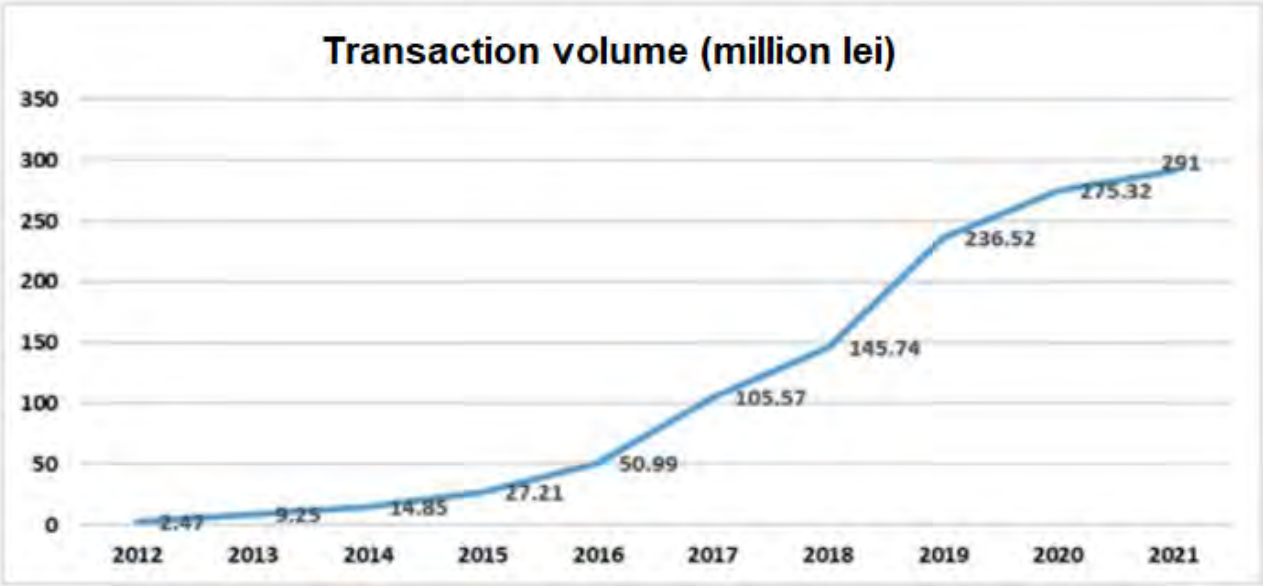
The value of transactions registered in 2021 at e-commerce purchasing terminals increased by 5.12%, and their evolution compared to 2020 is presented below:

Total PLay Trader Transactions (no portability)	Acceptance e-commerce 2020		Acceptance e-commerce 2019		2020 vs 2019	2020 vs 2019
	Number	Value	Number	Value	Number	Value
Librapay commercial transactions	1,269,489	290,450,412	1,321,711	276,302,150	-3.95%	5.12%

3.5.13 eBusiness

The eBusiness products within Libra Internet Bank are the electronic payment system Libra Pay and the API Banking system, based on the collaboration with Fintech companies in the field of payments and receipts.

Libra Pay is a modern electronic payment system, launched in 2012, with the advantage of a quick settlement between the buyer and the seller, on the same day of the transaction, being defined by a triple principle for online payments: Security, Support, Simplicity. The extraordinary evolution of this product is summarized in the chart below.



API Banking is a new line of business for Libra Internet Bank, which appeared as an opportunity given the extraordinary technological advances, on the one hand, and the lack or weak competition on the local Romanian market of API banking services, on the other hand.

Technological advances greatly influence consumer behavior, so that banking services are becoming more and more 'embedded' in third parties (applications or other digital domains). Libra has identified this change as a business opportunity by providing API-based banking to such third-party providers.

As a result, Libra was able to sign five partnerships with Fintech in 2020, including: Revolut, Transferwise (renamed Wise), Monese, TransferGo, Paysera, unique partnerships on the Romanian market.

The total income related to these partnerships in 2021 was 5,756,823 lei, compared to 1,109,203 lei in 2020.

