ANNUAL REPORT

LIBRA INTERET BANK S.A.

31 december 2022

Drawn up according the FSA Regulation no.5/2018

(Appendix 15)

Contents

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LIBRA INTERNET BANK

REPORT OF THE BOARD OF DIRECTORS

12/31/2022

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. This 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 aspects, respect for human rights and the fight against corruption and bribery.

Summary

Annual Report in accordance with ASF Regulation_2018 Annex 15 for the financial year: 2022
Report date 4/20/2023
Company name Libra Internet Bank SA ("The Bank")
Registered office Calea Vitan, nr. 6-6A, Tronson B, C, Et. 1, 6, 9, 13, Phoenix Tower Building, sector 3, București
Unique Fiscal 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
The regulated market on which the issued securities are traded. The Bucharest Stock Exchange, main characteristics of securities:
1. The issuance of **LIBRA30E** subordinated, nominative, dematerialized, unsecured and non-convertible bonds, denominated in EUR, with an individual nominal value of 500 EUR/bond and a total nominal value of 4,296,500 EUR over 10 years with an interest rate of 5%/year.
2. The issuance of **LIBRA28E** nominative, dematerialized, unsecured and non-convertible bonds, senior eligible MREL, with a nominal value of 100,000 EUR/bond and a total nominal value of 40,000,000 EUR over 7 years with an interest rate of 4.25%/year.
3. The issuance of **LIBRA32E** subordinated, nominative, dematerialized, unsecured and non-convertible bonds, denominated in EUR, with an individual nominal value of 500 EUR/bond and a total nominal value of 4,262,000 EUR over 10 years with an interest rate of 6.5%/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 complex overview of the current risk profile, as well as the risk management process at the level of Libra Internet Bank.

2. Publication requirements

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

- Law no. 24/2017 regarding issuers of financial instruments and market operations

· Law no. 24/2017 regarding 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 considerations

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, Romania.

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 2022, 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 2022, all the Bank's operations, together with those of the customers and on behalf of the customers, 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 located in Bucharest and 27 in the major cities of Romania.

During 2022, there were no significant mergers, reorganizations and disposals of significant assets. The main event during 2022 was the successful completion of an issue of subordinated, nominative, dematerialized, non-guaranteed and non-convertible bonds, in the amount of EUR 4.26 million for 10 years with an interest rate of 6.5%/year.

The gross value of investments in 2022 in tangible and intangible assets projects for the current activity and for supporting the growth of the budgeted business was 3,728,016 lei versus 1,541,090 lei in 2021 (increasing by 277% compared to the previous year). There were no major branch openings and acquisitions. There were no purchases of loan portfolios.

No branches were closed or opened in 2022.

3.1.1 Elements of general evaluation of the activity

The Bank's external auditor, Deloitte Audit SRL, performed the annual audit of the separate and individual financial statements for the financial year ended on December 31st, 2022.

Starting from 2020, the Bank prepares both individual and separate financial statements, considering its significant participation in the establishment of the associated entity Libra Development IFN

S.A (during 2020).

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

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

The audit opinion expresses that the separate financial statements provide a true and fair view of the Bank's separate financial position as of December 31st, 2022, as well as its separate financial performance and 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 following economic and financial indicators:

Economic and financial indicators	**2022**	**2021**
Net assets	9,717,108,147	9,590,791,150
Turnover	728,110,302	480,672,218
Net result	238,176,779	181,135,529
Market share in terms of assets	1.39%	1.50%
Total equity rate	18.87%	17.83%
Liquidity requirement indicator	321.23%	183.6%
ROA (net result / total assets)	2.45%	1.9%
ROE (net income / equity)	22.84%	20.03%
Cost / revenue	42.90%	50.2%
Gross loans/Deposits	75.82%	71.9%
Immediate liquidity	40.05%	45.65%

Comparatively to the Budget, in 2022 the Bank achieved remarkable results, recording the best performance in its history.

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

	Obtained 2022	Budgeted 2022	Variation(%)
Net assets	**9,717,108,147**	**9,231,679,566**	**5.00%**
Gross loans	6,185,074,607	6,300,269,509	-1.86%
Deposits from customers	8,250,677,803	7,959,470,920	3.53%
Equity	1,042,613,900	1,004,646,776	3.64%
Net interest income	443,763,360	420,951,114	5.14%
Net commission income	54,463,694	31,437,742	42.28%
Other operational income	76,689,610	42,322,185	44.81%
Administrative costs	262,197,704	234,698,670	10.49%
Provision expenses	37,952,955	36,000,000	5.15%
Net profit	**238,176,779**	**194,218,726**	**18.46%**

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

As of December 31st, 2022, LIBRA INTERNET BANK S.A. operated through its own network of 54 branches, of which 27 Bucharest and the rest in the main cities in Romania. The bank also operates two IT operations centers in CRAIOVA Cluj Napoca.

The bank does not have its own ATMs in operation, but using the EURONET network, which operates with 533 ATMs, of which 56 are installed at the bank's offices. At the same time, the bank has 5,795 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, the bank offers two other online banking services: the Mobile Banking app (for all banking operations) and the online card payment service, Libra Pay, aimed at eCommerce customers.

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 customers), Corporate (legal customers), Liberal professions (medical customers, hospitals, medical clinics and medical offices, notaries, lawyers, pharmacists) and Agribusiness (agricultural customers) and Individuals.

The Bank's commercial strategy focuses on achieving results in the following sales segments (business lines):

- Individuals
- Small companies (SME customers, 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 2022 is summarized in the table below.

Credits	**2022**	**2021**
Individuals	8%	7%
Small companies	32%	31%
Big companies	60%	62%
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	**2022**	**2021**
Individuals	35%	33%
Small companies	31%	31%
Big companies	34%	36%
Treasury	-	-
Others and GM	-	-
TOTAL	**100%**	**100%**

From the point of view of credit areas, the structure of credit sales at the end of 2022 is as follows:

The main activities carried out by the bank in 2022 were: fundraising, resource placement, lending, cards, electronic payment solutions Libra Pay and payment collaborations with various Fintechs in the field of receipts and payments.

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	**2022**	**2021**
Individuals	-16.378.154	-8.307.680
Small companies	165.634.146	122.024.796
Big companies	301.127.173	245.005.788
Treasury	69.964.988	22.578.873
Others and GM	33.656.910	11.201.021
Total	**554.005.065**	**392.502.797**

We mention that the above figures do not include transfer prices between business segments. For the foreseeable future, the bank's development plan will be:

- in the of 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 2022:

Avanpost Card – The new series of debit cards for individuals ensures a unique user experience, through the instant 10% cashback offered for purchases made in the network of over 600 Radio Guerrila Outposts, as well as 3 free withdrawals from any ATM worldwide, each month. The Avanpost Card has been awarded Best Debit Card in Romania by Business Arena Magazine, at the "Financial Leaders Hall of Fame Awards" event held at the end of 2022. **The operational professionals subscription** - represents a package of banking services dedicated to legal entities customers of the liberal professions PFA segment, with the purpose of efficiently managing their costs in their relationship with the bank. The product offers zero costs for account administration, internet and mobile banking, business card, as well as zero costs for 50 monthly operations including: payments in RON <50,000 from the application,

instant payments, and lei collections.

Apple Pay for Legal Entities - Apple Pay is a digital wallet and online payment system developed by Apple to enable purchases in apps, online shopping, or contactless payments through compatible devices. Within this digital wallet, Visa cards (legal entities - starting from 2022) and Mastercard cards (individuals - starting from 2020) issued by Libra Internet Bank can be registered.

Solar Credit - a loan designed for individuals who purchase solar panels. Beneficiaries can receive up to 70 thousand lei in financing from the bank. The product is part of the bank's strategy of actively supporting the production of renewable energy in Romania and emphasizes the local development of the prosumer market, in order to increase the sustainability of national energy consumption. At the end of 2022, the product became available in the bank's branches.

The "3 TIMES THE SUBSIDY" Credit - intended for farmers who hold certificates issued by APIA (Agency for Payments and Intervention in Agriculture) related to the subsidy granted for the surfaces owned/ exploited. Based on the agreement concluded with FGCR (Rural Credit Guarantee Fund), customers can obtain up to 90% of the amount of the subsidy calculated over 3 years for the current activity.

Student Invest credit - credit granted within the "StudentInvest" Program, with the aim of facilitating access to financing for young people enrolled in a higher education institution authorized by the Ministry of National Education. The funding is mainly aimed at covering study expenses and related expenses. Beneficiaries must earn income from wages or apply together with a co-debtor. Program run by the Ministry of Family, Youth and Equal Opportunities, with the support of the Romanian Counter-Guarantee Fund as guarantor.

The **"Family Start" Loan** - a credit granted within the "Family Start" Program, aimed at supporting young families, by financing specific expenses such as: payment or reimbursement of expenses with daycare, kindergarten, school, after-school activities, down payment for the purchase of a 7-seater family car, part/down payment for the purchase of a home, etc. The program is carried out by the Ministry of Family, Youth and Equal Opportunities, with the support of the Romanian Counter-Guarantee Fund as a guarantor.

The **IMM Prod* Credit** - a loan through which eligible customers of the IMM Prod Program can obtain financing from the bank to support working capital and investments, with up to 90% government guarantees. IMM Prod is a financing program implemented by the National Credit Guarantee Fund for SMEs, dedicated to SMEs - including start-ups - with their headquarters and/or secondary offices located in an urban area and that develop projects in the manufacturing industry.

GARANT CONSTRUCT Credit* - a credit dedicated to entrepreneurs in the construction sector (SMEs, architects), with the aim of improving their energy efficiency, investing in green energy, and other environmental protection objectives. Eligible customers under the GARANT CONSTRUCT Program, implemented through the National Credit Guarantee Fund for Small and Medium-sized Enterprises and the Romanian Counter-Guarantee Fund, can obtain financing from the bank with government guarantees of up to 90%.

The **RURAL INVEST Credit*** – loan for business development, intended for companies in agriculture, fishing, aquaculture, or the food sector. Based on the RURAL INVEST Program, the Rural Credit Guarantee Fund grants guarantees (up to 90% of the financing value) to eligible beneficiaries for whom the bank grants loans for financing working capital or for investments. It is intended for SMEs, small enterprises with medium capitalization and large enterprises.

SME INVEST* – a credit for business development, dedicated to companies operating in sectors other than those eligible for the AGRO IMM INVEST, RURAL INVEST, IMM PROD, and GARANT CONSTRUCT programs, and carrying out eligible activities under this program. Based on the SME INVEST Program, the National Credit Guarantee Fund for Small and Medium Enterprises grants guarantees (up to 90% of the financing value) to eligible beneficiaries for whom the bank grants loans for financing working capital or for investments.

AGRO SME INVEST* – credit from the SME INVEST PLUS Program, for business development, intended for companies in agriculture, fishing, aquaculture or the food sector. Based on the AGRO SME INVEST Program, the Rural Credit Guarantee Fund & the National Credit Guarantee Fund for Small and Medium Enterprises grant guarantees (up to 90% of the financing amount) to eligible beneficiaries for whom the bank grants loans for working capital financing or for investments. The product is intended for SMEs, small businesses with medium capitalization and carrying out activities in the field of agriculture, fishing, aquaculture and the food industry.

**In 2022, the bank launched the SME PROD, GARANT CONSTRUCT, RURAL INVEST products within the SME INVEST Romania program, carried out on the basis of the Temporary Framework for state aid in the context of the COVID-19 pandemic). Later, in the same year (2022), these products (plus the AGRO SME Invest product, launched in 2021 and the SME INVEST Product, launched in 2020) were relaunched under the SME INVEST PLUS Program - state aid framework Ukraine Temporary Framework.*

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 place, in order 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 customers) Large companies, Treasury and Others.

Sales activity is carried out in a highly competitive environment, where banks have developed and adapted their offers according to market requirements, the impact of exogenous factors on the real economy, as well as the increasingly obvious pressure of competition on the financial-banking market. In the last period, the development of the banking system took place both through the diversification of banking products and services, as well as in the increase in the settlement speed of banking instruments and the degree of technology. Libra Internet Bank in this context constantly focuses its 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 income.

It is not necessary.

3.1.5 Assessing employee / staff issues

At the end of 2022, the Bank had 1,037 employees, of which 95 were management staff and 942 were operational staff. The comparative situation with the year 2021 is presented below.

	December 31st, 2022		December 31st 2021	
	No. of employees	Wage costs	No. of employees	Wage costs
In RON				
Operational staff	891	107,663,963	890	89,492,321
Management staff	146	48,156,062	137	40,369,902
	1,037	**155,820,025**	**1,027**	**129,862,223**

The personnel activity in the Bank is ensured by the Human Resources Division, which supervises the recruitment and selection processes, performance evaluation, loyalty and reward of employees, as well as all professional development and training programs, to increase the motivation and commitment of employees.

The evaluation of professional performances addresses all employees of the Bank and is carried out annually by measuring the achievement of business objectives (KPI), as well as the skills necessary to fulfill the 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.

At the bank level, there is a Collective Labor Agreement concluded for a period of two years, on which occasion three employee representatives are elected, with the role of signing the contract and proposing improvements to the non-financial benefits system for Libra Internet Bank employees . 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.

The bank offers three types of bonuses: quarterly bonuses granted to the sales force and divisions that have a variable part of the remuneration, occasional project bonuses awarded upon completion of certain projects in the bank, and annual bonuses related to the annual evaluation of professional performance which can be awarded after the evaluation process is completed, depending on the achievement of quantitative and qualitative individual objectives, financial results or the financial position evolution of the bank.

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 2022 is shown in the table below.

	December 31st, 2022	**December 31st, 2021**
Expense/(income) with short-term benefits (personnel expenses)	9,922,401	6,387,555
Expense/(Income) with deferred long-term benefits (other operating expenses)	4,314,366	-4,756,394
TOTAL	**14,236,767**	**1,631,161**

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 2022 Budget by continuing the processes of automation, efficiency and digitization of the processes in the bank.

The main achievements in this field in 2022 were:

- o Successful migration of the T24 IT system to the new version.
- o Winning the award for the best employer in the financial field, for the third year in a row
- o Achieving a very good NPS (Net Promoter Score) from customers –75.
- o Implementation of 11 projects to optimize flows and increase operational efficiency in the bank:
- o Improving the calculation model of expected credit losses associated with loans and advances granted to customers.

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 Compliance Division. The Risk Management Division and the Compliance Division are independent from the bank's operational entities, have sufficient authority, resources and have direct access to the Bank's management body.

The bank, in exercising its risk management function, carries out its activity in accordance with legal provisions and 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. Establishing and managing regular and transparent reporting mechanisms so that the governing body and all relevant banking institutions have timely, accurate, concise, intelligible and meaningful reports and can exchange relevant information by identifying, measuring or assessing and monitoring risks ;

c) Developing and implementing a policy for approving new products and modifications to existing products by:

i) Periodic checks carried out 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) Employee testing covers both the level of theoretical and practical training, as well as 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 of Directors' view of risk appetite is applied on a regular basis and embedded 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 by employees Board of Directors, 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 321.23% and the net stable financing indicator (NSFR) having the value of 154.8%.

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 2022 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 2022, the bank's internal risk profile is presented in the table below:

Credit Risk (CR)	Medium Low
Residual Risk (RR)	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)	Medium Low
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 also provide for the activities to be carried out based on an annual program that is presented to the Management Body 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 statement of 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) Accelerating crediting in agriculture and individuals with mortgage loans

h) Developing collaborations with Fintechs or other technological platforms

Given the gloomy macroeconomic forecasts with high pressure on inflation, exchange rate, balance of payments and current account deficit, the bank set out to combat these unfavorable trends with a budget for the year 2022 of growth above the inflation level.

3.2 Tangible assets

The tangible and intangible assets of the bank are at a very low level of less than 1% (0.54%) of the total assets, the bank's policy being to invest only in projects strictly for optimal operation of the bank.

Their situation on 12/31/2022, compared to 2021 is presented below:

RON	**2022**	**2021**
Tangible assets	49,694,479	51,978,139
Intangible assets	**3,059,725**	**2,502,796**
Total	**52,754,204**	**54,480,935**

The situation of tangible fixed assets according to the main accounting and depreciation groups is presented below :

	2022		**2021**	
Buildings:	2,019,058	4.06%	2,331,264	4.49%
IT equipment and others	3,026,314	6.09%	3,758,201	7.23%
Vehicles	266,985	0.54%	996,664	1.92%
Fixed assets in progress	1,235,860	2.49%	159,706	0.31%
Right of use from leasing operations	43,145,412	86.82%	44,732,304	86.06%
Total	**49,694,479**	**100%**	**51,978,139**	**100%**

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 the total fixed assets.

3.3 The market of the securities issued by the bank

During 2022 Libra Internet bank successfully placed the third issue of registered, dematerialized, unsecured and non-convertible LIBRA32E bonds, denominated in EUR, with an individual nominal value of EUR 500/bond and a total nominal value of EUR 4,262,000 per 10 years with an interest rate of 6.5%/year.

During 2021 Libra Internet Bank successfully placed the second issue of registered, dematerialized, non-guaranteed and non-convertible LIBRA28E, senior eligible MREL (minimum requirement for own funds and eligible liabilities) bonds in the amount of EUR 40,000,000 for 7 years with an interest rate of 4.25%/year.

The first issuance of LIBRA30E bonds (in 2020) worth 4,296,500 EUR with a 10-year maturity and a 5% interest rate is being traded on the Multilateral Trading System (SMT) of the Bucharest Stock Exchange, while the LIBRA28E and LIBRA32E bond issuances are being traded on the main segment of the Bucharest Stock Exchange, in the category of Corporate Bonds.

The bank pays the interest coupons and principal related to these issues according to the Issue Prospectuses (LIBRA28E, LIBRA32E) and Memorandum (LIBRA30E). On 31.12.2022 there were no outstanding payment obligations resulting from these issues.

In the last three years, the Bank has granted dividends both from the current year's profit and from other profit reserves, the total value of which is presented in the table below:

	2022	2021	2020
Net Profit	238.176.778	181.135.529	38.012.861
Total dividends distributed	100.000.000	43.000.000	-

On December 31, 2022, the Bank did not hold any treasury shares, and there were no operations that would have led to a change in the value of the share capital.

3.4 Corporate Governance and Bank Management

Corporate Governance represents the set of principles that underlie the framework for managing and controlling the activities of the Bank.

Considering the trading of the three bond issuances on the regulated markets of the Bucharest Stock Exchange, the Corporate Governance of the Bank complies with both the principles of the governance code of the Bucharest Stock Exchange and the principles of the Corporate Governance code applicable to bond issuers on the SMT market.

Libra Internet Bank S.A. is managed in a split-unitary system (where the General Director and the Chairman of the Board of Directors are separate individuals), in accordance with the objectives of corporate governance, transparency of relevant corporate information, protection of the interests of various categories of stakeholders, and the principles of efficient operation in 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 for in its Articles of Incorporation, authorized by the National Bank of Romania, and stipulated in Government Emergency Ordinance no. 99/2006 regarding credit institutions and capital adequacy.

The General Shareholders' Meeting (GSM) is the supreme governing body of the Bank, having the powers provided by law and the Bank's Articles of Incorporation. 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.

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.

According to the Articles of Incorporation, the management and administration of the Bank are entrusted to the Board of Directors, which is composed of nine directors, including a Chairman and two Vice-Chairmen. 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.

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.

Directors can be appointed from among the members of the Board of Directors or from outside the Board of Directors.

The four directors (the Director-General and the three Deputy Directors-General) together form the Steering Committee.

The General Director and three Deputy General Directors are directors of the Bank in the sense given to this notion by the legislation of companies (persons to whom the Board of Directors has delegated the duties of managing the company).

The Board of Directors (the supervisory governing body) of the Bank has the powers established by the Articles of Incorporation in Chapter 17 (attached).

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

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.

The directors are responsible for taking all necessary measures related to the management of the company, within the limits of the company's object of activity and with respect to the exclusive competencies reserved by law or by the Articles of Association of the Board of Directors and the General Shareholders' Meeting.

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 Board of Directors is informed by the Secretary of the Board of

Directors, on a monthly basis, about the status of the measures not implemented and delayed, adopted by the Management Committee and its advisory committees.

The Internal Audit Division presents to the Management Committee on a monthly basis, for information purposes, the status of audit recommendations that have not been implemented within the set timeframe.

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.

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.

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.
- Also, the bank's structure includes the **Compliance Officer**, a member of the Management Committee of Libra Internet Bank, the Procurement department, reporting to the Deputy General Manager, and the Data Protection Officer, reporting directly to the General Director.
- 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/department heads lead and are responsible for the entire activity of the divisions/departments they coordinate, as well as for the proper performance of any other tasks received that are related to their area of responsibility. The prerogatives of division directors/department heads, as well as those of executive personnel, are stipulated in their job descriptions.
- The main responsibilities of divisions/departments/branches are described in Chapter III of the Organizational and Functioning Regulation. 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.

In 2022, the bank had nine (9) committees, one (1) subcommittee, one (1) commission, and one (1) council:

a) Steering Committee (CD);
b) The Credit Committee (CC), under which the Credit Subcommittee operates
c) Risk Management Committee (CAR);
d) Assets and Liabilities and Liquidity Management Committee (ALCO);
e) Audit Committee;
f) IT Committee;
g) Security Committee;
h) Occupational Health and Safety Committee;
i) IT Change Committee;

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j) Selection Committee;

k) The Credit Council (CSC), directly subordinated to the Board of Directors, established in 2022. The prerogatives and responsibilities of these committees (with the exception of the Management Committee and the commission),

are presented in the Regulations on Organization and Functioning. The Management Committee coordinates all the aforementioned committees, except for the Audit Committee.

In order to ensure optimal conditions for the adoption and implementation of legislative changes with significant impact within the Bank, the Compliance Division has the authority to request the establishment of working committees. These commissions will be formed by representatives of the divisions/departments affected by the respective changes, as well as 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 substitute 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 overdue decisions, also mentioning the reason for the delays. Also, the decisions implemented with inadequate quality will be reported;

i) keeping and archiving decisions and related documentation;

j) signing extracts from minutes, in order to issue proof of the adoption of a decision by the Committee of which he is a part.

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.

Categories of staff whose professional activities have a significant impact on the bank's risk profile ("Identified staff") are the categories of personnel whose professional activities have a significant impact on the Bank's risk profile, established by the decision of the Bank's Management Committee, based on the opinion of the coordinator of the risk management function, including the members of the Bank's management body, i.e.:

i) Management body in the supervisory function - non-executive members of the Board of Directors (or BD)
ii) Management body – senior management - members of the Bank's Steering Committee (or SD).
iii) Directors of the divisions: Risk Management, Internal Audit, Compliance, Operations, Treasury, IT, Financial-Accounting, Legal, Human Resources, Corporate Banking, Large Corporate, Agri Business, Credit Administration, IMM, Professionals & Retail Banking, Corporate Credit Analysis, Professionals & Credit Analysis Retail, Customer Monitoring and Workout
iv) Heads of departments: Treasury Arbitration, Risk Management, Internal Audit, Compliance
v) Coordinators of internal control functions (Risk Management, Internal Audit, Compliance) and OSI
vi) Dealers within the Treasury Division

The persons holding key functions – staff members whose functions give them a significant influence on the direction of the credit institution, but who are not members of the management body. Among the people who hold key positions may be the heads of important lines of activity, of branches in the European Economic Area, of branches in third countries, of support and control functions.

On 31.12.2022 - 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 Gratian Ghetea	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 Umbres	Member	9/12/2019	4 years (with extension)

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 Ghetea

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 is a Master's program in Business Administration offered by the Bucharest University of Economic Studies as a postgraduate study, in partnership with the Polytechnic University of Bucharest.

Mihaela Sirbu
The Case Western Reserve University, Weatherhead School of Management, offers a Master's program in Business Administration in partnership with the Bucharest University 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 **Steering Committee** - composed of the following people at the end of 2022:

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 Umbreș	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 carried out with related parties are presented in a separate note to the separate and individual Financial Statements both for the year ended 12.31.2022 and for the comparative period.

Thus, in 2022, no situations were identified that would contradict the interests of the Bank regarding the initiated persons, persons exercising management responsibilities, as well as persons closely related to them, as they did not carry out any transactions in 2022 regarding the Bank's shares or debt securities or related financial instruments, including derivative financial instruments or other related financial instruments, in relation to the Bank.

Conflict of interest

In order to prevent conflicts of interest, employees must avoid and refrain from any activity that contradicts the interests of Libra Internet Bank and/or its customers, with the obligation to report any situation that may lead to a conflict of interest and to collaborate with responsible organizational structures for the efficient resolution and management of any such situations.

During the year 2022, no situations of conflict of interest were identified between some members of the Management Board and the interests of the Bank.

3.5 Financial accounting situation

3.5.1 Considerations regarding the Romanian banking system in 2022

In 2022, a year in the context of the Russian-Ukrainian war, the Romanian banking system operated through 32 credit institutions and recorded a 9.6% increase in total assets. The solvency ratio of the Romanian banking system in December 2022 was 21.73%, a decrease compared to 2021, while the NPL (non-performing loans) ratio was 2.65%, a decrease compared to 2021 when it was 3.35%.

As a general conclusion, the entire Romanian banking system operated very well in 2022, providing good support for Romanian businesses and individuals.

	Dec-22	Dec-21	Var.
Number of credit institutions	32	34	-5.88%
Total assets (billion lei)	701.4	639.8	9.63%
Solvency Rate (≥8%) (%)	21.73	23.32	-6.82%
Debt rate (%) *	7.80	8.62	-9.51%
Impaired loans and receivables (% of total loans)	0.93	1.13	-17.70%
Impaired loans and receivables (% of total assets)	0.50	0.59	-15.25%
Impaired loans and receivables (% of total debt)	0.55	0.66	-16.67%
Return on assets (ROA) (%)	1.52	1.36	11.76%
Return on equity (ROE)(%)	16.59	13.28	24.92%
Profitability ratio - core activity (%)	192.65	185.48	3.87%
Loans granted / Deposits attracted (%)	70.52	68.78	2.53%
Non - performing loans in accordance with EBA(%)*	2.65	3.35	-20.90%

Source: NBR

3.5.2 Presentation of the financial position of the bank in 2022

Throughout the year 2022, Libra Internet Bank S.A. focused on achieving the Bank's mission and meeting the strategic objectives set for this year. Therefore, in 2022, the Bank continued to support its customers' financing needs as companies, professionals, real estate, agriculture, and individuals, while also striving to achieve greater operational efficiency and productivity at all levels, in accordance with the 2022-2024 Strategy.

The financial statements of individual and separate financial statements of the Bank as at 31.12.2022 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)	**2022**	**2021**	**2020**
Assets	Cash deposit	88,515,060	91,511,155	82,219,566
	Financial assets at fair value through profit and loss.	14,481,425	13,403,252	11,370,482
	Loans and advances to the National Bank of Romania	841,426,839	2,397,623,472	867,637,497
	Loans and advances to banks	1,489,663,483	406,160,803	689,560,214
	Loans and advances to customers	6,011,931,939	5,440,821,214	4,633,142,309
	Investment securities at amortized cost (Depreciated investment securities ???)	1,087,566,679	1,100,828,743	865,291,278
	Investment in associates	7,840,000	7,840,000	7,840,000
	Assets held for sale	232,302	22,145,666	22,272,072
	Tangible fixed assets	49,694,479	51,978,139	57,109,432
	Intangible assets	3,059,725	2,502,796	3,500,431
	Deferred tax claims	5,039,137	1,715,766	3,372,502
	Other assets	117,657,079	54,260,144	75,392,320
	Total assets	**9,717,108,147**	**9,590,791,150**	**7,318,708,103**
Debt	Deposits from customers	8,250,677,803	7,781,433,303	6,405,096,125
	Deposits from other banks	18,117,158	552,427,978	-
	Loans from financial institutions.	12,408,661	22,017,455	31,454,700
	Bonds issued	243,326,013	221,659,495	21,196,508
	Subordinated loan	39,329,678		
	Provisions	30,509,136	13,585,091	20,284,242
	Current tax liabilities	10,018,600	22,141,492	1,192,522
	Other debts	70,107,198	73,089,214	73,182,413
	Total debt	**8,674,494,247**	**8,686,354,028**	**6,552,406,510**
Equity capital	Social capital	506,165,200	506,165,200	506,165,200
	Reserves	310,610,024	226,335,878	222,915,684
	Reported result	225,838,676	171,936,044	37,220,709
	Total equity	**1,042,613,900**	**904,437,122**	**766,301,593**
	Total debt and equity	**9,717,108,147**	**9,590,791,150**	**7,318,708,103**

3.5.2.3. Separate profit or loss account.

(In Lei)	2022	2021	2020
Interest income calculated using the effective interest method	565,900,390	379,119,657	358,775,103
Interest expenses	-122,137,030	-62,643,693	-76,649,110
Net interest income	**443,763,360**	**316,475,964**	**282,125,993**
Income from fees and commissions	86,083,128	63,982,511	45,492,203
Expenses with fees and commissions	-31,619,434	-25,158,778	-15,758,785
Net income from fees and commissions	**54,463,694**	**38,823,733**	**29,733,418**
Net income from financial instruments evaluated at fair value through profit or loss (FVTPL)	605,908	84,841	638,889
Net gains on foreign exchange transactions and revaluations	46,853,380	32,865,329	26,353,443
Other operating revenues	8,318,723	4,252,930	2,573,733
Total operating income	**574,916,664**	**392,502,797**	**341,425,476**
Staff costs	-155,820,025	-129,862,223	-109,737,653
Depreciation and amortization expenses	-15,504,697	-15,864,955	-15,239,268
Other operating expenses	-86,973,254	-67,054,444	-68,554,673
Total operating expenses	**-279,209,574**	**-196,916,667**	**-193,531,594**
Profit before depreciation and tax losses	295,707,090	195,586,130	147,893,882
Net gains (losses) from impairment of financial instruments	-20,941,085	16,407,525	-104,046,903
Profit before tax	274,766,005	211,993,655	43,846,979
Income tax expenses	-36,589,226	-30,858,126	-5,834,118
The net profit of the financial year	**238,176,779**	**181,135,529**	**38,012,861**
Other elements of the comprehensive income	-	-	-
Total global result of the financial year	**238,176,779**	**181,135,529**	**38,012,861**

During 2022, the bank granted dividends to shareholders in the amount of 100 million lei, 50 million lei from other reserves from the profit of 2018 and 50 million from the profit of 2021, simultaneously with the inclusion in the bank's equity of the profit made in 2022 in value of 238,176,779 lei. The bank's equity increased in 2022 by 15%, from 904.4 million lei to 1,042.6 billion lei.

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3.5.2.4. Separate cash flow statement

In RON	2022	2021 retreated
Treasury flows from operating activities:		
Net profit	**238,176,779**	**181,135,529**
Adjustments for non-cash items:		
Depreciation and amortization expenses	15,504,697	15,864,955
Loss on disposal of intangible assets and fixed assets	1,295	318,108
Net loss on sale of repossessed assets	1,064,169	-
Net (Income)/expenses from provisions	17,011,870	-6,587,685
Net loss from the valuation of financial instruments at fair value through profit or loss	-605,908	-84,841
Net (income)/expenses from the depreciation of financial instruments	26,081,945	-10,648,973
Dividends	-963,012	-682,403
Interest expenses	122,137,030	62,643,693
Interest income calculated using the effective interest method	-565,900,390	-379,119,657
Share of (profit)/loss from associates	-	-
Income tax expense	36,589,226	30,858,126
Other adjustments	588,089	-1,030.52
Total adjustments	**-348,490,989**	**-288,469,198**
Modifications in:		
(Increase)/ Decrease in other assets	-34,078,445	1,865,212
Increase/(Decrease) in other liabilities	-2,982,016	-93,197
Increase/(Decrease) in deposits raised from customers	446,759,191	1,382,204,039
Increase/(Decrease or loss) of deposits from other banks	-534,265,224	552,382,382
(Increase)/ Decrease in loans and advances granted to customers	-582,020,650	-860,304,729
Total changes	**-706,587,145**	**1,076,053,707**
Tax paid	-52,035,488	-8,252,420
Interest paid	-86,748,256	-62,948,181
Interest received	503,472,784	354,403,747
Net cash used in operating activities	**-452,212,314**	**1,251,923,183**
Net cash from Investment activity:		
Procurement of intangible assets	-1,833,033	-832,091
Procurement of tangible assets	-1,894,984	-708,999
Sales of tangible assets	1,007,974	-
Acquisitions of financial assets at fair value through profit	-	-1,135,062
Purchases of securities	-1,198,235,907	-781,998,728
Sales of securities	1,195,250,000	541,724,765
Dividends received	963,012	682,403

In RON	2022	2021 retreated
Assets held for sale	20,691,720	81,933
Interest received securities	**63,918,223**	**35,950,332**
Net cash used from investment activities	79,867,005	-206,235,447
Cash flows from financing activities:		
Subordinated loan proceeds	39,579,200	-1,808,005
Subordinated loan payments	-550,261	-
Proceeds from bonds issued	21,085,819	197,930,980
Payments with bonds issued	-9,660,429	-
Repayments from loans from financial institutions	-10,111,689	-10,354,382
Lease payments	-14,086,657	-
Proceeds from assignment of loans to NFI.	-	58,030,862
Dividends paid	-100,000,000	-43,000,000
Net cash from financing activities	**-73,744,017**	**191,041,776**
Net increase / (decrease) in cash and cash equivalents	**-446,089,326**	**1,263,060,363**
The effect of exchange rate fluctuations on cash and cash equivalents	**-**	**-**
Cash and cash equivalents on January 1st	**2,923,336,462**	**1,686,606,949**
Cash and cash equivalents on December 31st	**2,477,247,136**	**2,923,336,462**

The Bank's performance in 2022 was remarkable, managing to keep all indicators in the best ranges and achieve all Budget and Strategy objectives. Net assets increased by 1.3% compared to the previous year, and net profit by 31.5% compared to the previous year. In addition to the good financial performance in terms of growth rate and profitability level, in 2022 the coverage of impaired loans with provisions at a level of 67.15% was ensured as a prudential measure. Also in 2022, the bank recorded good results in the launch of new products and in the efficiency and digitalization of processes.

3.5.3 Operating cost analysis

Operating expenses, including depreciation, increased in 2022 by 31.17% over 2021, compared to 1.7% in 2021 over 2020. The main increase in expenses was personnel expenses (+ 25.9 million lei), expenses with operational provisions (+ 23.4 million lei) and the loss of repossessed assets (+ 1.06 million lei). The net loss from the sale of repossessed assets was recorded as a result of the sale of PROIECT HOTEL.

	2022	2021	Variation 2022/2021
Staff costs	-155,820,025	-129,862,223	19.99%
Impairment and depreciation	-15,504,697	-15,864,955	-2.27%
Other Operational expenses	-86,973,253	-51,189,489	69.90%
Total operating expenses	**-258,297,975**	**-196,916,667**	**31.17%**

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 well 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 2022 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) Together with the evolution of the resources attracted, the adequate provision of provisions for own funds was analyzed in order to maintain the financial stability of the bank and its creditworthiness. The requirement for the adequacy of own funds to the risks to which the bank is exposed has been fulfilled.

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;

• The establishment and maintenance of at least a minimum level of eligible financial assets that can be used in liquidity acquisition transactions (by transforming them into cash or using them in guaranteed transactions) under normal and liquidity crisis conditions, to the extent that eligible financial assets are considered to be government bonds and certificates of deposit issued by the Ministry of Finance or 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 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 financial statements of-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 2022, based on the structure of assets and liabilities, was set at 443.76 million RON, compared to 316.47 million RON in 2021.

The efficient monitoring of the bank’s liquidity was carried out on the basis of the liquidity management strategy, through the permanent supervision of liquidity and forecast fluctuations, in correlation with the institution’s budget approved annually and through indicators, models and scenarios whose sufficiency and complexity are periodically 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 complied with (immediate liquidity indicators, gross credit indicators from total funds raised, gross credit indicators from total gross assets, liquidity indicator on maturity intervals, internal liquidity indicator, level of resource concentration on depositors).