3.5.14 Information on the likely evolution of the bank according to the 2022 Budget

- **Business goals for 2022**

In 2022, Libra Internet Bank intends to have a 13% increase in turnover (net assets), while the loan portfolio will also increase by 13%, with a focus on traditional business lines, but

with a permanent focus on new ones. technologies. The full growth of the business will be achieved by maintaining a capital adequacy ratio of 17.9%, monitoring sales efficiency, and a performance-based bonus system.

Although the degree of uncertainty is high for customers due to the difficult macroeconomic situation and international political conflicts, the bank estimates that, over a period of 5 years, it will continue to make a profit every year, the growth rate being lower than in previous periods - i.e. around 10%

4. Non-financial statement

Libra Internet Bank was established in 1996 and became operational a year later. Since May 2003, the bank has been part of the American investment group New Century Holdings (NCH), one of the most important foreign investors in Romania.

At 31.12.2021, the shareholding structure of Libra Internet Bank was as follows:

Shareholders	Weight
Broadhusrt Investments Ltd	66.68%
Romarta SA	27.56%
Other shareholders	25.76%

The bank's organizational culture is focused on seven defining values: the customer, the demands on one's business, success as a motivator, the spirit of competition, inventiveness and innovation, work-life balance, and ethical cooperation within the banking community.

With a network of 54 branches, at the end of 2021, the bank has a niche strategy, specializing in areas such as the liberal professions, real estate and agribusiness. Libra Internet Bank also pays special attention to modern technology and fintech partnerships, asserting itself in recent years as the most active Romanian bank in the field of fintech and one of the most dynamic banks in Romania.

4.1 The customer, the main value of Libra Internet Bank

The client represents the defining value for the Bank's organizational culture, which is why we pay the most attention to the feedback received from all clients and impose a very short deadline for resolving any complaints.

In this sense, the Bank's concern is always to quickly investigate the reported situation and to remedy or take the necessary measures to prevent any negative developments. For this purpose, the return to customers is answered as much as possible on the next working day after receiving the notification.

Amid a 33% increase in the total number of active customers in 2021, the number of complaints remained significantly lower than the value recorded in 2019 and only slightly higher than in 2020.

Shareholders	2021	2020
Weight of complaints from total customer number	0.46%	0.49%

4.2. New technologies and innovation

Since 2011, with the rebranding of “Libra Bank” in “Libra Internet Bank”, the bank has consolidated its leading and innovative position in digital banking, relying on a complete customer experience, around online applications, on automation and speed. in the processing of customer requests and operations and in the design of revolutionary products, recognized by numerous awards.

With a strong focus on technology, Libra Internet Bank was the first bank in Romania to launch its online account in 2014, through which Romanians were able to open a remote bank account, without paperwork and without trips to the bank. Libra was also the first bank in Romania to launch online credit for new customers in 2016.

After Libra Internet Bank became the first Romanian bank to export banking technology in an international instant payments project in 2019 - in partnership with Mastercard, Wirecard, NeoPay and Rakuten Viber - in 2020, Libra asserts itself as the first bank in Romania to launch API Banking projects with international fintechs such as Revolut, Monese or Paysera, to provide their services in the territory Romania. In 2021, followed the partnership between Libra and TransferGo, through which TransferGo users can make instant transfers to bank account holders in lei to banks enrolled in the Instant Payments infrastructure in Romania.

The applications of internet banking and mobile banking continued to be constantly improved, and the degree of customer use continued to grow, consolidating itself as the main channel for banking operations by the bank's customers.

Indicator	2021	2020	2019
Share of operations performed from internet banking / mobile banking out of total operations	57.9%	56.2%	53.3%

Process automation continued to be an important concern, in order to streamline the Bank's business and increase its operating speed for the benefit of customers. If in 2020 we expanded the use of Business Intelligence and implemented projects based on process automation robotics (RPA) technology
- which save time and paper, in 2021 we focused on the stability and improvement of existing processes, while investing in research for the integration of RPA with Machine Learning (ML) / Artificial Intelligence (AI).

Thus, in 2021, we have taken important steps towards consolidating the RPA bases within the Bank. The approach involved changing the RPA architecture from 2 to 3 robots used in a balanced way. The main benefits were reduced risk of process delays, increased running speed, reduced maintenance time and increased running capacity.

At the same time, the team of specialists dedicated to RPA projects was expanded, and the complexity of the developed processes increased by integrating API into developments, optimizing existing processes and activating robots through concrete actions, without human intervention. At the same time, functional demos (Proof of Concept) have been developed for integrating ML / AI projects with RPA projects, such as: translations, reading identity documents for interpreting and validating data or reading attachments in PDF format.

Regarding Artificial Intelligence projects - which involve processes by which a virtual machine learns a certain behavior (Machine Learning) - in 2021 4 such projects were put into production.

We are moving forward in our process of automating credit processes and investigating new technologies that will allow us to intervene much faster for the continuous adjustment of operating flows, so as to provide our customers with the premium experience they deserve. From a strategic perspective, Libra Internet Bank approaches this new high-tech context as a favorable field for identifying and capitalizing on opportunities.

4.3 Responsible employer

Libra Internet Bank pays close attention to creating a comfortable, creative work environment that encourages collaboration and encourages the collection and implementation of new ideas. Traditionally, the bank organizes programs for employees that encourage team spirit and promote a healthy life.

In 2021, the main programs for employees were:

Libra Energize - the traditional domestic competition, resumed after the interruption in 2020 caused by pandemic conditions. Within the program, teams of employees compete in sports competitions, such as asphalt or mountain running, cycling, swimming, climbing, kayaking, crossfit, archery or gun shooting, rally, etc. The 9th edition, held in 2021, was attended by 60 employees, grouped into 10 teams.

Libra Debatable - aims to develop the debating and argumentation skills of employees.
The program took place in the form of a team debate championship, with eliminatory tests - quarterfinals, semifinals and the grand finale. After a training that totaled over 85 hours of training with external trainers, the 24 participants, grouped in 8 teams, delivered rounds of debates, in live online shows, broadcast internally.

Libra Mentoring - personal and professional development program, based on the direct interaction between mentors and mentees, through exchange of experience and constant feedback. The objective of the program was to stimulate the personal and professional growth of the participants, through the development of skills and knowledge with the help of some experienced colleagues. During the 6 months of development, 47 mentees and 16 mentors participated in the program.

PhotoAgility - internal photography contest, which aims to highlight the creative skills of employees and increase cohesion between teams by sharing with other colleagues the beautiful moments captured in photos. The theme of the first edition was Freedom. Over 200 photos were submitted by 125 colleagues (maximum 2 pictures / participant). The photos were also displayed at Headquarters and on the bank's intranet page - where colleagues could vote for their favorite photos.

In addition to these types of programs, the bank encourages and supports employees to enroll in at least one training course during the year.

At the same time, professional objectives are discussed and evaluated annually, based on clear, measurable performance indicators (KPIs).

Indicators	2021	2020	2019
Total hours of professional training	19,189 hours	15,850 hours	15,862 hours
Employees included in the annual evaluation	709 employees	746 employees	657 employees

4.4 Anti-COVID measures

Libra Internet Bank continued to take all necessary steps to ensure the health of employees and customers in the context of the COVID-19 pandemic. Thus, the Bank set up response scenarios in cases of suspicious cases confirmed by COVID within the organization and implemented a Policy on working from home.

The activity with the clients continued uninterruptedly, on the solid foundation drawn in the previous year. In case of COVID cases, the activity was resumed in that location generally with back-up teams, after disinfection. All the authorities' recommendations regarding the share of employees who worked from home were followed, and the IT infrastructure continued to be improved.

Employees who came to the office benefited from specific protection measures (dedicated routes, thermal scanning at the entrance, disinfectants), as well as the necessary sanitary equipment (e.g. protective masks, gloves, etc.).

Office space has continued to be optimized for optimal configuration to ensure social distancing in order to minimize health risk for both employees and customers.

In order to travel to work, an additional measure to protect employees was, in the first 5 months of 2021, reimbursement of transport expenses by own car or taxi / ride-share services, in order to avoid public transport.