3.5.5 Attracted resources

The main resources attracted by the bank in 2022 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)	2022	2021	Variation 2022/2021
Current accounts	**3,731,797,088**	**3,719,302,784**	**0.34%**
Individuals	898,039,252	2,551,684,310	-64.81%
Legal entities	2,833,757,836	1,167,618,474	142.70%
Total deposits	**4,518,880,715**	**4,062,130,520**	**11.24%**
Term deposits	4,374,950,751	3,937,207,112	11.12%
Collateral deposits	143,929,964	124,923,407	15.21%
TOTAL CUSTOMER RESOURCES	**8,250,677,803**	**7,781,433,303**	**6.03%**

The volume of sources attracted from customers increased by 6.03%, while lending increased by 10%. The net loan-to-deposit ratio increased from 70% in 2021 to 73% in 2022.

In addition to the resources attracted from customers in the form of deposits and current accounts, the bank has resources attracted from foreign financial institutions: FEI and EFSE are Romanian banks, and the bank also raises funds from the public through three bond issuances described in more detail in section 3.5.10.

These additional resources represent only 3.66% of the bank's total resources compared to 9.28% in 2021.

The total structure of the Bank's resources is presented below:

(in Lei)	2022		2021	
Resource type	**Volume**	**%**	**Volume**	**%**
Treasury resources	**313,181,510**	**3.66%**	**796,104,928**	**9.28%**
Loans from financial institutions.	12,408,661	0.14%	22,017,455	0.26%
Subordinated loan	39,329,678	0.46%		0.00%
Bond issues	243,326,013	0.21%	221,659,495	6.44%
Bank loans	18,117,158	6.40%	552,427,978	6.40%
Customer resources	8,250,677,803	96.34%	7,781,433,303	90.72%
Current accounts	3,731,797,088	43.58%	3,719,302,784	43.36%
Customer deposits	4,518,880,715	52.77%	4,062,130,520	47.36%
TOTAL BORROWED FUNDS	**8,563,859,313**	**100%**	**8,577,538,231**	**100%**

As of December 31, 2022, the ratio between gross loans outstanding and the balance of customer deposits as well as the ratio between gross loans outstanding and net total assets have met the budget limit and were as follows:

	2022	**2021**
Gross loans / Total sources attracted from customers	74.96%	71.87%
Gross loans / Total net assets	63.65%	58.31%

3.5.6 Investments and lending activity

During 2022, the lending activity was carried out with the same business lines from 2021. The business segments of the bank are: individuals, small companies (SMEs, liberal professions and agriculture), large companies (companies with a turnover of more than EUR 4 million), treasury, other and General Management.

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

	2022	2021
Individuals	8%	7%
Small companies	32%	31%
Big companies	60%	62%
Treasury	-	-
Others and GM	-	-
Total	**100%**	**100%**

The gross portfolio of gross loans as of 31.12.2022 amounts to 6,185,074,607 lei, with an increase of 10.6% compared to 31.12.2021, when its value was 5,592,230,160 lei.

Presentation of the loan portfolio	**Dec 31st 2022**	**Dec 31st 2021**
Performing portfolio	6,085,348,072	5,483,661,836
Non-performing portfolio	99,726,535	108,568,324
Total gross loans	**6,185,074,607**	**5,592,230,160**
Minus: credit risk provisions	-173,142,668	-151,408,945
Total Net loans	**6,011,931,939**	**5,440,821,215**

In 2022, the net loan portfolio increased by 10%, while the balance of credit risk provisions increased by 14%, thanks to a prudent credit risk management policy.

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 valued at AC, the anticipated impairment loss reduces the gross carrying amount and is recognized in profit or loss.

Starting from January 1st, 2018, all banks, including LIBRA INTERNET BANK, began to apply IFRS 9 - Financial Instruments, which introduces a new model for recognizing impairment losses, called the Expected Credit Loss (ECL) model, where there is a "three-stage" approach based on the credit quality changes of financial assets from initial recognition.

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

- **Standard** - all financial assets evaluated at amortized cost, which are current or delayed for payment by less than 30 days and which are not included in the Watchlist.
- **>30 days** – All financial assets evaluated at amortized cost, delayed for payment by more than 30 days and not depreciated.
- **Watch List** – Financial assets evaluated at amortized cost that are identified as having a high credit risk based on internal procedures and are classified either in Stage 2 or Stage 3 - only if there are conditions of payment improbability identified.
- **Loss** – Financial assets evaluated at amortized cost included in Stage 3.

The structure of financial instruments by credit risk stages in 2022 is presented below:

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2022				
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortized cost.				
Current	5,255,293,088	578,214,805	19,974,065	5,853,481,958
<=30 days	175,355,951	56,154,565	30,271,788	261,782,304
<=90 days	-	20,325,395	17,091,733	37,417,128
<=180 days	-	-	7,654,660	7,654,660
> 180 days	-	-	24,738,557	24,738,557
Total	**5,430,649,039**	**654,694,765**	**99,730,803**	**6,185,074,607**
Provisions for loss	-56,889,835	-49,281,880	-66,970,953	-173,142,668
Book value	**5,373,759,204**	**605,412,885**	**32,759,850**	**6,011,931,939**

2022				
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers				
Standard	5,430,649,039	-	-	5,430,649,039
> 30 days	-	438,435	-	438,435
Observation list	-	654,256,330	-	654,256,330
Loss	-	-	99,730,803	99,730,805
Provisions for loss	**-56,889,835**	**-49,281,880**	**-66,970,953**	**-173,142,668**
Book value	**5,373,759,204**	**605,412,885**	**32,759,850**	**6,011,931,939**

2022				
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit commitments and financial guarantee contracts.				
Standard	1,849,872,763	-	-	1,849,872,763
> 30 days	-	-	-	-
Observation list	-	84,403,433	-	84,403,433
Loss	-	-	5,881,339	5,881,339
Provisions for loss	**-3,223,743**	**-871,965**	**-825,580**	**-4,921,288**
Book value	**1,846,649,021**	**83,531,468**	**5,055,759**	**1,935,236,247**

On December 31st, 2022, the bank held loans and advances to banks worth 2,331,090,322 lei (December 31st, 2021: 2,803,784,275 lei). Of these, loans and advances to the National Bank amounted to 841,426,839 lei (December 31st, 2021: 2,397,623,472 lei) holding the BBB rating - based on the ratings issued by Fitch.

As of December 31st, 2022, the investment portfolio's amortized cost included government securities issued by the Romanian Government, accounting for 98%, and corporate bonds issued by CEC Bank, accounting for 2%. As of December 31st, 2021, the investment portfolio's amortized cost consisted entirely of government securities issued by the Romanian Government.

As of December 31st, 2022, the gross portfolio of investment securities held by Libra Internet Bank S.A amounted to 1,087,649,082 lei with a maturity of up to 5 years.

At the end of 2022, the bank's portfolio of equity investments in other companies included: 172 shares in Fund Transfer And Settlement Company TRANSFOND S.A., 74,985 shares in Society for Worldwide Interbank Financial Telecommunication - S.W.I.F.T., 74,985 shares in Biroul de Credit S.A., 499,836 shares in Elvila S.A., 999 shares at SOPAS – Financial Services & Leasing S.A, 650 preferred shares, series C, in Visa Inc. 64 preferred shares, series A, in Visa Inc. and 784,000 shares in the associated company LIBRA DEVELOPMENT IFN held by the bank at the end of 2022.

In 2022 the dividend income was in the amount of 963,012 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 2022, no branch was opened.

In 2022, the total investments made by Libra Internet Bank in projects related to tangible and intangible assets amounted to 3,728,016 lei, compared to 1,541,090 lei in 2021, with the largest share being represented by IT equipment (39%) and software programs (46%).

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 Operational expenses to total revenue;
- **Return on Assets - ROA** is calculated as the 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 equity 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)

	Banking system 2022	2022	2021	2020	2019
Solvency Rate	21.73%	18.87%	17.83%	18.72%	17.87%
Return on Equity (ROE)	16.59%	22.84%	20.03%	5.31%	17.19%
Return on Assets (ROA)	1.52%	2.45%	1.9%	0.57%	1.92%
Leverage effect (%)	7.80%	10.39%	8.51%	10.79%	10.79%
"The NPE ratio defined by EBA (AQT 3.2)	2.65%	1.16%	1.27%	1.62%	1.70%
Annual growth rate of total assets	9.6%	1.3%	31.04%	12.08%	19.72%
Loan deposits ratio	70.52%	75.82%	71.87%	75.63%	75.94%
Liquidity Coverage Ratio (LCR) Indicator	209.13	321.23%	183.57%	270.40%	301.12%
Immediate liquidity indicator	41.13%	40.05%	45.65%	37.74%	40.41%

3.5.8 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 31,559,081.60 lei) and EUR 5,195,938.06 (equivalent to 25,706,387.02 lei).

The share capital is divided into 21,028 registered shares, with a nominal value of 22,000 lei each.

However, the bank's equity capital recorded in the balance sheet of 506,165,200 lei includes the inflation adjustment resulting from the application of International Accounting Standard (IAS) 29 for hyperinflationary economies during the period of 1997-2003, in the amount of 43,549,200 lei.

There were no changes in the structure and value of share capital in 2022. As

of December 31st, 2022, the shareholding structure is as follows:

Broadhurst Investments Limited	66.68%
Romarta SA	27.56%
Andrei Siminel Cristian	5.73%
Other shareholders (<1%)	0.03%
Total	**100.00%**

3.5.9 Issuance of subordinated bonds

In addition to the two bond issues from 2020 and 2021, in 2022 Libra Internet Bank successfully issued a new tranche of subordinated bonds (meeting the minimum own funds requirement) which are nominal, dematerialized, unsecured, non-convertible, worth 4.262 million EUR, with a 10-year maturity and an interest rate of 6.5% per annum.

A number of 8,524 bonds were issued through a private placement. LIBRA32E bonds were admitted to trading on the main segment of the Bucharest Stock Exchange, Corporate Bonds category.

The LIBRA28E (issued in 2021) and LIBRA32E (issued in 2022) bonds are traded on the main segment of the Bucharest Stock Exchange, in the Corporate Bonds category, while the LIBRA30E bond (issued in 2020) is traded on the Multilateral Trading System of the Bucharest Stock Exchange.

On December 31, 2022 the Bank did not hold any treasury shares, and there were no operations that would have led to a change in the value of the share capital.

3.5.10 Banking operations

In 2022, the total number of operations carried out by the bank increased by 43%. While productivity has increased by 46.56% as a result of increased automation of operations and the growth in the number of banking operations conducted through the internet.

The variation compared to 2021 is presented below:

	2022	2021	Variation
Number of operations	16,444,841	11,526,606	43%
Productivity (number of operations per employee)	11,236.95	7,667	46.56%
Banking using Internet Banking	7,840,377	6,376,980	23%
Banking operations using Internet Banking in total operations	60.34%	57.86%	4.28%

3.5.11 Card activity

1. Card issuing activity

At the end of 2022 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	55,069	1,081
Legal entities	25,249	-
TOTAL	**80,318**	**1,081**

The evolution of card issuance operations in 2021 is presented in the table below:

Card transactions	Issue transactions 2022		Issue transactions 2021		2022 vs 2021	
	Number	Value	Number	Value	Number	Value
Cash transactions	876,566	1,419,926,534	760,218	1,178,147,775	15.30%	20.52%
Transactions with merchants	5,939,340	1,454,724,325	4,327,944	1,004,568,040	37.23%	44.81%
Query transactions	127,898	0	117,318	0	9.02%	NA
Various transactions	147,438	102,920,381	70,741	49,545,586	108.42%	107.73%
Grand total	**7,091,242**	**2,977,571,239**	**5,276,221**	**2,232,261,401**	**34.40%**	**33.39%**

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2. Card acceptance activity

The value of transactions registered in the acceptance activity 2022 an increased by 38.24%, and their evolution by types of transactions is presented in the table below:

Libra Internet Bank ATM / POS card transactions	ATM & POS acceptance 2022		ATM & POS acceptance 2021		2022 vs 2021	
	Number	**Value**	**Number**	**Value**	**Number**	**Value**
ATM transactions	1,216,776	1,278,518,540	1,077,588	1,063,305,799	12.92%	20.24%
POS transactions	11,572,609	1,630,614,929	6,205,452	1,041,168,363	86.49%	56.61%
Grand total	**12,789,385**	**2,909,133,469**	**7,283,040**	**2,104,474,162**	**75.61%**	**38.24%**

The value of transactions registered in 2022 at e-commerce purchasing terminals decreased by 5.26%, and their evolution compared to 2021 is presented below:

Total LibraPay Merchant Transactions (no portability)	E-commerce acceptance 2022		E-commerce acceptance 2021		2022 vs 2021	
	Number	**Value**	**Number**	**Value**	**Number**	**Value**
Librapay commercial transactions	1,272,660	275,164,593.70	1,269,489	290,450,412	0.25%	-5.26%

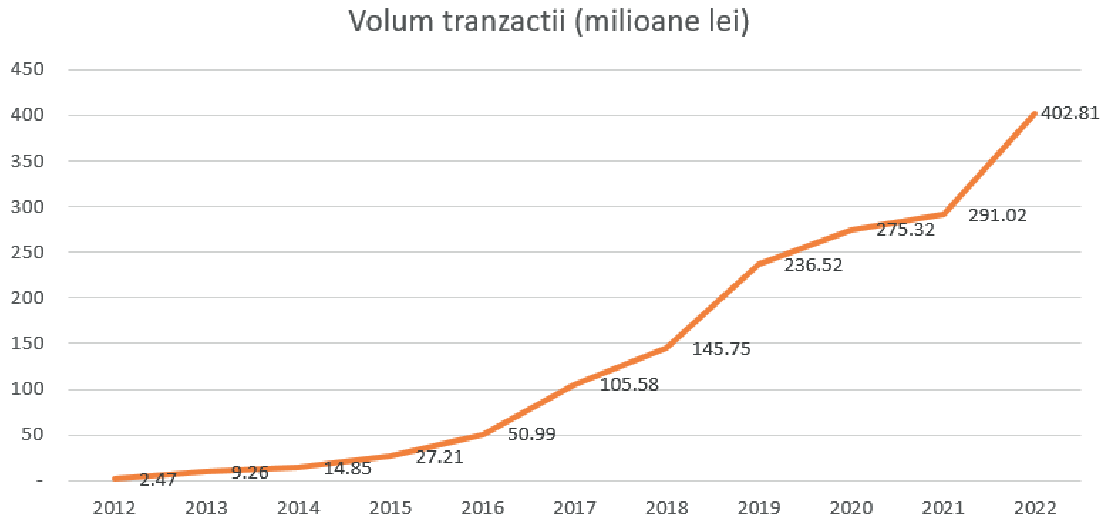
3.5.12 eBusiness

The eBusiness products of LIBRA INTERNET BANK include Mobile and Internet Banking services, the electronic payment system Libra Pay, and the API Banking system, which provides collaboration services with Fintech companies in the field of payments and collections.

The Mobile & Internet Banking services are constantly improved by adding new functionalities and products, as well as performance optimizations that aim to ensure the best possible accommodation of the increasing transaction volumes carried out through these services.

Products and features launched within the Mobile & Internet Banking applications in 2022: launching a mobile version for Huawei phones (alongside the existing Android and Apple versions), extending the online data update flow for self-employed customers so that they no longer need to go to branches, the possibility of adding cards issued by other banks and implementing transfers between them, the possibility of viewing complete data for bank-issued cards in the mobile application, implementing the English version of the mobile application, implementing the Libra Invest service, the mortgage loan, the solar loan, as well as multiple implementations in the security and anti-phishing area.

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 (Application Programming Interface) Banking & Fintech partnerships represent a new business line for LIBRA INTERNET BANK, which has emerged as an opportunity considering the extraordinary technological advances, on the one hand, and the lack or weak competition in the local Romanian market for 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.

Consequently, Libra managed to sign several partnerships with Fintech companies, such as: Revolut, Transferwise (renamed Wise), Monese, TransferGo, Paysera, unique partnerships on the Romanian market, other partnerships being in advanced stages of negotiation.

The total gross income related to these partnerships recorded in 2022 was 9,442,935 lei, in 2021 it was 5,756,823 lei, respectively 1,109,203 lei in 2020.

3.5.13 Information on the likely evolution of the bank according to the 2023 Budget

Business goals for 2023

In 2023, Libra Internet Bank plans to have an 8% increase in its business volume (net assets), while its loan portfolio will also increase by 11%, with a focus on traditional business lines but with a continuous emphasis on new technologies. The growth in the overall activity will be achieved while maintaining a capital adequacy ratio of 17%, monitoring the efficiency of sales through a performance-based bonus system.

Although the level of uncertainty is high regarding 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 each year, with an annual growth rate of less than 10%.

4. Non-financial statement

Description of the Activity

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. We are committed to creating sustainable value for our customers. As a bank with American shareholders, we are one step ahead, we think in the future and we constantly aim to surpass ourselves. Our goal is business excellence and that is why we constantly strive to provide our customers with access to impeccable service.

In 2022, Libra Internet Bank received the "Award for 25 years of excellence in banking", at the Entrepreneur Club Gala, in recognition of the bank's essential role in supporting businesses in Romania, in the period since Libra Internet Bank became operational in Romania.

On 31.12.2022, Libra Internet Bank's shareholding structure was as follows:

Shareholders	Weight
Broadhurst Investments Ltd	66.68%
Romarta SA	27.56%
Other shareholders	5.76%

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 2022) opened in the main development areas of Romania, Libra Internet Bank ensures the perfect balance between digital solutions and proximity to the customer. The bank has a niche strategy, being specialized in fields such as liberal professions, real estate and agribusiness. Also, Libra Internet Bank pays special attention to modern technology and partnerships with fintechs, establishing itself in recent years as the most active Romanian bank in the fintech field and one of the most dynamic banks in Romania.