Indicators	2021	2020
Expenditure on pandemic protection measures and equipment in the context of the pandemic	19,189 hours	15,850 hours
Expenses for the settlement of office transport (personal car, taxi) to avoid public transport in the context of the pandemic	216,751 lei	355,733 lei

The value of expenditures on anti-VOCID protection measures and equipment was reduced compared to the previous year, primarily due to the normalization of prices and the manufacturing and supply flows of sanitary protection consumables (masks, gloves and disinfectants, etc.). At the same time, most investments in other types of equipment necessary for the purpose of sanitary protection (disinfectant dispensers, corridor signaling, temperature measuring devices, etc.) were made in the first year of the COVID-19 pandemic (2020).

4.5 Environment protection

Libra Internet Bank respects the legal framework applicable to environmental protection and is concerned with reducing the environmental impact of its activities. To this end, the bank continued to take steps wherever possible to recycle paper and separate waste collection.

Also, given the high level of online meetings at the expense of travel (which remained close to 2020), fuel consumption remained at an optimal level.

The Bank promotes environmental responsibility measures in the conduct of current operations. Thus, specific measures were taken to reduce the bank's environmental impact by replacing plastic cutlery with wood / paper cutlery or efficiently managing paper consumption through continuous digitization. At the same time, motion sensors and LED lighting panels were installed (in about 80% of cases, by the end of 2021, the percentage will reach 100% of the lighting installations in the bank's locations in the first half of 2022). These actions are also reflected in the decrease of over 40% in electricity consumption in 2021, compared to 2020.

Indicators	2021	2020	2019
Distance traveled by Libra car fleet	1.58 million km	1.57 million km	1.76 million km
The amount of waste produced and recycled	4.8 tons	8.8 tons	n/a
The amount of household waste	719.6 cm	1.256,9 cm	n/a
Electricity consumption	1.10 million Kwh	1.96 million Kwh	n/a
Gas consumption	1.01 million Kwh	1.11 million Kwh	n/a

4.6 Ethics, professional conduct and the fight against corruption

The fundamental principles of the Banking Code of Ethics, applicable to all employees of the bank, are: moral integrity, impartiality and non-discrimination, professionalism and transparency, strict compliance with applicable law, confidentiality, prevention and combating corruption, social responsibility, avoidance of denigration and honesty.

Each employee of the bank must complete the declaration of conflict of interest and pass an annual test of professional ethics and conduct.

4.7 Social inclusion

Libra Internet Bank provides a secure environment for all its employees and, through its staff recruitment and selection procedures, respectively for rewarding performance and promotion, affirms and implements a non-discrimination policy. Thus, the Bank encourages all candidates or employees, regardless of gender, race, sexual orientation, nationality, ethnicity, religion, political choice, social background, etc., to be part of

the organization, ensuring them equal opportunities to be select, to prepare for professional development and to advance in the bank's career.

The share of women among the bank's employees and, in particular, in managerial positions is still noticeable - this percentage which continued to increase significantly in 2021, approaching the value of 55%.

Libra Internet Bank also pays close attention to identifying and attracting talent from the years of study or immediately after graduation, offering internship places and the opportunity to enroll in the Banking Academy - a program for young people who want to learn the job of banker.

In 2021, the number of participants in the Banking Academy more than doubled compared to the previous year, which demonstrates the Bank's ability to attract young talent, in a labor market characterized by increasing demand from candidates looking for / choosing a job.

Indicators	2021	2020	2019
Fluctuation rate	19.1%	21.7%	29.7%
Number of employees	981	935	921
Of which, women	669	638	615
Percentage of women in managerial positions	54.4%	41.2%	38.6%
Number of interns (internship)	4	21	26
Number of participants in the Banking Academy	41	18	26

4.8. Impact on the community

Libra Internet Bank is an important financier of the Romanian economy in the niches in which it specializes (real estate, agribusiness and liberal professions). In this context, the financing provided by the Bank has again significantly contributed to the development of residential projects, in which thousands of homes are built each year.

Thus, in 2021, the number of apartments built with Libra Internet Bank financing was almost double that of 2019 and about 44% higher than the value of 2020.