The main target markets for Libra Internet Bank are:

I. Entities in the field of liberal professions, especially in the medical field, regardless of their form of legal organization (PF, PFA or PJ);

II. Small and medium-sized enterprises, commercial companies and other types of economic entities with activity volume and above average financial performance (e.g. turnover > 5 million lei);

III. Small and medium-sized enterprises, commercial companies and other types of economic entities with a small volume of activity (e.g. turnover < 5 million lei);

IV. Entities in the field of real estate developments;

V. Commercial companies with high turnover (e.g. turnover > 40 million lei);

VI. Entities in the field of agriculture;

VII. Economic entities active in the field of electronic commerce;

VIII. Access to foreign markets to attract resources through online channels.

Therefore, the Bank allocates resources, through independent business lines, in order to serve the target markets with dedicated products and services as follows:

a. Corporate – for small and medium-sized enterprises, commercial companies and other types of economic entities with an above-average volume of activity and financial performance with the following subdivisions:
- Large corporate – for commercial companies with high business volume;
- Corporate – for commercial companies with medium and low business volume;
- SME (microfinancing) – for commercial companies with low business volume (<5 million lei);
- Agribusiness – for agricultural entities.

b. Real estate – for real estate developers who want to initiate or complete residential projects;
c. Professionals – for entities in the field of liberal professions;
d. Retail – for individuals;
e. eBusiness – for economic entities operating in the field of electronic commerce.
f. Digital – for online customers who open online accounts and operate exclusively online, including attracting deposits from abroad.

The main banking products and services available to customers are:

- Loans and other financing commitments;
- Operations at the behest of customers at the counter (transfers, deposits, currency exchange);
- Operations at the behest of customers through internet banking (transfers, deposits, currency exchange);
- Electronic payment operating services;
- Issuance and acceptance of bank cards (debit and credit) and related operations (acceptance at physical and electronic merchants, acceptance at own ATMs and those of other credit institutions);
- Online card payment processing services;
- Bancassurance services.

Thus, Libra Internet Bank serves almost 100,000 customers, both companies and individuals:

Total customers*					
2020		2021		2022	
Individual	**PJ/PFA**	**Individual**	**PJ/PFA**	**Individual**	**PJ/PFA**
48,201	26,929	65,055	35,096	57,744	36,050

*customers with active accounts at the end of each mentioned year

Libra Internet Bank is an important financier of the Romanian economy in the niches it specializes in. For example, the financing offered by the bank has contributed and continues to contribute significantly to the development of residential projects in Romania, within which thousands of homes are built every year. Thus, in the last 4 years, over 25,000 apartments, the equivalent of a city that can accommodate over 50,000 inhabitants, have been built with Libra Internet Bank financing.

Indicator	2019	2020	2021	2022
Number of apartments built with Libra Internet Bank financing	4,727	6,068	8,740	5,716

For the time horizon 2022-2024, the strategic directions of Libra Internet Bank are:

1. Continuation of lending activity, deposits, current accounts and cards, in the areas approached by the bank in a traditional and specialized way: liberal professions, agriculture, real estate, areas in which Libra Internet Bank has experience and which are less impacted by the technological factor;
2. Increasing productivity in the lending process;
3. Operationally flawless functioning;
4. De-bureaucratization;
5. Positioning the Bank at a high level in terms of new technologies, with the aim of streamlining processes to achieve low operating costs and signing successful partnerships with Big Data and FinTech companies;
6. Maintaining a level of capital adequacy high enough to cover all risks in the bank, as well as positioning the Bank's activity in a medium level target risk profile.

Customer satisfaction

The customer represents the defining value for Libra Internet Bank's organizational culture, which is why the bank pays maximum attention to measuring customer satisfaction and the feedback received from them, imposing a very short deadline for resolving complaints.

To measure customer satisfaction, the bank conducts annual surveys of the Net Promoter Score type, in which several thousand respondents from among the bank's customers participate.

Net Promoter Score is an indicator calculated based on the answers to a single question: "On a scale of 1 to 10, how likely are you to recommend Libra Internet Bank services to a friend?"

A score approaching 100 (maximum score) reflects a share of very satisfied customers who are most likely to mention the bank's services favorably on a frequent basis (promoters).
The evolution of the NPS score has been very good in recent years and reflects the high level of attention the bank paid to customers, as well as the adequacy of the bank's services and products to their needs.

Indicator	2017	2018	2019	2020	2021	2022
Score	67	70	74	75	-	75

The 2022 study took place in October, online, through the bank's internet and mobile banking platforms. Following the study, 10,001 customer responses were collected, with Libra Internet Bank's overall NPS score remaining at a very good level.

At the same time, the bank treats customer complaints with the utmost attention, with the focus being on quickly investigating the situation and addressing the issues raised or taking the necessary measures to prevent any inconvenience in the future, providing a response to the customer as soon as possible, preferably the next working day.

Thus, 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.

As a result of promptly managing the complaints process, as well as proactively addressing the causes that may cause dissatisfaction among customers, the number of complaints decreased in 2022 compared to the previous year.

Indicator	2019	2020	2021	2022
Number of complaints	514	375	463	455

At the same time, compared to the total number of active customers in 2022, the percentage of complaints remains at a low level, as shown in the table below:

Indicator	2020	2021	2022
Proportion of complaints out of total number of customers	0.49%	0.46%	0.48%

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 becoming the first Romanian bank to export banking technology in an international instant payment project in 2019 (in partnership with Mastercard, Wirecard, NeoPay, and Rakuten Viber), in 2020, Libra Internet Bank affirmed itself as the first bank in Romania to launch API Banking projects with international fintech companies such as Revolut, Monese, or Paysera, to provide their services in Romania. In 2021, the partnership with TransferGo followed, through which TransferGo users can make instant transfers to holders of bank accounts in lei at banks enrolled in the Instant Payments infrastructure in Romania.

The bank's internet banking and mobile banking applications continued to be constantly improved and customer usage increased. Through these services, the bank's customers can perform a very wide range of operations, from various transactions, to data updates without coming to the bank or to instant transfers between cards issued by any bank in Romania. The bank's internet banking and mobile banking applications remain the main channel for carrying out banking operations by the bank's customers, as can be seen from the evolution of the indicator below.

Indicator	**2019**	**2020**	**2021**	**2022**
Share of internet banking / mobile banking operations in total operations	53.3%	56.2%	57.9%	60.3%

The automation of processes continued to be an important concern, with the aim of making the Bank's activity more efficient and increasing the speed of operation, for the benefit of customers. The focus continued to be on ensuring stability and improving existing processes, with point-to-point integration of RPA (Robotic Process Automation) with Machine Learning (ML) / Artificial Intelligence (AI). Thus, in 2022, an integrated project (RPA&ML) for data extraction using OCR (Optical Character Recognition) technology was put into production.

The number of RPA projects implemented increased by more than half in 2022 compared to the previous year. Specifically, no less than 82 RPA projects were implemented in 2022 (compared to 53 in 2021), all aimed at automating important flows, most of which existed at the time of automation. Most projects were implemented in the Processing Center division (14 projects), the Settlements department (23 projects) and the Cards division (12 projects).

Regarding Artificial Intelligence projects - which involve processes through which a virtual machine learns a certain behavior (Machine Learning) - in 2022 7 such projects were put into production, 3 more than in the previous year. The projects targeted several areas of interest in the bank, such as fraud prevention activity or the identification of opportunities in the market.

The Bank continues its approach to automating processes and investigating new technologies that allow ultra-fast interventions for the continuous adjustment of operational flows, with the aim of ensuring a premium user experience for all customers and partners. Libra Internet Bank approaches this new ultra-technological context as a fertile ground for identifying and capitalizing on numerous opportunities.

Information Security

To ensure the safety of information within the Bank, Libra Internet Bank has implemented ISO 27001 certification standards. Practically, in an era where information is the engine of every society, such a regulation is appreciated by most companies that want security for the information they hold. This certification offers a high-performance management system, which requires a very good security of information. Companies benefiting from ISO 27001 can be independently audited, provide security to customers and partners, and have the guarantee that all information is transmitted securely.

In addition, policies and norms related to information security have been implemented within the Bank. Cyber threats are constantly monitored by the involved divisions. The Bank's employees are regularly informed and tested with materials and tests related to the area of Cyber Security. Also, periodic updates are provided through the Bank's website, internet/mobile banking platforms, as well as social media platforms, regarding the threats that customers are exposed to, with a focus on phishing attacks that target customers.

Protection of personal data

The protection of personal data is a constant concern for Libra Internet Bank. The bank emphasizes the implementation of the necessary information protection measures through technical means and administrative controls based on the best practices in the field. These efforts are aimed at continuous improvement in the areas of data security and customer service. At the corporate level, there are internal policies and procedures that govern how the confidentiality and security of all relevant personal data is maintained.

To ensure compliance with applicable laws, the Bank undertakes a series of actions:

- approves internal rules and procedures, including any modifications affecting the field of personal data processing and protection;
- the design of new banking processes/procedures/services or products/businesses involving the processing and protection of personal data;
- ensures compliance with requests regarding the exercise of the rights of natural persons and/or processes complaints regarding the Bank's compliance with the legal provisions regarding the protection of personal data.

Risk Management

The internal control system in Libra Internet Bank was organized in compliance with the provisions of the National Bank of Romania Regulation no. 5 of December 20th 013 regarding the prudential requirements for credit institutions.

Internal control includes all measures adopted within the Bank for:

- keeping the Bank's assets safe and managing risks related to banking activity;
- verifying the correctness and credibility of accounting and management information;
- promoting operational efficiency and encouraging adherence to management policies.

In order to implement an effective and comprehensive control system for all areas of activity of the Bank, the three fundamental functions of the internal control system are organized:

- the risk management function, carried out by the Risk Management Division. This function also includes the risk control function, which is part of the risk management function;

- the compliance function, carried out by the Compliance Division;
- the internal audit function, carried out by the Internal Audit Division.

Internal control represents the mechanism used permanently to verify the Bank's activity, both at the central level and at the level of departments/divisions/branches, based on work and control procedures applied at the level of each structure.

The Bank's internal control system is subordinated to the General Director of the Bank from an administrative point of view, and from a functional point of view it reports to the Board of Directors. The functions of the internal control system are independent from each other, from an organizational point of view, and from the operational and support functions that they monitor and control.

The Bank's internal control system includes:

- the role and responsibilities of the management body in the line of internal control;
- the identification and assessment of significant risks;
- control activities and separation of responsibilities;
- information and communication;
- activities for monitoring and correcting deficiencies.

The internal control system is regulated by internal control policies, rules and procedures, general and related to each internal control function. Control activities are defined for each organizational level of the Bank and involve:

a) establishing control policies and procedures;

b) verifying compliance with established policies and procedures.

Significant risks, in the sense of Libra Internet Bank, are risks with a significant impact on the patrimonial and/or reputational situation of the credit institution. Risk assessment is an integrated part of the Internal Risk Capital Adequacy Assessment Process. Through this process, all the risks to which the bank is exposed and their management activities are identified. The purpose of the risk assessment is to identify the level of significance and the effects of the risks assumed by the bank.

For the risks considered significant, key risk indicators were defined and strategies and measures adapted for each individual risk were drawn up. Annually or at the time of significant changes in the business or regulatory environment, the Bank may resume the risk assessment process.

In the activity it carries out, the Bank runs administration processes for the following significant risks:

- Credit risk, with associated risks: concentration risk, residual risk (from the use of credit risk mitigation techniques), risks generated by lending in foreign currency to debtors exposed to foreign exchange risk, underestimation of credit risk in the context of using the standard approach;
- Operational risk, with its associated risks: legal risk, IT&C risk, model risk and outsourcing risk;
- Market risk, having the following components: currency risk, interest rate risk outside the trading portfolio (IRRBB);
- Liquidity risk (general liquidity, withdrawal, financing risk);
- Risk of compliance;
- Risk of fraud;
- The risk associated with the excessive use of leverage;
- Reputational risk;
- Conduct risk;
- Strategic risk (including business risk).

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Credit risk and associated risks represent the current or future risk of negative impact on profits and capital, as a result of the debtor's failure to fulfill contractual obligations or his failure to fulfill those established. Due to the nature and complexity of Libra Internet Bank's activity, credit risk represents the risk with the most significant impact on the Bank's financial situation.

In order to determine and assess the exposures that may generate credit risk, the responsible departments make a detailed analysis of the counterparty, an analysis that takes into account:

- the type of credit facilities requested;
- the creditworthiness of the company requesting the loan (qualitative and quantitative factors that score the financial soundness of the counterparty);
- the repayment capacity of the company, including how it exposes itself to foreign exchange risk by contracting foreign currency loans;
- the company's history (how the customer has honored its past banking obligations, commercial obligations, and debts to the state);
- the geographical area, the industry and the quality of the market in which the company operates;
- experience and reputation of the company and management;
- the degree of coverage with guarantees, their type and liquidity, as well as the history at the bank level regarding the recovery of each type of guarantee.

Following this analysis, the competent credit approval structures decide to approve or reject the facility, depending on the factors listed above.

Periodically, through specific reports, the Risk Management Division identifies the sources of credit risk and associated risks at the Bank's portfolio level, based on various credit risk indicators and a warning threshold system that allows for identifying and monitoring credit risk concentrations on geographical areas, product types, customer types, sales lines, types of collateral, types of analysis, various currencies, and so on.

Moreover, the Bank performs periodic analyses of the loans in progress by applying qualitative and quantitative indicators to identify and manage the credit risk portfolio, to define the situations that lead to considering the debtors as unlikely to pay, and to establish adequate provisions for losses.

Operational risk is the risk of loss resulting either from the use of inadequate or inadequate internal processes, people or systems, or from external events. The risk of fraud is dealt with in the procedure for the prevention, detection and resolution of fraud cases. Following the establishment of the database with events generated by the operational risk, an analysis of the losses due to this type of risk is carried out, classified in the following categories:

- internal fraud & external fraud;
- employment practices and workplace safety;
- customers, products and business practices;
- damage to tangible assets;
- business interruption and systems malfunction;
- process execution, delivery and

management. The components of operational risk are:

- risk management associated with outsourced activities;
- IT technology risk – IT and information security risks represent potential situations that can alter the properties of an asset in terms of confidentiality, integrity and availability;

• legal (juridical) risk - the risk of loss resulting from both the fines, penalties, and sanctions to which the credit institution is liable in case of non-application or defective application of legal or contractual provisions, as well as the fact that the contractual rights and obligations of the credit institution and/or its counterpart are not properly established.

• "Model risk - the potential loss that a credit institution could incur as a result of decisions that may be based primarily on the results of internal models, due to errors in the development, implementation, or use of these models Model risk can generate financial losses, an inappropriate process for adopting business/strategic decisions or can affect reputational risk.

Operational risk is actively managed by all entities in the Bank, based on the management framework created by the Risk Management Division. The operational risk management committees are the Security Committee (quarterly), the Steering Committee (monthly) and the Audit and Risk Committee (quarterly).

Market risk is the risk of recording losses related to positions on and off the balance sheet, due to unfavorable market fluctuations of prices (e.g. stock prices, interest rates, exchange rates, etc.).

From the market risk perspective in relation to the Bank's portfolio, the following risks are manifested:

• currency risk;
• interest rate risk outside the trading portfolio.

Currency risk - The main objective of the Bank in the field of market risk management is the minimization of potential losses that could be generated by adverse developments in exchange rates or interest rates, in terms of offering a certain range of basic products and services to customers:

• spot foreign exchange transactions, forward exchange rate and foreign exchange SWAP transactions;
• transactions with government securities and other OTC tradable debt securities that have a liquid market.

Obtaining income from trading activities in one's own name directly on the interbank market or on other organized markets does not represent a strategic direction for the development of the Bank's activity. Such activities have an incidental and conjunctural character or may be carried out to the extent that the trading activities arise from the need to ensure the offering of banking products and services to its own customers. In the field of market risk, the bank assumes the exchange rate risk. The bank does not carry out transactions with financial instruments that assume a price risk included in the trading portfolio, therefore, in this sense, the bank does not assume a price risk.

Interest rate risk from activities outside the trading portfolio represents the current or future risk of negative impact on profits and capital, as a result of adverse changes in interest rates. The Bank does not strategically seek to obtain income from the trading of instruments sensitive to the evolution of the interest rate (e.g. trading securities) and, in this sense, the presence of such instruments in the Bank's portfolio was incidental. The bank does not use complex financial instruments, which is why the exposure to interest rate risk comes mainly from the differences in maturities/repricing periods of its assets and liabilities.

Attracting and placing resources from/to non-bank customers is the predominant activity within the operations carried out by Libra Internet Bank.

The bank determines the modification of its economic value to the variation of interest rates, using the standard methodology presented in the annex to NBR Regulation no. 5/2013 on prudential requirements for credit institutions. Thus, the interest differentials collected as a result of the application of the interest rate differential on assets and liabilities sensitive to interest rate changes, framed in maturity bands, are reevaluated.

Liquidity risk is the current or future risk of negative impact on profits and capital, determined by the inability of the credit institution to meet its obligations when they are due. Liquidity risk is actively managed by the Treasury Division and the Risk Management Division. The liquidity risk management committees are the ALCO (at least monthly), the Steering Committee (at least monthly) and the Audit and Risk Committee (at least quarterly).

The bank has established "stress testing" scenarios in order to monitor its ability to deal with various contingencies. These scenarios, imposed limits and reporting lines are established by the contingency management procedures and the liquidity management strategy.

The main objective of Libra Internet Bank in the field of liquidity management is to adopt and maintain an optimal structure of the Bank's assets and liabilities, the structure that allows:

- maximizing the net interest income recorded by the Bank at a set level of assets;
- correlating interest rates with market developments and adjusting them according to the Bank's liquidity needs;
- carrying out the Bank's activity in optimal conditions, avoiding as much as possible the dysfunctions that could arise due to the assumption of too high risks in the field of liquidity;
- minimizing the negative effects that could occur in the event of a crisis situation from the perspective of the Bank's liquidity.

Compliance risk is the current or future risk of damage to profits and capital, which may lead to fines, damages and/or the termination of contracts or which may damage the Bank's reputation, as a result of violations or non-compliance with the legal and regulatory framework, agreements , recommended practices or ethical standards.

Compliance risk is identified, assessed and monitored in accordance with the rules and procedures of the Compliance Division (Compliance Policy, Compliance Risk Assessment Methodology, as well as Rules and procedures regarding control activity) and within the risk assessment process.

The risk associated with excessive use of leverage represents the risk resulting from the organization's vulnerability to a leverage effect or contingent leverage effect that may require unplanned measures to correct the plan or business, including the sale of assets in an emergency, which could lead to losses or reevaluations of the remaining assets. The leverage effect represents the relative size of an institution's assets, off-balance sheet liabilities, and contingent liabilities to pay, perform, or provide real guarantees, including obligations arising from received financing, commitments made, derivative financial instruments or repo agreements, except for obligations that can only be executed during the liquidation of an institution, in relation to its own funds.

Libra Internet Bank's business model does not require the use of excessive leverage, as the financial instruments traded by the bank do not involve credit risk mitigation techniques other than collateral deposits and letters of bank guarantee.

In order to monitor the risk associated with the excessive use of the leverage effect, the aim is to fit into the risk profile. The different dimensions and targets that the Bank uses to define risk appetite, as part of the risk strategy for the risk associated with the excessive use of leverage, are detailed in the Risk Management Strategy.

Reputational risk represents the current or future risk of negative impact on profits and capital determined by the unfavorable perception of a credit institution's image by customers, media, counterparties, shareholders, investors or supervisory authorities. When evaluating the reputational risk, the Bank takes into account:

- negative publicity, true or not, made to business practices and/or people related to them;
- customers encountering problems in the use of certain products, without having sufficient information about them and without knowing the procedures for remedying the respective problems (e.g. lack of knowledge of the rights and obligations of the parties to an electronic banking transaction).

Reputational risk management is a permanent process, integrated in the sustainable development of the Bank's business. All Bank employees must be aware of the importance of this risk. In collecting data and information regarding reputational risk, the Marketing Division plays an important role.

Strategic risk (including business risk) represents the current or future risk of negative impact on profits and capital, determined by changes in the business environment or unfavorable business decisions, inadequate implementation of decisions or lack of reaction to changes in business environment. The identification, assessment and monitoring of strategic risk is carried out by the Risk Management Division, from the perspective of compliance with the risk limits established within the Risk Management Strategy and through the way in which the Bank's strategic objectives are met in terms of risk assumption.

Responsible and transparent employer

In 2022, Libra Internet Bank set a new standard for salary transparency, becoming the first domestic banking employer to publish gross salary ranges in recruitment ads.

At the same time, in 2022, Libra Internet Bank once again became the Best Employer in the financial field, for the 3rd consecutive year, in the list made by the Undelucram.ro platform. The top is made according to a rigorous methodology, based on anonymous reviews provided by current and former employees of the companies, regarding topics such as the recruitment process, the work environment or the level of salaries offered.

Libra Internet Bank pays great attention to creating a working environment conducive to professional and personal development, in a comfortable climate that favors collaboration and encourages creativity and the implementation of new ideas. At the same time, Libra Internet Bank emphasizes the professional development of employees, at the end of 2022, approximately 63% of managerial positions in the bank will be occupied by people promoted from within.

Communication with the employees

In addition to the attention paid every day to customer satisfaction, the bank also focuses on the satisfaction of its own employees, through concrete periodical actions of communication and gathering feedback.

- "Feedback challenge" - important internal feedback collection action, carried out in 2022. Employees were encouraged to provide qualitative feedback on topics relevant to the bank's business. Following the initiative, feedback messages were collected from approximately 150 employees of the bank (approximately 15% of the total number of employees). The feedback focused on relevant topics such as the company's presence on social media platforms, the benefits package, internal programs of the bank, and included proposals for professional development programs or reasons why colleagues appreciate their employer. The information identified following this action was used to define the HR & Employer Branding strategy for 2023 and related programs.

- "Ask the CEO" - in 2022, 2 live Q&A sessions were organized online, during which bank employees could send and receive answers to their questions, directly to & from the bank's General Manager. The two "online meetings with the CEO" enjoyed great interest from employees, registering an average participation of approximately 350 employees/session.

Programs for employees

Traditionally, the bank organizes programs for employees, encouraging team spirit and promoting a healthy lifestyle. In 2022, the main programs for employees were:

- **"Libra Energize"** - internal traditional competition where employees of the bank, grouped in teams, compete in various sports such as road or mountain running, cycling, swimming, climbing, kayaking, crossfit, archery or shooting, rally, etc. In 2022, the 10th edition of the program took place, in which 60 bank employees participated, grouped in 10 teams. Also in 2022, Libra Energize received the 3rd prize in the Special Projects category, at the Employer Branding Awards event, organized by Evensys.

- **"Libra Cultural"** – addressed to employees passionate about art, in all its forms. The 2022 edition was about how to take spectacular photos with your mobile phone. There were 3 photography workshops facilitated by professionals in the field. Approximately 100 bank employees participated in these workshops. The sessions combined theory (knowledge of angles, perspectives, lights, settings) and practice. The participants practiced their photography skills, visiting some of the most famous places in Bucharest.

- **"PhotoAgility"** – internal photography contest in its 2nd edition. In 2022, the theme of the competition was "Ray of hope", in an atypical socio-economic context and full of challenges. 100 photos were entered by approximately 100 employees of the bank. The photos were exhibited in the Head Office and on the bank's intranet page - where employees could vote for their favorite photos.

- **"Work Smarter, Not Harder"** – internal program carried out in the form of "ideas incubators". Starting from a practical situation, the participants were invited to draw a parallel between what happened in that situation and the activity at the workplace. The objective of the program was to create a context in which employees could share their experiences and opinions about the working environment in the bank. Last but not least, the program aimed to identify new perspectives, ways of action and resources.

- **"Libra Blitz Talk"** – internal monthly video podcast, started since 2021, intended to strengthen organizational culture, through communication. Employees have the opportunity to see their colleagues from different roles in a whole new way, that of a guest on a podcast where they talk about serious topics in a relaxed way, with Libra people for Libra people. Under the slogan "It's not small talk, it's Blitz Talk!", the video podcast is available on the bank's intranet, being announced every month through the internal newsletter.

Continuous training of employees

The bank encourages and supports employees to enroll in at least one professional training course during the year. At the same time, professional objectives are discussed and evaluated annually, based on clear and measurable performance indicators (KPI).

During 2022, various training programs were held for employees, both internal, with the help of trainers from the organization, and external, with training providers. Depending on the specifics of the activity/theme, the courses were delivered both online and in physical format.

For example, under the umbrella of the #InvestesteInTine internal program, the bank organized 21 online masterclasses with an average participation of ~100 employees/session, on various topics, from soft skills to well-being: "The science of trust & collaboration", "Growth mindset", "Time management", "Conflict management", "Self Leadership", "Practicing gratitude", "Vitamin wellness".

Also, all branch managers of the bank participated in training sessions on the subject of "Efficient communication with DiSC", a subject that deals with a variety of behavioral typologies that managers encounter in the teams they coordinate.

At the same time, starting from 2022, the bank uses an **online learning platform**, in two directions:

- **in the recruitment process:** depending on the typology of the role, candidates who reach this preboarding phase have access through the platform to a series of information regarding the activity of the division/department/branch of which the role they are applying for is a part of. After reading the materials, candidates also take a Quiz based on the information they have read. The purpose of this stage is to familiarize potential employees with the specifics of the activity/organization and facilitate a potential future integration into the team.
- **in the internal training activity:** in 2022, employees could go through training materials that are the subject of mandatory courses in areas such as compliance, risk or IT security. The platform is constantly being developed, and will be populated with other internally developed materials (apart from the mandatory ones), which will support colleagues in the organization. The courses are built interactively, by combining video content with written information.

Learning Club - a project carried out in 2022, through which approximately 10% of Libra employees took courses of interest from the LinkedIn Learning platform, based on licenses purchased by the bank, in one of its 3 important learning pillars: technology, creativity, and business. Thus, during the year, Libra students completed over 740 hours of individual training on this platform, asynchronously.

Indicators	2019	2020	2021	2022
Total hours of professional training	15,862	15,850	19,189	22,547
Employees included in the annual evaluation	657	746	709	743

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. The bank also promotes environmental responsibility measures in the conduct of current operations.

In 2022, the goal of 100% of the lighting installations in the bank's locations being LED was achieved. At the same time, light sensors (photocells) were installed for the entire interior and exterior light signaling of the branches. These measures, combined with the existence of motion sensors for the lighting of common interior spaces, are reflected **in the continuation of the downward trend in electricity consumption, which in 2022 decreased to almost half compared to the value recorded in 2020.**

Indicators	2020	2021	2022
The distance traveled by the Libra car fleet	1.57 million km	1.58 million km	1.65 million km
Amount of waste produced and recycled	8.8 tons	4.8 tons	3.9 tons
The amount of household waste	1.256,9 m^3	719,6 m^3	778,42 m^3
Electricity consumption	1.96 million Kwh	1.10 million Kwh	0.99 million Kwh
Gas consumption	1.11 million Kwh	1.01 million Kwh	1.12 million Kwh

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The concern regarding the impact of our own structures on the environment led us to contract services for the calculation of the carbon footprint of the organization. In 2021 and 2022 this measurement was carried out for direct CO_2 emissions generated by heating (Scope 1) as well as indirect emissions from the generation of purchased electricity (Scope 2), and in the following years it is intended to extend the analysis to carbon emissions as well from the entire value chain, especially for the financing granted.

				2021	2022
SCOPE 1	Thermal Energy - total annual consumption (transformation coefficients: 1 Gcal= 0.1 tep, 1 tep = 2,578 T CO_2)		Gcal/Year	561.20	833.75
			Tep/Year	56.12	83.38
			T CO_2/Year	144.68	214.95
	Fuels and Combustibles	Gasoline (conversion coefficients: 1 Gcal gasoline= 1.05 tep, 1 tep = 3,346 T CO_2)	Tons/Year	24.64	69.67
			Tep/Year	25.87	73.15
			T CO_2/Year	86.56	244.76
		Diesel (conversion coefficients: 1 T Mot=1.015 tep, 1 tep = 2.97 T CO_2	Tons/Year	81.02	75.63
			Tep/Year	82.29	76.76
			T CO_2/Year	244.40	227.98
		Natural Gas (transformation coefficients: 1 MWh =0.086 tep, 1 tep = 2.38 T CO_2	Tons/Year	1,019,60	1,120.60
			Tep/Year	87.67	96.37
			T CO_2/Year	206.40	229.36
SCOPE 2	Electric Energy - total annual consumption (transformation coefficients: 1 MWh= 0.086 tep, 1 tep = 3,55T CO_2)		MWh/year	1,106,20	1,020,13
			Tep/Year	95.13	87.31
			T CO_2/Year	337.71	309.95

Ethics, professional conduct and the fight against corruption

Libra Internet Bank aims to conduct business in an environment governed by sound principles. The fundamental principles of banking ethics applicable to all bank employees are: moral integrity, impartiality and non-discrimination, professionalism and transparency, compliance with applicable legislation, confidentiality, prevention and combating of corruption, prudent business conduct by bank employees, social responsibility, avoidance of denigration, loyalty and honesty.

At the same time, the Bank's Code of Ethics and Anti-harassment Policy are applicable, internal regulations that are subject to annual review and communicated to all employees. The code of ethics clarifies the responsibilities that the Bank and its employees have towards each other, towards business partners and towards society. It helps to understand shared responsibilities and draws attention to legal and ethical issues that may arise. In addition, it includes a section dedicated to anti-bribery and anti-corruption, considering that the bank aims to proactively combat any acts or attempts of bribery and corruption, and violation of these principles constitutes a disciplinary offense punishable according to internal regulations and applicable laws.

In addition, an independent channel was established at the bank level dedicated to reporting any violations of the law reported by the bank's employees and its suppliers, reports can also be registered anonymously. The person responsible is obliged to do all the diligence to examine the information received, in order to establish a solution, and the whistleblower has all the rights and prerogatives established by law.

Also, every employee of the bank must pass a test annually, after completing the internal ethics and professional conduct courses.

Conflict of interest

Libra Internet Bank has implemented policies aimed at establishing appropriate mechanisms to identify, assess, manage, reduce and prevent current or potential conflicts of interest for employees and the management body.

A conflict of interest can occur in situations where the personal, direct or indirect, interest of the bank's staff or management contradicts the interests of the bank, thus affecting or potentially affecting their independence and impartiality in making decisions or fulfilling their duties objectively and in a timely manner in the exercise of their job responsibilities. Such conflicts can arise in a multitude of circumstances (e.g. market abuse, business relationships with the bank's customers, transactions). That is why employees have the obligation to report any situation that could be circumscribed to a conflict of interests, in accordance with internal policies.

At the same time, the Bank constantly monitors all reported or independently identified situations, applying measures in the event of a violation of internal policies from the perspective of conflicts of interest.

Knowing the Clientele, preventing money laundering and terrorist financing and complying with sanctioning regimes

Libra Internet Bank attaches great importance to the identification and knowledge of its customers, as this activity is considered critical for the bank's ability to comply with the specific legislative framework, including the subsequent monitoring of customer activity. Therefore, work procedures and operational flows have been developed to allow both (i) the collection of relevant information at the opening of an account, and (ii) monitoring adapted to the operational profile of customers.

The process of obtaining and storing customer knowledge data follows the principles of security and data minimization. In order to carry out the activities of getting to know the clientele effectively and preventing the crimes of money laundering and terrorism financing, the Bank adopts a risk-based approach. Therefore, the mechanism of customer knowledge, monitoring, and reporting of customer activity on their account is based on a continuous evaluation of the KYC/AML/CFT risks to which the Bank is subject, and the appropriate allocation of resources to mitigate these risks.

Libra Internet Bank provides both initial training at the time of hiring and ongoing continuous training for personnel with responsibilities in the field of customer knowledge in order to prevent money laundering and terrorism financing. The training material is constantly updated to ensure a proper level of theoretical and practical knowledge, including with regard to the challenges generated by legislative, technological, or geopolitical developments.

Libra Internet Bank does not initiate, does not continue the business relationship and does not carry out an occasional transaction if they cannot apply the customer knowledge measures, including in cases where they cannot establish the legitimacy of the purpose and nature of the business relationship or they cannot adequately manage the risk of money laundering money and terrorism financing.

The application of international sanctions is a fundamental element in Libra Internet Bank's program for preventing money laundering and terrorism financing. Libra Bank applies the sanctioning regimes promulgated by the European Union ("EU"), the United Nations Organization, according to GEO no. 202/2002 and, in particular, the sanctions regimes of the United States Department (“US”) of the Treasury Office for Foreign Assets Control (“OFAC”) addressed to Iran, North Korea and Cuba.

Human rights

Through the internal regulations in place at Libra Internet Bank, all measures are taken to respect human rights, with direct or indirect discrimination against colleagues, customers, or potential employees of the Bank based on sex, sexual orientation, genetic characteristics, age, nationality, race, color, ethnicity, religion, political affiliation, social origin, pregnancy, disability, membership or trade union activity, or any other illegal grounds of discrimination being prohibited.

The Bank applies equal, undifferentiated and impartial treatment to all persons with whom its employees interact. In the recruitment processes carried out at the Bank's level, all candidates have equal opportunities for employment, and employees are provided with a working environment with appropriate working conditions, social protection, safety, and health at work, as well as respect for human dignity, without any discrimination.

The Bank prohibits any kind of behavior - verbal, physical, or visual - that can be interpreted as harassment, sexual harassment, psychological harassment, moral harassment in the workplace, or that is demeaning or offensive to another employee or person, including bank customers, on the basis of race, nationality, ethnicity, language, religion, social status, beliefs, gender, sexual orientation, membership in a disadvantaged group, age, disability, refugee or asylum status, or any other criteria that creates an intimidating, hostile, degrading, or offensive environment.

In the annual professional training process, the Bank's employees go through mandatory training materials on respect for human rights. Thus, during 2022, over 95% of the Bank's employees participated in specific training courses, with a total of 675 hours of training on the organization's policies and procedures in the field of respect for human rights.

Social inclusion

Libra Internet Bank provides a safe environment for all its employees and, through its recruitment and selection, performance reward and promotion procedures, affirms and applies a non-discrimination policy. Thus, the Bank encourages all candidates or employees, regardless of gender, race, sexual orientation, national origin, ethnicity, religion, political beliefs, social origin, etc. to be part of the organization, ensuring them equally the same opportunities to be selected, to prepare for professional development and to advance in their career within the bank.

The proportion of women among the bank's employees (68.60%) continues to stand out, increasing compared to 2021, given that the number of bank employees at the end of 2022 was over 5% higher than the previous year.

Additionally, Libra Internet Bank pays special attention to identifying and attracting talent even during the years of study or immediately after graduation, by offering internship positions and the possibility to enroll in the Banking Academy - a program aimed at young people who want to learn the banker's profession, with 3 sessions organized in 2022. The program is organized with Libra's internal trainers and is aimed at young graduates of higher education, who after going through all the necessary stages, have the opportunity to remain within the organization in various areas of activity.

Indicator	2019	2020	2021	2022
Fluctuation rate	29.7%	21.7%	19.1%	25.4%
Number of employees	921	935	981	1035
Of which women	615	638	669	710
Percentage of women in managerial positions	38.6%	41.2%	54.4%	46.9%
Number of trainees (internship) & Golden League Program (from 2022)	26	21	4	3
Number of participants in the Banking Academy	26	18	41	25

The main novelty of 2022 in attracting young talents was the "Golden League" internship program. The program is aimed at students from the Academy of Economic Studies with the best academic results. During 3 months, eligible students (entering the program) can explore areas in the bank of interest to them, working in different departments. In each department where they work, students carry out a project under the guidance of senior specialists. After each stage (period

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spent in the department), the students present the project to the bank's Top Management team. At the end of the program, the bank offers students who complete the program the opportunity to join the bank for an indefinite period and choose the team and role they want.

Community Impact & Social Responsibility

Libra Internet Bank is an organization that always acts responsibly towards the community, with a positive impact on the development of society as a whole. In this context, Libra is an important buyer of goods and services, with purchases made almost entirely from local suppliers, a fact that contributes to supporting the development of the Romanian economy.