Indicator	2021	2020	2019
Percentage of purchases from local suppliers in total	96%	96%	98%

4.9. General considerations regarding ESG

Environmental, social and governance (ESG) criteria are a set of standards for a company's operations, which socially aware investors take into account when verifying / establishing potential investments. Environmental criteria take into account how a company operates in relation to the environment, social criteria concern the management of relationships with employees, suppliers, customers and communities, while governance refers to company management, audits, internal controls and shareholder rights.

ESG issues can have a significant impact on households, corporations and financial institutions. Scientific studies suggest that climate change and environmental degradation, as well as those associated with the need to transition to a sustainable economic environment, will lead to real economic changes that will in turn have an impact on the financial sector through new risks and opportunities.

Environmental risks include:
· the *physical risks* of global warming, which can determine geographical areas with an increased environmental risk;
· *transition risks*, such as public policy, technological advances and market sentiment, which may have the effect of phasing out economic activities.

Social risks, which include the negative financial impact of factors such as inequality, health or employment.

Governance risks, which include that negative financial impact related to factors such as executive leadership, bribery and corruption.

The bank may be affected by ESG Risks through its core business activity (lending activities) or through its own assets. ESG risk limitations are performed within the bank's business based on internal rules, policies and procedures covering those areas. This is an ongoing process
which involves the development and consolidation of the regulatory framework through objectives, measures, indicators and specific actions in order to identify, reduce and control these risks.

4.10. Libra Internet Bank and ESG methodology

The methodology of capturing and capitalizing on ESG information is a new field, in full development for the entire banking sector. In accordance with Delegated Regulation (EU) 2021/2178, which entered into force on December 29th.

ESG, in order to provide information according to criteria to be adapted to Romanian legislation during 2022.

Although the reporting obligation does not cover the year 2021, Libra Internet Bank has already taken the first steps in developing and implementing the Internal Policy on ESG Risks, in order to identify and report eligible funding for the European Union taxonomy. Eligibility under Delegated Regulation (EU) 2021/2178 is intended to identify the destination of funding based on funded CANE codes and how that funding meets the criteria of specific European taxonomies.

Thus, the analysis of the internal data available on 31.12.2021 revealed that, from the **total portfolio of loans granted to PJ clients and those in the category of liberal professions** (offices, companies, PFA, etc.), calculated according to the value of loans, **more than half (50, 79%) are already eligible for the climate mitigation taxonomy**, while **40.51% are eligible for the climate adaptation taxonomy**.

With the development and implementation of the ESG Policy, this analysis will be gradually extended in order to verify and report the eligibility of funding from the perspective of all applicable taxonomies, established by the European Commission.

4.11 Awards

As every year, the activity of Libra Internet Bank was highly appreciated by the market, the performance and initiatives of the Bank being recognized by numerous important awards.
Among the awards obtained in 2021, we mention:

- **The best employer in Romania, category of banks and financial institutions**, Top Employers - Undelucram.ro
- **The most active bank in fintech partnerships,** Future Banking Gala
- **Fintech Partnership Excellence Award,** Fintech Forum
- **Most Innovative Banking Brand**, Brand Excellence Hall of Fame Awards
- **Best Bank for Liberal Professions,** Financial Leaders' Hall of Fame Awards Gala
- **Retail Bank of the Year,** Financial Market Magazine Awards Gala
- **Best Performance in Internet Banking** for the largest number of transactions in 2020, in the same category of banks by assets, Gala Online Banking
- **"Credit Dynamics" Award**, Top Bankers Gala
- **"Saving Dynamics" Award**, Top Bankers Gala
- **Green Banking Advocate of The Year,** Business Arena Awards for Excellence

5. Subsequent events

The main event after Libra Internet Bank on December 31st 2021 was the start of the war between Russia and Ukraine on February 24th 2022, which caused instability in the region and raised concerns about energy shortages in Europe. In this context, Libra Internet Bank performed
An analysis and concluded that there are no significant risks, as the bank has no exposure to Russian or Ukrainian counterparties or any business relationship with entities in these countries.

6. Proposals of the Board of Directors to the Shareholders' Meeting

1. The Board of Directors proposes to the General Meeting of Shareholders of April 28th, 2022 to distribute the profit for the year 2021 as follows:

- 5% of the gross amount, in the amount of 10,599,683 lei, to be distributed to the legal reserve;
- 50,000,000 lei to be granted dividends;
- the remaining amount, in the amount of 120,535,846 lei, to be distributed for other reserves from profit.

2. According to the Order of the National Bank of Romania no. 27 / Dec 2010 (republished) for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to credit institutions, the Board of Directors proposes to the Shareholders' Meeting the approval of the following documents:

1. The financial statements for the year 2021 prepared in accordance with the Order of the National Bank of Romania no. 27 / Dec 2010 (republished) for the approval of the Accounting Regulations compliant with
International Financial Reporting Standards, applicable to credit institutions, including the audit report for 2021;

2. Current report of the Board of Directors;

3. Discharge of the members of the Board of Directors who acted in this position during the year 2021;

4. Publication of financial results for 2021 in accordance with legal requirements.

Radu Grațian Ghețea
Chairman of the Board of Directors

Eugen Goga
Deputy Chairman of the Board of Directors

LIBRA INTERNET BANK S.A. LIBRA INTERNET BANK 2

STATEMENT ON THE APPLICATION OF THE PRINCIPLES OF CORPORATE GOVERNANCE
LIBRA INTERNET BANK SA

	Rules for applying the principles of corporate governance	Compliance		Reason for non-compliance
		Yes	NOT	
1.	Society must have an internal council regulation which includes the terms of reference/ the responsibilities of the Council, and key management functions of Society.	Yes		
2.	The Council regulation must include provisions for the management of conflicts of interest.		Not	The provisions on the management of conflicts of interest are included in separate policies on the management of conflicts of interest, both at the level of the governing bodies and for the entire bank's staff.
3.	The Administrative Board shall or consist of at least five members.	Yes		
4.	A majority of the members of the Council the Administration must not have executive function.	Yes		
5.	Each independent member of the Administrative Board must submit a declaration at the time of its nomination for election or re-election, as well as when there is any change in its status, indicating the elements on the basis of which they are considers it to be independent from the point of view of view of character and judgment Its.		Not	The criterion of independence is evaluated within the process of assessing the adequacy of the members of the governing body.
6.	Other commitments and obligations relatively permanent professional of a member of the Council, including executive and non-executive positions in The Council of Non-Societies and Institutions profit, must be disclosed to shareholders and potential investors before nomination also during his term of office.	Yes		
7.	Any member of the Council must submit information to the Council on any relationship with a shareholder who directly or indirectly owns shares representing more than 5% of all voting rights. This obligation shall be refers to any kind of report that can	Yes		

	affect the member's position on the on matters decided by the Council.			
8.	The company has designated a Secretary of the Council responsible to support the work of the Council.	Yes		
9.	Declaration on governance corporate will inform if it had place an evaluation of the Council under the leadership of the President or of the the nomination committee. if yes, it will summarize the measures key and the changes resulting from Its.	Yes		
10.	Society must have an evaluation policy/guide The Council comprising the purpose, criteria and frequency of the evaluation process.	Yes		
11.	The company has set up a nomination committee that will lead the nomination procedure of new members to the Board and will make recommendations to the Council.		Not	In June 2021, the Remuneration and Nomination Committee was disbanded, its attributions being taken over by the Board of Directors
12.	The company has a audit committee set up by the Council, in which at least one member must be administrator independent non-executive. Most the members, including the Chairman, must have proven that they have qualifications appropriately relevant for functions and the responsibilities of the Committee. The at least one member of the committee the audit must have experience of audit or proven accounting, and Appropriate.	Yes		
13.	Chairman of the audit is a member independent non-executive.	Yes		
14.	Within the framework of responsibilities its audit committee carries out an annual evaluation of the internal control system.	Yes		
15.	The evaluation carried out by the audit committee takes into account effectiveness and coverage of function internal audit, adequacy of risk management reports and internal control submitted to the Committee Audit of the Council, timeliness and the effectiveness with which the management the executive solves the shortcomings or the weaknesses identified by the internal control and presentation of relevant reports for the attention of the Council.	Yes		
16.	The audit committee must assess conflicts of interest in relating to the company's and its subsidiaries with related parties.		Not	Transactions with affiliated parties are evaluated by the Board of Directors.
17.	The audit committee must assess the efficiency of the system internal control and system risk management.	Yes		