Indicator	2019	2020	2021	2022
Percentage of purchases from local suppliers in total	98%	96%	96%	95%

Social responsibility

- Libra Internet Bank supports the adoption of an active lifestyle among communities, not just employees. Thus, in 2022, Libra Internet Bank was an official partner of the Brașov Half Marathon, a mountain running competition organized in April, in which a total of 973 runners participated (692 in the 21 km race and 281 in the 10 km race), according to the data on the official website: www.semimaraton.ro/clasament/. Within the competition, stage 1 of the Libra Energize program (10th edition) was also integrated, approximately 85 employees of the bank, organized in 14 teams, participating in the 2 races of the event held in Brașov.

- Blood donation organized in the Headquarters of Libra Internet Bank in Bucharest, with the support of the Blood Transfusion Center of the Ministry of National Defense. Thus, a team of specialized medical personnel ensured that the action was carried out under the best conditions, during which 70 bank employees donated blood. The action took place over the course of a single day.

- Donation of books to the students of Măgura Secondary School in Buzău. The action took place on the occasion of the organization of the 3rd stage of the Libra Energize program (10th Edition) from 2022. The participants (employees of the bank) in the Libra Energize program were informed in advance about this initiative and, after the sports trials, they went to the school in Buzău, where they donated over 100 books intended to contribute to educational development of children.

- Internal charity auction, organized for Christmas, at the end of which all the money raised was donated to the "Ajungem Mari" program of the Lindenfeld Association, to support young people from disadvantaged backgrounds, with achievements in different fields (art, sports, school Olympics, etc.). The auction was organized as follows:

Stage 1: the action was announced to all bank employees, who were invited to "auction" different objects or even activities;

Stage 2: the list of objectives/activities put up for auction was posted on the bank's intranet, where employees had the opportunity to bid online for them;

Stage 3: in addition to the online auction and, at the same time, complementary to it, a physical event was organized in the Central Headquarters, transmitted live throughout the organization.

• Action to support refugees from Ukraine, by providing accommodation and meals for over 250 refugees, at a hotel in Bucharest. The action was started at the end of February 2022 and lasted about a month.

General considerations regarding ESG

The environmental, social and governance (ESG) criteria represent a set of standards regarding a company's operations, which "aware" investors from a social perspective take into account for 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 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 appointed from among the members of the Board 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 a continuous process that involves the development and consolidation of the normative framework through objectives, measures, indicators and specific actions in order to identify, reduce and control these risks.

Libra Internet Bank & ESG methodology

The methodology for capturing and valorizing ESG information represents a new field, in full development for the entire banking sector. According to Delegated Regulation (EU) 2021/2178, entered into force on December 29, 2021, starting from January 1, 2022, companies monitor ESG issues, with the aim of providing information according to the criteria included in the European taxonomies.

Libra Internet Bank has implemented an internal Policy on ESG risks, and in 2023 it continues the efforts for the development and implementation of the Policy as well as the development of internal procedures, with the aim of identifying and reporting eligible funding according to the European Union taxonomy. Eligibility according to Delegated Regulation (EU) 2021/2178 takes into account the identification of the destination of financing based on the CAEN codes financed and how these financings meet the criteria of specific European taxonomies.

TOTAL GROSS ASSETS	9,968,144,900
Exposures to **eligible** economic activities	2,590,334,603
The proportion in total assets of exposures to eligible economic activities	25.99%
Exposures to **ineligible** economic activities	3,594,824,579
The proportion in total assets of exposures to non-eligible economic activities	36.06%
Exposures referred to in Article 7 paragraphs (1) and (2): central administrations, central banks, supranational issuers and derivative financial instruments	1,929,075,921
The proportion in total assets of the exposures mentioned in Article 7 paragraphs (1) and (2)	19.35%
Assets held for sale	0
Proportion of assets held for trading in total assets	0.00%
Exposures mentioned in Article 7 paragraph (3) to companies that are not subject to the obligation to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU	4,198,214,036
The proportion in total assets of the exposures mentioned in Article 7 paragraph (3)	42.12%

In order to ensure compliance with the reporting obligations, but to provide as transparently as possible the information required by the EU Taxonomy, certain reported data were subject to the application of some value judgments that were described below.

Exposures represent gross book values, not reduced by impairment adjustments, according to information from the financial reporting for supervisory purposes (FINREP).

Exposures to eligible economic activities were identified based on the main CAEN level 4 code of the client (according to the registration from the National Office of the Trade Register), with the related limitations considering that the eligibility based on the CAEN code may differ from the eligibility established following a more in-depth analysis of financing.

The eligible exposures included real estate investment loans granted to individuals/legal entities for the purchase/construction/renovation of residential buildings, regardless of their obligations to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU. Their inclusion takes into account the recommendations of the European Banking Authority under EBA/Rep/2021/03 to include these exposures in the green assets rate, because the environmental impact of these investments is considered to be among the most significant impacts generated in the lending activity.

The exposures referred to in Article 7 paragraphs (1) and (2) according to the provisions of DELEGATED REGULATION (EU) 2021/2178 include all types of exposures to central administrations, central banks, supranational issuers, as well as derivative financial instruments.

The exposures referred to in Article 7 paragraph (3) according to the provisions of DELEGATED REGULATION (EU) 2021/2178 are exposures to companies that are not subject to the obligation to publish non-financial information under Article 19a or 29a of Directive 2013/34/EU, more precisely loans granted to companies with less than 500 employees.

With the development and implementation of the ESG Policy, this analysis will be gradually expanded with the aim of verifying and reporting the eligibility of funding from the perspective of all applicable taxonomies, established by the European Commission (as they are published), and after the implementation of the ESG Procedure, through the internal analyzes carried out by bank, including financing aligned with the criteria in the taxonomy (not only the eligible ones) will be established. In this way, we want to measure quantifiably the effects of the bank's policies and products in the business environment and the contributions made to the global goal of transition to a sustainable economy.

The Bank is also considering the structuring of internal quality indicators to guide its actions regarding energy consumption, the car fleet and relations with suppliers in order to also monitor its own impact in order to achieve a sustainable economy.

Sustainable Financing

The lending activity constitutes our main footprint on local communities and society in general, especially through the specific sectors where we focus our attention: liberal professions, agriculture and real estate.

The Liberal Professions represent over 15% of the total portfolio and present low environmental risks, with a significant social impact by directly supporting (through financing) both the current activity performed by clients belonging to this segment, as well as medium-term investment projects and long of them.

Agriculture is essential for the sustainable development of the economy and ensuring food security, with a share of 18% of the total funding granted. The bank supports the coverage of expenses related to planting and maintenance of crops, from the acquisition of raw materials to the valorization of crops and the modernization of equipment used - both through direct financing by the bank and through participation in sectoral financing/guarantee programs (such as the "3 Times the Subsidy", Agro SME Invest, Rural Invest, PRSL, Apia Saps).

Real Estate, especially in the area of residential developments, is one of the main engines for promoting the reduction of energy consumption at national and European level. Libra Internet Bank offers both retail financing for the purchase and construction/renovation of real estate, as well as products intended for real estate developments, in order to support the construction of new homes and their sale.

With regards to the portfolio of real estate guarantees, the bank has an internal structure for evaluating guarantees, composed of engineers and architects, to ensure the quality and performance of the financed buildings. At the level of bancassurance, insurance requirements are clearly established through internal procedures and include additional risk coverage. In conclusion, we do not estimate substantial risks from the physical risks associated with climate change.

Regarding "green" loans, the bank has adopted a specific internal procedure for developing products in the field of green buildings, renewable energy, energy efficiency, clean transportation, as well as sustainable agriculture and reforestation. The eligibility conditions of clients and projects are confirmed by specific criteria for each type of financing, in accordance with internal procedures and product files. Thus, in 2022 the first financings were granted in the field of renewable energy and energy efficiency with a total value of 17 million RON.

Awards

Over the years, professional communities and media institutions have recognized the efforts and results of Libra Internet Bank, which have established the bank as the trendsetter by definition of the banking system in Romania.

In 2022, the activity of Libra Internet Bank was highly appreciated by the market too and the bank's performance and initiatives were recognized through important awards, such as:

- Bank of the Year on Digitalization - Financial Market Magazine Awards Gala
- The best employer in the financial field – according to Undelucram.ro
- Third prize in the Special Projects category for the Libra Energize program - Employer Branding Awards
- Best Debit Card ("Avanpost" card) - Financial Leaders Hall of Fame Awards Gala
- Best Performance in Internet Banking – for the highest value of internet banking transactions carried out by individual clients, in 2021 - Online Banking Gala
- Best Performance in Internet Banking – for the highest total number of active customers and total number of active legal entity customers of the internet banking service, in 2021 - Gala Online Banking
- Best Performance in Mobile Banking – for the highest growth in 2021 of the total number of customers, the total number of natural person customers and the total number of legal person customers - Gala Online Banking
- The award for 25 years of excellence in banking - Entrepreneur Club Gala
- eProducts category award for diaspora mortgage credit - eFinance Gala

5. Subsequent events

In January 2023, a new branch, Pipera, was opened in Bucharest, sector 2.

In January 2023, the bank signed a contract with the LORO bank, Raiffeisen DIGITAL Bank, to offer payment payments in lei with IBANs associated with LIBRA for digital customers on the Raiffeisen DIGITAL Bank platform.

In March 2023, the Board of Directors of the Bank took note of the information given to Mr. Emilian Bituleanu regarding the termination of his mandate as General Manager of the Bank on April 8, 2023. The Board of Directors thanked Mr. Bituleanu for the professionalism and dedication demonstrated as General Manager and member of the Board of Directors of Libra Internet Bank SA during the 20 years of activity. In accordance with the Bank's statute, the Board of Directors made proposals to fill the position of General Manager and, respectively, a position of Deputy General Manager with persons from within the bank who are in the process of being authorized by the National Bank of Romania.

Libra finances customer segments that are less affected by price increases, operating in areas with above-average margins (Real Estate, Professionals). Consequently, the NPL rates in the first 3 months of 2023 do not register increases.

The impact on the market value of the securities and bonds held by Libra for the purpose of ensuring liquidity compared to the value at amortized cost in the context of the increase in interest rates is marginal according to the calculation in February 2023 (below 0.05% of Own Funds).

The evolution of the economy

In 2022, compared to 2021, the Gross Domestic Product increased by 4.8%, thanks to strong gross fixed capital formation and private consumption, which was supported by a strong labor market and wage growth, in combination with the measures of government support to mitigate the impact of high energy prices.

Indicator	2022	2023	2024
GDP growth (%, per year)	4.5	2.5	3.0
Inflation (%, last year)	12.0	9.7	5.5

Based on short-term indicators, Romania's economy is expected to have been resilient in the fourth quarter, amid favorable developments in the services sector and economic sentiment, and despite further declines in manufacturing output.

For 2023, the negative impact of still high inflation, tight financing conditions and the slowdown of other EU economies will reduce real GDP growth in Romania to 2.5%.

The implementation of the NRDP should contribute to strong investment, which is expected to be the main driver of growth. Other EU funds are also to support the investments. Private consumption, although negatively affected by high inflation, is forecast to increase due to increases in the minimum wage, pensions and public sector wages, as well as the extension of the energy price cap until 2025. Net exports are expected to remain negative due to a strong currency and weak demand in export markets.

A 3% recovery in economic growth is forecast for 2024 amid easing inflationary pressures, lower interest rates and an improved external outlook.

Annual inflation eased in December amid lower energy and food prices, taking the 12-month average in 2022 to 12%. Inflation is expected to decline further over the forecast horizon, but only modestly, as inflationary pressures remain very high in core components such as services, non-energy industrial goods and processed food. Average annual inflation is forecast at 9.7% for 2023 before slowing to 5.5% in 2024 due to the expansion of the energy price cap, lower commodity prices and base effects.

At the date of preparation and authorization of the financial statements, the management of the bank evaluated the current economic situation and the current geopolitical context and does not expect that the economic impact of current developments will significantly affect the bank's ability to carry out its activity.

However, a potential negative impact on the economic environment in which the bank operates, on its financial position and performance cannot be excluded. The management of the bank monitors the developments and takes the necessary measures, these could concern the accounting estimates and the methods for calculating expected credit losses according to the IFRS 9 standard.

At the same time, we mention the fact that the bank has no exposure to entities in the Russian Federation and Ukraine.

The national aid package of state guarantees and interest subsidies to support the financing of the SME sector under the IMM INVEST program (and the sub-programs and program components, all related to the state aid scheme initiated to combat the effects of the Covid pandemic) has recorded increases in the ceilings as follows:

- 345,000 euros for each enterprise operating in the fishing and aquaculture sector,
- 290,000 euros for each enterprise that carries out its activity in the field of primary production of agricultural products,
- 2,300,000 euros for each enterprise operating in the food sector, as well as in other fields of activity;

Within them, the eligible clients received grants in the form of interest for the financing from these programs/subprograms, subsidizing the commissions related to financing and, for part of the IMM INVEST subprograms, according to the State Aid Scheme. On December 31, 2022, the Bank held a number of 261 active contracts, with a financed value of 234 million lei.

6. Proposals of the Board of Directors to the Shareholders' Meeting

1. The Board of Directors proposes to the General Meeting of Shareholders on April 24, 2023 to distribute the profit of 2022 as follows:

- 5% of the gross in the amount of 13,738,300 lei to be allocated to the legal reserve;
- 50,000,000 lei to be granted dividends;
- The remaining amount in the amount of 174,438,478 lei to be allocated to other profit reserves.

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 of the year 2022 drawn up in accordance with the Order of the National Bank of Romania no. 27/Dec 2010 (republished) for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards, applicable to credit institutions, including the audit report for the year 2022;

2 Current report of the Board of Directors;

3 Dismissal of the members of the Board of Directors who acted in this position during 2022;

4 Publication of financial results for the year 2022 in accordance with legal requirements.

President of the Board of Directors
Radu Grațian Ghețea

Vice President of the Board of Directors
Eugen Gogă

DECLARATION REGARDING THE APPLICATION OF THE PRINCIPLES OF CORPORATE GOVERNANCE LIBRA INTERNET BANK SA

	Rules for applying the principles of corporate governance	Conformity		Non-compliance reason
		Yes	No	
1.	The company must have internal rules of the Board which include the terms of reference/responsibilities of the Board and the key management functions of the company.	Yes		
2.	The Board's regulations must include stipulations for the management of conflicts of interest.		No	The stipulations regarding the management of conflicts of interest are included in separate Policies regarding the management of conflicts of interest, both at the level of management bodies. as well as for the entire bank staff.
3.	The Board of Directors must consist of at least five members	Yes		
4.	The majority of the members of the Board of Directors must not have an executive position.	Yes		
5.	Each independent member of the Board of Directors must submit a declaration at the time of his nomination for election or re-election, as well as when there is any change in his status, indicating the elements on the basis of which he is considered to be independent in terms of character and his judgments.		No	The criterion of independence is evaluated during the process of assessing the suitability of members of the management body.

	Rules for applying the principles of corporate governance	Conformity		Non-compliance reason
		Yes	No	
6.	Other permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions on the board of non-profit organizations and institutions, must be disclosed to shareholders and potential investors prior to nomination and during his or her term.	Yes		
7.	Every member of the Board must disclose to the Board information regarding any relationship with a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights. This obligation relates to any report that may affect the member's position on matters decided by the Council.	Yes		
8.	The Company has appointed a Board Secretary responsible for supporting the Board's work.	Yes		
9.	The corporate governance statement will inform whether an assessment has taken place a The Council under the leadership of the President or the nominating committee, as the case may be, will summarize the key measures and the resulting changes.	Yes		
10.	The company must have a Board evaluation policy/guideline outlining its purpose. the criteria and frequency of the evaluation process.	Yes		
11.	The company has established a nomination committee that will lead the nomination procedure for new members in the Council and will make recommendations to the Council.		No	In June 2021, the Remuneration and Nomination Committee was dissolved. its duties being taken over by the Board of Directors

	Rules for applying the principles of corporate governance	Conformity		Non-compliance reason
		Yes	No	
12.	The company has an audit committee established by the Board. in which at least one member must be an independent non-executive director. The majority of members, including the chairperson, must be proven to have appropriate qualifications relevant to the functions and responsibilities of the committee. At least one member of the audit committee must have proven and appropriate auditing or accounting experience.	Yes		
13.	The chairman of the audit committee is an independent non-executive member.	Yes		
14.	As part of his responsibilities. the audit committee performs an annual evaluation of the internal control system.	Yes		
15.	The evaluation conducted by the audit committee takes into account the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control management reports presented to the Board's audit committee, and the timeliness and effectiveness with which the executive management addresses deficiencies or weaknesses identified through internal control and presents relevant reports to the attention of the Board.	Yes		
16.	The audit committee must evaluate conflicts of interest related to the transactions of the company and its subsidiaries with affiliated parties.		No	Related party transactions are evaluated by the Board of Directors.
17.	The audit committee must evaluate the efficiency of the internal control system and the risk management system.	Yes		

	Rules for applying the principles of corporate governance	Conformity		Non-compliance reason
		Yes	No	
18.	The audit committee must monitor the application of legal standards and generally accepted internal auditing standards. The audit committee must receive and evaluate the reports of the internal audit team.	Yes		
19.	Reports or analyzes initiated by the Audit Committee must be followed by periodic (at least annual) or ad hoc reports that must be submitted to the Board.	Yes		
20.	No shareholder can be granted preferential treatment over other shareholders in relation to transactions and agreements concluded by the company with shareholders and their affiliates.	Yes		
21.	The Board of Directors adopts a policy to ensure that any transaction of the company with any of its subsidiaries/related parties whose value is equal to or greater than 5% of the company's net assets (according to the latest financial report) is approved by the Board following a mandatory opinion of the Board's audit committee and disclosed accurately to shareholders and potential investors, to the extent that these transactions fall within the category of reportable events.	Yes		
22.	Internal audits are carried out by a structurally separate division (internal audit department) within the company or by hiring an independent third party.	Yes		
23.	In order to ensure the fulfillment of the main functions of the internal audit department. it reports from a functional point of view to the Council through the audit committee. For administrative purposes and as part of management's obligations to monitor and reduce risks. he must report directly to the general manager.	Yes		

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	Rules for applying the principles of corporate governance	Conformity		Non-compliance reason
		Yes	No	
24.	The company publishes the remuneration policy on its website and includes in the annual report a statement regarding the implementation of the remuneration policy during the annual period under review.		No	Mentions regarding the remuneration of the identified personnel are mentioned in the Annual Transparency Report published on the website
25.	The public company includes in its annual report a section that includes the total income of the members of the Board of Directors and the CEO for the respective financial year, as well as the total value of all bonuses or variable compensation, and also the key assumptions and principles for calculating the mentioned income.		No	The section in the annual report includes the description of the method of remuneration and the total expenditure with 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/persons responsible or the organizational unit. Apart from the information required by the legal provisions. the company must include on its website a section dedicated to Investor Relations. in Romanian and English. with all relevant information of interest to investors.		No	It is not applicable because the issue of bonds is carried out through an intermediary. At the same time, on the Bank's website there is a section specific to the issue 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 regarding the annual distribution of dividends or other benefits to shareholders. proposed by the General Director or the Directorate and adopted by the Council. in the form of a set of guidelines that the company intends to follow regarding the distribution of net profits. The principles of the annual distribution policy to shareholders will be published on the company's website.	Yes		

	Rules for applying the principles of corporate governance	Conformity		Non-compliance reason
		Yes	No	
28.	The company will adopt a policy in relation to forecasts. whether they are made public or not. Forecasts refer to quantified conclusions of studies aimed at determining the global impact of a number of factors on a future period (so-called assumptions). By its nature, this projection has a high level of uncertainty, and actual results may differ significantly from the initial forecasts presented. The forecast policy will determine the frequency. the period considered and the content of the forecasts. If published, the forecasts can only be included in the annual, semi-annual or quarterly reports. The forecast policy will be published on the company's website.		No	The bank uses forecasts of macroeconomic indicators in the calculation of provisions.
29.	The rules of general meetings of shareholders must not limit the participation of shareholders in general meetings and the exercise of their rights. The changes to the rules will come into force at the earliest starting from the next shareholders' meeting.	Yes		
30.	The external auditors will be present at the general meeting of shareholders when their reports are presented during these meetings.		No	The Administrator's report is approved by the auditors and includes a distinct chapter in which all the proposals made regarding the distribution of profits and the granting of dividends are specified.

LIBRA INTERNET BANK S.A. | www.librabank.ro
Phoenix Tower, Calea Vitan 6-6A, Sector 3, Bucharest, 031296, ROMANIA; Phone: +40 (0) 21 208.8000; Fax: +40 (0)21 230.6565; Email: info@librabank.ro; Swift: BREL RO BU; Serial Number in the Trade Register J40 / 334/1996; Unique Registration Code 8119644, Fiscal attribute RO; NBR Authorization series B no. 000025/24.01.1997; Registration no. RB-PJR-40-037/18.02.1999; Registration number as a personal data operator: 25819; Subscribed and paid-in share ; capital: 462.616.000 RON.For any dissatisfaction, we encourage you to write to reclamatii@librabank.ro

	Rules for applying the principles of corporate governance	Conformity		Non-compliance reason
		Yes	No	
31.	The Board will present to the annual general meeting of shareholders a brief assessment of the internal control and significant risk management systems as well as opinions on some matters subject to the decision of the general meeting.	Yes		
32.	The company must set the date and place of a general meeting so as to allow the participation of as many shareholders as possible.	Yes		
33.	Quarterly and semi-annual financial reports shall include information in both Romanian and English regarding key factors influencing changes in the level of sales, operating profit, net profit, and other relevant financial indicators, both from one quarter to another and from one year to another.	Yes		

President of the Board of Directors
Radu Grațian Ghețea

Vice President of the Board of Directors
Eugen Goga

APPENDIX 1 - LIST OF AFFILIATED PERSONS

4R CAPITAL LLC
ACTIV TOP MANAGEMENT SRL
ACTIVE SOFT SRL
AGRI TERENURI SA
ANDREI MARIA DOINA
ANDREI SIMINEL CRISTIAN
ANDREI SIMINEL VLAD
ANDREI VICTOR ALEXANDRU
ANNALIESSE INVESTMENT LTD
APART POIANA ESTATE SRL
ARHIVARE DOCUMENTE SRL
ASOCIATIA BEST MUSIC
ASOCIATIA INFOTURISM
ATS AGRIBUSINESS INVESTMENTS LIMITE
BAFIN CONSULTANTA SRL
BESTMUSIC EVENTS SRL
BESTMUSIC LIVE SRL
BIL GIULESTI PROPRIETATI SA
BIL INVESTITII SA
BIL MALIUC PROPRIETATI SRL
BIL PORTOFOLIO SA
BIL SEVERIN CRIMOB SRL
BIL TERENURI SA
BIMBIREL ELENA
BIROUL DE CREDIT
BITFACTOR SRL
BITULEANU EMILIAN
BITULEANU MARIA
BITULEANU ROXANA EMILIA
BITULEANU SANZIANA
BOB IOT ENTERPRISE S.R.L.
BOBNET HOLDINGS LTD
BOBNET RO SRL
BROADHURST INVESTMENTS LIMITED, NIC
BROADHURST INVESTMENTS LTD.
BUSINESS MICROCREDIT IFN S.A.
CARPA ENTERPRISES LIMITED SEDIU PERMANENT ROMANIA
CENTREVILLE OFFICES SA
CERBU ALEXANDRU

CERBU SORIN-CATALIN
CIOBANU CATALINA
CLICK TOP MANAGEMENT S.A.
COCOR S.A.
COSMA ADRIAN DUMITRU
COSMA ANDREI AUREL
COSMA MADALINA
COSMA MARIA EUGENIA
CREDIMATIC NETWORK SRL
CREDIUS IFN
DARIUS OFFICE SA
DEPARTAMENTUL DE ACHIZITII SRL
DEPO MET SA
DIANA MARIA SITA
DIETETICA MED SRL
DIGITAL ADS MANAGEMENT SRL
DIVIDENDE SI DETINERI SRL
DOCTORDERMATOLOG A-Z SRL
ELECTROAPARATAJ SA
ELJ AUTOMOTIVE SA
ELJ CONSTRUCT PLAST SRL
ELJ PROPRIETATI SRL
ELJ REAL ESTATE SA
ELJ SISTEME SI APARATE ELECTRICE SRL
ENERGO INDUSTRIAL IMOBILI SA
EUROPA CAPITAL PROPRIETATI SRL
EUROPA CAPITAL SA
EVAN SHOP CONCEPT SRL
FINOPRO IFN S.A.
FIT 9 BY ALMA SRL
FIT STRATEGY SRL
FOOD VISION SRL
FUNDATIA GROWUP
GAVRILITA ANA
GAVRILITA ANDREI
GAVRILITA CRISTINA
GAVRILITA VLAD

GBN IMOBILI SRL
GEOAGRI CADASTRU SRL
GHEORGHIU MARILENA
GHETEA CATRINEL
GHETEA RADU GRATIAN
GHETEA RAZVAN CIPRIAN MARIUS
GOGA CALIN TUDOR
GOGA CAMELIA-MARIA
GOGA EUGEN
GOGA MARIA SOFIA
GRANTED SYSTEM SOLUTIONS SRL
HAGIU SILVIU TEODOR
HESKETH ENTERPRISES LIMITED
IA BILET SRL
ICS CREDIT RAPID
ILIESCU ALINA IONELA
IMEDIA PLUS GRUP SA
IMOBILI NETWORK DEVELOPMENT SRL
IMS PARK DEVELOPMENT SA
IMS PROPRIETATI SA
INFOTURISM MEDIA SRL
INTEGRAL COLLECTION
IONEL SITA
IPROMET IMOBILI SA
IRINA GABRIELA SITA
LAPWORTH HOLDINGS LTD
LECA DANIELA-NICOLETA
LIBRA DEVELOPMENT IFN SA
LUCA ANDREI SITA
MACHTEAM SOFT SRL
MAHIKA VOICONI ANA
MAHIKA VOICONI CRISTINA CARMEN
MAHIKA VOICONI SORIN CONSTANTIN
MAHIKA VOICONI TUDOR
MANAGEMENT OBJECTIVES S.A.
MAZILU ANDRA
MAZILU DANUT
MAZILU DANUT INTREPRINDERE FAMILIALA
MAZILU GABRIELA
MAZILU MARA

MEGEVE INVESTMENTS ROMANIA SRL
METEX BETA SA
METEX BIG SA
METEX GAMMA SRL
MHK FIVE STAR CONSULTING SRL
MOARA DE FOC IMOBILI SA
MTSTRAVEL NET SRL
MULTIBROKER S.R.L.
MULTINODE NETWORK S.R.L.
NABLA MANAGEMENT SRL
NCH BALKAN ASSOCIATES LLC
NCH BALKAN FUND L.P.
NCH CAPITAL INC
NCH CAPITAL INC.WILMINGTON - SUCURS
NEAGU MIOARA ROXANA
NEOMAGASSIN SRL
NET CONS MANAGEMENT SRL
NICOLAE ANA-EMILIA
NOW IT WORKS SRL
OANA HAGIU IFTODE
OMER MERAL
OMNITEST LABORATOR SA
ORGANIZING SOLUTIONS SRL
OXFORD NATION SRL
PALACE S.A SINAIA
PALTIM SA
PETRE MELINTE ANDREI
PETRE-MELINTE CRISTINA
PETRE-MELINTE OVIDIU
PIESEAUTO.RO MARKETPLACE SRL
PLATFORMA KADUM S.R.L.
POMI PE ROD SRL
POPA MARIA EVELINA
POPA MELANIA
POPA MIHAI-GIUSEPPE
POPA STEFAN ALEXANDRU
PORTOMET ADVISORY SRL
POSTOLACHE CASIAN
POSTOLACHE PETRONEL MANUEL

POSTOLACHE PHILIP
PROPRIETATI FINCONTA SRL
RENALO INVESTMENTS LIMITED SEDIU PERMANENT ROMANIA
REVIBAN SRL
RING AFACERI SA
RISC ADMIN SRL
RISCO SERVICII FINANCIARE SRL
RMRT MAG SA
ROHR GEORGE
ROMARTA 2001 COM SRL
ROMARTA ADMINISTRATIV SRL
ROMARTA INDUSTRIAL SA
ROMARTA SA
ROMLUX LIGHTING COMPANY SA
RURAL AGRI DOLJ SRL
SAPTE SPICE SA
SCALA SA
SCANTEIANU CRISTINA
SIRBU GEORGE
SIRBU LARA ANDREEA
SIRBU MARIA CRISTINA
SIRBU MIHAELA
SIRBU MIHAELA CONSULTANT FISCAL
SOARE ANDREEA MARIA
SOARE ELENA MADALINA
SOARE LIVIU MANUEL
SOARE TURCU ELVIRA
SPV INVESTIS IMOB SA
SQUAREMEDICAL SA
STECHERT ENTERPRISES LIMITED
TABACINIC MORIS
TARGUL DIN VALE IMOBILI SA
TECHSPOT SOLUTIONS SRL
TESEDEANU COSTIN-GABRIEL
TESEDEANU LUCA GABRIEL
TESEDEANU MIHAI DANIEL
TIMPASCU LIVIA GABRIELA
TRADEVILLE

TRANSFOND
TREI BRUTARI SRL
TRITTICO HOLDINGS LIMITED
UMBRES ALEXANDRU
UMBRES GEORGIANA ALINA
UMBRES IONEL
UMBRES MARIA DIANA
VALM TERENURI SA
VDC EVENIMENTE SRL
VEL PITAR SA
VILCU ANA MARIA
VILCU DRAGOS-CRISTIAN
VIRTUAL CARDS
VP IMMOBILI SA
VP MAGASSIN SA
VP REALTY SA
VP TERENURI SRL
WINI IMOBILI S.A
LANDOUAMIIOPT SA

President of the Board of Directors
Radu Grațian Ghețea

Vice President of the Board of Directors
Eugen Goga

Annex 3 - LIST OF BRANCHES

1. BUCHAREST branch - registered at the Trade Register under no. J40 / 396/1998. operating since February 1st, 1998;
2. BĂNEASA branch - registered at the Trade Register under no. J40 / 5917/1998. operating since May 1st, 1999;
3. ORADEA branch - registered at the Trade Register under no. J05 / 770/2000. operating since February 12th, 2001;
4. CONSTANȚA branch - registered at the Trade Register under no. J13 / 1769 / 13.10.2000. which has been operating since March 6th, 2001;
5. STEFAN CEL MARE branch - established on December 22nd, 2005 through the transformation of the AVIATORILOR Agency (Agency operating since 05/21/2001);
6. IULIU MANIU branch - established on February 16th, 2005. registered at the Trade Register under no. J40 / 2915/2005;
7. PANTELIMON branch - established on February 2nd, 2005. registered at the Trade Register under no. J40 / 1826/2005;
8. BUZAU branch - established on April 20th, 2005. registered at the Trade Register under no. J40 / 536/2005;
9. PITESTI branch - established on June 16th, 2005. registered at the Trade Register under no. J03 / 1178/2005;
10. PLOIESTI2 branch - established on March 27th, 2006. registered at the Trade Register under no. J29 / 674/2006;
11. MOSILOR branch - established on November 8th, 2005. registered at the Trade Register under no. J40 / 18810/2005;
12. BISTRITA branch - established on December 9th, 2005. registered at the Trade Register under no. J06 / 1015/2005;
13. SIBIU branch - established on December 6th, 2005. registered at the Trade Register under no. J32 / 1776/2005;
14. PIATRA NEAMT branch - established on February 20th, 2006. registered at the Trade Register under no. J27 / 230/2006;
15. IASI branch - established on March 29th, 2006. registered at the Trade Register under no. J22 / 786/2006;
16. BERCENI branch - established on April 11th, 2006. registered at the Trade Register under no. J40 / 6091/2006;
17. RAHOVA branch - established on May 12th, 2006. registered at the Trade Register under no. J40 / 7744/2006;
18. VOLUNTARI branch - established on June 12th, 2008. registered at the Trade Register under no. J23 / 1715/2008;
19. NERVA TRAIAN branch - established on May 29th, 2008. registered at the Trade Register under no. J40 / 9450/2008;
20. CRAIOVA branch - established on July 08th, 2008. registered at the Trade Register under no. J16 / 1345/2008;
21. BRASOV branch - established on July 11th, 2008. registered at the Trade Register under no. J08 / 1906/2008;
22. DECEBAL branch - established on November 3rd, 2010. with headquarters in Bucharest. Blv: Decebal 7. building S 12. ground floor, district 3;
23. ION MIHALACHE branch. J40 / 4759/2011. City of Bucharest 35- 37 Blv: Ion Mihalache. sector 1
24. CLUJ - NAPOCA branch. J12/1423/26.05.2011. City of Cluj-Napoca, 10 Eroilor Blv. Cluj County;
25. AFUMATI Branch J23/1866/14.07.2011. Afumati commune. Fabricii Street, no. 1. T111. P425. local H9-M1. Ilfov County
26. TIMISOARA branch. J35 / 1847 / 10.08.2011. Timișoara. 19 Int. Doinei Street, Timis county
27. Camil Ressu branch - J40 / 6787 / 13.06.2012. Bucharest. Sector 3. Blv: Camil Ressu 68, building 1B, plot 5
28. Bacau branch - J4 / 782 / 13.08.2012. Bacau. 4 Calea Marasesti, entrance D, ground floor, Bacau county
29. Targu Mures branch - J26 / 259 / 16.03.2012. Targu Mures. Piata Trandafirilor 6-8, Mures County
30. Braila branch - J9 / 722 / 27.11.2013. 51 Calea Calarasilor. Plot 1, block 104, ground floor. City of Braila. Braila county
31. Drumul Taberei branch - J40 / 13978 / 12.11.2013, 90 Drumul Taberei street, building C8, ground floor, sector 6, Bucharest
32. Fundeni branch - J23 / 2955 / 27.09.2013. Dobroiesti. str. Red Dragon 1-10. the Red Dragon Megashop shopping center. floor 1. room R1. ilfov County;