18.	The audit committee must monitor the application of standards legal and internal audit standards generally accepted. Audit Committee must receive and evaluate the reports of the internal audit team.	Yes		
19.	Reports or analyses initiated by The Audit Committee must followed by periodical reports (the a little annual) or ad hoc to be submitted to the Council.	Yes		
20.	No shareholder can be grant preferential treatment over other shareholders in connection with transactions and agreements concluded by the company with shareholders and their affiliates.	Yes		
21.	The Council adopts a policy to ensure that any transaction of the company with any of the subsidiaries/companies with which it has close relations of which value is equal to or greater than 5% of the net assets of the company (according to the last financial report) is approved by the Board following a binding opinion of the Board's audit committee and correctly disclosed to shareholders and potential investors, to the extent that these transactions fall within the category of events subject to the reporting requirements.	Yes		
22.	Internal audits are performed by a division structurally separated (department internal audit) of the the company or by employing a independent third entities.	Yes		
23.	In order to ensure fulfillment the main functions of the department of internal audit, it report from the point of view functionally to the Council by through the audit committee. In administrative purposes and within the framework of management's obligations to monitor and reduces the risks, it must report directly to the Director-General.	Yes		
24.	Public society on its policy website remuneration and include in the annual report a statement on the implementation of the remuneration during the period the annual review is the subject of the analysis.		Not	Mentions regarding the remuneration of the identified personnel are mentioned in the Annual Transparency Report published on the website.
25.	The company publishes in the annual report a section that will include the total revenues of the members of the Board and of the General Manager for the respective financial year and the total value of all bonuses or any variable compensations and also the key assumptions and principles for calculating the incomes mentioned above	Yes		The section of the annual report includes the description of the remuneration mode and the total expenditure with the salaries and bonuses of the Management (executive and

				non-executive)
26.	The company must organize an Investor Relations Service – indicating to the general public the person/ the responsible persons or the unit Organizational. Apart from the information imposed by the legal provisions, the company must include on its page internet a section dedicated to Relationships with Investors, in Romanian languages, and English, with all relevant information of interest to investors.		Not	It is not applicable because the issuance of bonds is done through intermediary. At the same time, on the Bank's website there is a section specific to the issuance of bonds where you can find all the information related to the issuance of Libra Internet Bank bonds.
27.	The company will have a policy on the annual distribution of dividends or other benefits to shareholders, proposed by The Director-General or the Director's Office and adopted by the Council in the form of a set of guidelines that society intends to follow them on the distribution of net profit. Principles of the annual distribution policy to shareholders will be published on the company's website.	Yes		
28.	The society will adopt a policy in relating to forecasts, whether they are are made public or not. Forecasts refers to quantified conclusions of studies aimed at establishing the overall impact of a number of factors regarding a future period (so called hypotheses): by its nature, this projection has a high level of uncertainty, the actual results may differ significantly of the forecasts originally presented. Forecast policy will set frequency, period envisaged and the content of forecasts. If are published, forecasts can be included only in the annual reports, half-yearly or quarterly. Policy regarding the forecasts will be published on the company's website.		Not	Bnaca uses forecasts of macroeconomic indicators in the calculation of provisions.
29.	Rules of general meetings of shareholders must not limit participation of shareholders in meetings general and exercise of rights Their. Changes to the rules will come in in force, at the earliest, from with the next meeting of shareholders.	Yes		
30.	External auditors will be present at the general meeting of shareholders when their reports are presented at these meetings.		Not	The Administrator's Report is endorsed by the auditors and includes a separate chapter in which are

	internal control and management of significant risks, and opinions on matters subject to the decision of the general meeting.			
32.	The company must establish the date and place of a general meeting so as to allow the participation of as many shareholders as possible.	Yes		
33.	Financial reports quarterly and half-yearly will include information both in the Romanian language, as well as in English related to the key influencing factors changes in the level of sales, of operating profit, profit net and other financial indicators relevant, both from a quarter to another, as well as from one year to the next.	Yes		

Radu Grațian Ghetea

Chairman of the Board of Directors

Eugen Goga

Deputy Chairman of the Board of Directors

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