33. Galati branch - J17 / 950 / 01.08.2013. City of Galati, str. Domneasca, no. 17, Building B, ground floor, Galati County;
34. Regina Elisabeta branch - J40 / 9559 / 30.07.2013. Bucharest Blv: Regina Elisabeta 63. ground floor, sector 5;
35. Colentina branch - J40 / 12992 / 21.10.2013. 274 Colentina Ave. ground floor, rooms 3 and 9, sector 2, Bucharest
36. 13 Septembrie branch -J40 / 11788/2014. Calea 13 Septembrie, no. 114, bl 56, sc 1, Bucharest
37. Suceava branch - J33 / 863/2014. str. Stefan cel Mare, no, 17. ground floor + basement, rooms 14, 15, 16 - 17. entrance A-B, Suceava
38. Chitila branch -J40 / 12134/2014. Chitilei road no. 101. Bucharest
39. Podu Roș Iași branch: J22 / 1824/2015. City of Iași. Sf. Lazar Street (former 7 November), no. 49, bl. A1-3. Ground floor Iași. Iași County
40. PANTELIMON EST Branch J40 / 13982/2015. Sos. Pantelimon no. 286, bl. 41, ground floor, sector 2, Bucharest;
41. MAGHERU branch - J40 / 626 / 21.01.2015. Blv: Gen. Gh. Magheru No.1-3, Ground floor, Commercial space „I". Sector 1. Bucharest;
42. MARASTI CLUJ-NAPOCA branch - J12 / 798/2015. 21 Decembrie 1989 Boulevard, No. 148, Ground floor, Block B1. Flat 114, Cluj. Cluj County;
43. ARAD branch - J2 / 636/2016. Blv: Revolutiei, no. 89. building A, ground floor, flat 1- B, Arad County;
44. BARNUTIU TIMISOARA branch - J35 / 1358/2016. Str. Simion Barnutiu. no. 73-77. bl 75, Timis County;
45. DOROBANTI branch - J40 / 15998/2016. Calea Dorobanti. no. 111-113. Block 9B. City of Bucharest Sector 1;
46. CAPITOL CONSTANTA branch- J13 / 205/2016. Blv: Tomis 132. bl. LE1- LE2. Constanța. County Constanta
47. HEROES OF THE REVOLUTION Branch - J40 / 3024/2017. unique registration number 37176864. Sos. Giurgiului. no. 23. sector 4. Bucharest;
48. CRANGASI branch - J40 / 1473/2017, Unique Registration Code 37032885. Calea Crângași no. nr. 21. bl. 12. ground floor, commercial spaces no. 3 and 4, sector 6, Bucharest;
49. APUSULUI branch - J40 / 13596 / 28.07.2017, Unique Registration Code 38040444. Iuliu Maniu Blvd. no. 73. ground floor, commercial space no. 4, bl. C3. sector 6, Bucharest.
50. CLUJ MĂNĂȘTUR branch - registered at the Trade Register under no. J12 / 1508 / 04.04.2019, Unique Registration Code 40919144. 64-66 Calea Mănăștur, space no. 1 Cluj-Napoca. Cluj.
51. FOCȘANI branch - registered at the Trade Register under no. J39 / 387 / 20.02.2019, Unique Registration Code 40668697, 9A Cuza Vodă Street. commercial space no. 1, Focșani, Vrancea, which operates from 20.02.2019.
52. BASARBIA branch - registered at the Trade Register under no. J40 / 9615 / 23.07.2019, Unique Registration Code 41428145, 1 Sector entrance, commercial space no. 13, ground floor, sector 3, Bucharest, which operates from 23.07.2019.
53. SLOBOZIA branch - registered at the Trade Register under no. J21 / 721 / 11.11.2019, Unique Registration Code 41884370. 17 Matei Basarab blv., Slobozia. Slobozia, which operates from 11.11.2019.
54. ALEXANDRIA branch - registered at the Trade Register under no. J34 / 113/2020, Unique Registration Code 42311287. str. București. Bl. T1. Ground floor Alexandria. Teleorman. which operates from 24.02.2020

President of the Board of Directors
Radu Grațian Ghețea

Vice President of the Board of Directors
Eugen Goga

Declaration

In accordance with the provisions of Article 30 of Accounting Law no. 82/1991, republished, and Article 65 (1) letter c) of Law no. 24/2017 regarding issuers, and Article 223 letter A (1) c) of ASF Regulation 5/2018 regarding issuers of financial instruments and market operations, I assume responsibility for the preparation of the annual and consolidated financial statements as of December 31, 2022, and certify that to the best of my knowledge:

a) The accounting policies used for the preparation of the financial statements as of December 31, 2022 are in accordance with the accounting regulations applicable to credit institutions based on the National Bank of Romania Order no. 27/2010 for the approval of accounting regulations in accordance with the International Financial Reporting Standards adopted by the European Union, with the subsequent modifications and amendments in force at the reporting date of December 31, 2022.

b) The financial statements as of December 31, 2022, present a true and fair view of the bank's assets, liabilities, financial position, and statement of profit and loss.

c) Libra Internet Bank SA operates on a going concern basis;

d) The Board of Directors' report on the above-mentioned financial statements presents the information at the reporting date accurately and completely and includes a correct analysis of the bank's development and performance, as well as a description of the main risks and uncertainties specific to the activities carried out.

Radu Grațian Ghețea
Chairman of the Board of Directors

Phoenix Tower, Calea Vitan 6-6A, Sector 3, Bucharest, 031296, ROMANIA; Phone: +40 (0) 21 208.8000; Fax: +40 (0)21 230.6565; Email: info@librabank.ro; Swift: BREL RO BU; Serial Number in the Trade Register J40 / 334/1996; Unique Registration Code 8119644, Fiscal attribute RO; NBR Authorization series B no. 000025/24.01.1997; Registration no. RB-PJR-40-037/18.02.1999; Registration number as a personal data operator: 25819; Subscribed and paid-in share ; capital: 462.616.000 RON.For any dissatisfaction, we encourage you to write to reclamatii@librabank.ro

LIBRA INTERNET BANK SA

Standalone and separate

financial statements

31 December 2022

Prepared in accordance with

International Financial Reporting Standards, as adopted by the European Union

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
Libra Internet Bank SA

Report on the standalone and separate financial statements

Opinion

1. We have audited the standalone and separate financial statements of Libra Internet Bank S.A. ("the Bank"), with registered office in Calea Vitan no. 6-6A, District 1, Bucharest, Romania, identified by unique tax registration code RO 8119644, which comprise the standalone and separate statement of financial position as at December 31, 2022 and the standalone and separate statement of comprehensive income, standalone and separate statement of changes in equity and standalone and separate statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the standalone and separate financial statements.

2. The financial statements at December 31, 2022 are identified as follows:

   Standalone financial statements

• Equity:	RON 1,042,690,144
• Net profit for the financial year:	RON 238,582,948

   Separate financial statements

• Equity:	RON 1,042,613,900
• Net profit for the financial year:	RON 238,176,778

3. In our opinion, the accompanying standalone and separate financial statements present fairly, in all material respects, the standalone and separate financial position of the Bank as at December 31, 2022, and its standalone and separate financial performance and its standalone and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and National Bank of Romania Order no. 27/2010 for the approval of the Accounting regulation in accordance with International Financial Reporting Standards, as adopted by the European Union, with subsequent amendments ("Order 27/2010").

Basis for Opinion

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

Emphasis of Matter

5. As mentioned in Note 3, chapter II, letter s) to the standalone and separate financial statements, during the financial year ended as at December 31, 2022, the Bank made corrections on the disclosures prepared for the financial year ended as at December 31, 2021 on certain elements from the standalone and separate financial statements. Our opinion is not modified in this respect.

Deloitte.

Key Audit Matters

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

Nature of the area of focus	**How our audit addressed the key audit matter**
Collective impairment of loans and advances to customers	
The Bank accounts for credit losses on the basis of expected credit losses (ECL) in accordance with IFRS 9 – Financial instruments: for a period of up to 12 months for credit exposures for which the credit risk has not increased significantly since origination and for credit lifetime for those with significant increase in credit risk, as detailed in the impairment policy from Note 3, chapter II, letter (d), paragraph vi to the financial statements. As at December 31, 2022, the Bank's key financial statements lines with impact from IFRS 9 requirements are the loans and advances granted to customers measured at amortised cost, in amount of RON 6,011,932 thousand (net of the related impairment allowances in amount of RON 173,143 thousand). The Bank exercises significant professional judgment using different assumptions over both when and how much to record as impairment for loans and advances to customers. Since determination of appropriate impairment allowances for expected credit losses on loans and advances to customers requires use of complex models which capture historical data and relevant prospective data (generally depend on IT elements) and significant judgment from the Management, the process of measuring expected credit losses may be exposed to management bias. Because loans and advances to customers form a significant portion of the Bank's assets, and due to the significance of the professional judgment applied by management in classifying loans and advances to customers into various stages stipulated by IFRS 9 and in determining the appropriate impairment requirements, this audit area is considered a key audit matter. The key areas of professional judgment exercised by the Management included: • the use of historical data in the process of determining risk parameters; • the interpretation of the requirements to determine the receivables impairment under application of IFRS 9, which is reflected in the expected credit loss model; • assumptions used in the expected credit models to assess the credit risk related to the exposure and the expected future cash flows of the customers; • timely identification of exposures with significant increase of credit risk and credit impairment triggers; • the assessment of forward-looking information.	Based on our risk assessment and industry knowledge, with the support of our Credit risk experts, we have examined the impairment charges of loans and advances to customers and assessed the methodology applied in determining the impairment, as well as the key assumptions and source data used by Management according to the description of the key audit matter. Our procedures included the following elements: 1) Testing of key controls in respect of: • quality assurance of the source data used in developing professional judgments and the ECL related models; • timely identification of impairment triggers, including the significant increase in credit risk; • debtors` financial performance assessment and estimation of future cash flows; • the governance processes in place for credit risk models, input and overlays, review of ECL. 2) Obtaining and analysing the information to support the assumptions used in: • development of the models for computation of the key risk parameters (12 months Probability of Default, Lifetime Probability of Default and Loss Given Default), including performing procedures on the source data quality; • development of the expected credit loss models; • development and appropriateness of the stage allocation and the criteria used for determination of the significant increase of credit risk; • development of models to reflect the potential impact of the future economic conditions in the ECL computation. For all the above procedures, we involved our own Credit risk specialists to review the ECL model development and forward-looking models in order to test whether these accurately reflected the Bank's policies and methodologies. 3) Verifying with IT specialists the accurate implementation of the ECL computation methodology into the IT computation systems, including: • testing of general IT controls regarding data sources and computation of ECL; • sample-based assessment of the credit quality and stage allocation; • sample-based testing of ECL computation.

Nature of the area of focus	How our audit addressed the key audit matter
Collective impairment of loans and advances to customers	
	4) We have assessed whether the significant information on ECLs related to loans and advances to customers presented in the financial statements is adequate, in accordance with the applicable IFRS requirements.

Interest and Fee Income Recognition	How our audit addressed the key audit matter

Refer to Notes 6 and 7 of the financial statements.
 	
For the year ended December 31, 2022, the Bank's interest income represents RON 565,900 thousand, and fees and commissions income represents RON 86,083 thousand, the main source being loans to customers. These are the main contributor to the Bank's operating income, influencing its profitability.
 	
While interest income is accrued over the expected life of the financial instrument using the effective interest rate, the recognition of fee income depends on the nature of the fees as follows:
• fees that are directly attributable to the financial instrument are part of the effective interest rate and accrued over the expected life of such an instrument and are presented as interest income;
• fees for services provided are recognized when service is provided and are presented as fee and commission income;
• fees for the execution of an act are recognized when the act has been completed and are presented as fee and commission income.
 	
Revenue recognition specifics, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT solutions for their recording, resulted in this matter being identified as a key audit matter.
	We have tested the design, implementation and operating effectiveness of the key internal controls and focused on:
	• interest/fee data input on loans and advances to customers and customer accounts;
	• recording/modification/updating of fees and interest rates data in the system;
	• management's oversight and control on interest and fees and commissions income, including budget monitoring;
	• IT controls relating to access rights and change management of relevant automated controls, with the assistance of our IT specialists.
	
	We performed also the following procedures with regard to interest and fees revenue recognition:
	• We evaluated the accounting treatment in respect of interest and fees charged to clients to determine whether the methodology complies with the requirement of the relevant accounting standard. We have focused our testing on challenging the correct classification of:
	  ○ fees that are identified as directly attributable to the financial instrument and are part of the effective interest rate;
	  ○ fees that are not identified as directly attributable to the financial instrument.
	• For a sample of loan agreements, we assessed the completeness and accuracy of data used for the calculation of interest and fee income.
	• We evaluated the mathematical formula used for accruing the relevant income over expected life of the loan.
	• We have assessed the interest and fee income by building our own expectation on the revenue and compared with the actual results of the Bank.
	• We have assessed the presentation in the financial statements of the interest and fee income in accordance with the applicable IFRS requirements.

Other Matters

7. The Bank's financial statements for the year ended December 31, 2021 were audited by another auditor, which expressed an unmodified opinion on such financial statements on April 21, 2022.

Deloitte.

Other information – Administrators' Report

8. The administrators are responsible for preparation and presentation of the other information. The other information comprises the Administrators' report, which includes the non-financial information declaration, but does not include the standalone and separate financial statements and our auditor's report thereon.

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

   In connection with our audit of the financial statements for the year ended December 31, 2022, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   With respect to the Administrator's report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of National Bank of Romania Order no. 27/2010, articles 12-16.

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

   a) the information included in the Administrators' report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these standalone and separate financial statements;

   b) the Administrators' report has been prepared, in all material respects, in accordance with the provisions of the National Bank of Romania Order no. 27/2010, articles 12-16.

   Based on our knowledge and understanding concerning the Bank and its environment gained during the audit on the financial statements prepared as at December 31, 2022, we are required to report if we have identified a material misstatement of the Administrators' report. We have nothing to report in this regard.

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

9. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Order 27/2010 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

10. In preparing the 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

   - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

14. 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.

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

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

Report on Other Legal and Regulatory Requirements

Requirements regarding the audit of public interest entities

17. We have been appointed by the General Meeting of Shareholders on September 2, 2021 to audit the financial statements of Libra Internet Bank S.A. for the financial year ended December 31, 2022. The uninterrupted total duration of our commitment is 1 year, covering the financial year ended December 31, 2022.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Bank that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the Bank.

- No non-audit services referred to in Article 5 (1) of EU Regulation no. 537 / 2014 were provided.

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

Report on compliance with the Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard ("ESEF")

We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 applicable to the standalone and separate financial statements included in the annual financial report of Libra Internet Bank SA as presented in digital file 315700WKDD4ZSRL7HW38 (the "Digital Files").

(I) Responsibilities of management of Libra Internet Bank S.A. for the Digital Files prepared in compliance with the ESEF

Management of Libra Internet Bank S.A. is responsible for preparing Digital Files that comply with the ESEF. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of the ESEF;

- ensuring consistency between the Digital Files and the standalone and separate financial statements to be submitted in accordance with International Financial Reporting Standards as adopted by EU and Order 27/2010.

(II) Auditor's Responsibilities for the Audit of the Digital Files

Our responsibility is to express a conclusion on whether the financial statements included in the annual financial report complies in all material respects with the requirements of 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 ESEF. The nature, timing and extend of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the Bank's process for preparation of the Digital Files in accordance with ESEF, including relevant internal controls;
- reconciling the Digital Files with the audited standalone and separate financial statements of the Bank to be submitted in accordance with International Financial Reporting Standards as adopted by EU and Order 27/2010;
- evaluating if the financial statements contained in the annual report have been prepared in a valid XHTML format.

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

Conclusion

In our opinion, the financial statements for the year ended December 31, 2022 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF Regulation.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the financial statements. Our audit opinion relating to the financial statements of the Bank for the year ended December 31, 2022 is set out in the "*Report on the audit of the financial statements*" section above.

Claudiu Ghiurluc, Audit Partner

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

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 3113

On behalf of:

DELOITTE AUDIT SRL

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

The Mark Building, 84-98 and 100-102 Calea Grivitei, 9th Floor, District 1
Bucharest, Romania
April 25, 2023

STANDALONE AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

		Standalone		Separate	
In RON	**Note**	**2022**	**2021**	**2022**	**2021**
Interest income calculated using the effective interest method	6	565,900,390	379,119,657	565,900,390	379,119,657
Interest expenses	6	-122,137,030	-62,643,693	-122,137,030	-62,643,693
Net interest income		**443,763,360**	**316,475,964**	**443,763,360**	**316,475,964**
Fee and commission income	7	86,083,128	63,982,511	86,083,128	63,982,511
Fee and commission expense	7	-31,619,434	-25,158,778	-31,619,434	-25,158,778
Net fee and commission income		**54,463,694**	**38,823,733**	**54,463,694**	**38,823,733**
Net income from financial instruments at FVTPL		605,908	84,841	605,908	84,841
Share of income (loss) from associates	16	406,169	-309,599	-	-
Net gain from foreign exchange transactions and revaluation	8	46,853,380	32,865,328	46,853,380	32,865,329
Other operating income	9	8,318,723	4,252,930	8,318,723	4,252,930
Total operating income		**554,411,234**	**392,193,198**	**554,005,065**	**392,502,797**
Personnel expenses	10	-155,820,025	-129,862,223	-155,820,025	-129,862,223
Amortization and depreciation	10	-15,504,697	-15,864,955	-15,504,697	-15,864,955
Other operating expenses	10	-86,973,253	-51,189,489	-86,973,254	-51,189,489
Total operating expenses	**10**	**-258,297,975**	**-196,916,667**	**-279,209,576**	**-196,916,667**
Profit before impairments and tax		**296,113,259**	**195,276,531**	**295,707,089**	**195,586,130**
Net income (expenses) with Impairment losses on financial instruments	11	-20,941,085	16,407,525	-20,941,085	16,407,525
Profit before tax		**275,172,174**	**211,684,056**	**274,766,004**	**211,993,655**
Income tax expenses	12	-36,589,226	-30,858,126	-36,589,226	-30,858,126
Net profit for the year		**238,582,948**	**180,825,930**	**238,176,778**	**181,135,529**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income		**238,582,948**	**180,825,930**	**238,176,778**	**181,135,529**

The financial statements were authorized for issue by the Board of Directors on 19 April 2023.

Eugen Goga,
Vice President

Doina Andrei,
Head of Finance Division

The notes attached are an integral part of these standalone and separate financial statements.

As at 31 December

In RON	Note	Standalone 31 December 2021	Standalone 31 December 2020	Separate 31 December 2021	Separate 31 December 2020
Assets					
Cash at hand	13 (ii)	88,515,060	91,511,155	88,515,060	91,511,155
Financial assets at fair value through profit or loss	16	14,481,425	13,403,252	14,481,425	13,403,252
Loans and advances to the National Bank of Romania	13 (iv)	841,426,839	2,397,623,472	841,426,839	2,397,623,472
Loans and advances to banks	13 (ii)	1,489,663,483	406,160,803	1,489,663,483	406,160,803
Loans and advances to customers	14	6,011,931,939	5,440,821,214	6,011,931,939	5,440,821,214
Investment securities at amortized cost	16	1,087,566,679	1,100,828,743	1,087,566,679	1,100,828,743
Investment in associates	17	7,916,244	7,510,075	7,840,000	7,840,000
Assets held for sale	19	232,302	22,145,666	232,302	22,145,666
Property and equipment	18	49,694,479	51,978,139	49,694,479	51,978,139
Intangible assets	18	3,059,725	2,502,796	3,059,725	2,502,796
Deferred tax asset	12	5,039,137	1,715,766	5,039,137	1,715,766
Other assets	15	117,657,079	54,260,144	117,657,079	54,260,144
Total assets		**9,717,184,391**	**9,590,461,225**	**9,717,108,147**	**9,590,791,150**
Liabilities and Equity					
Deposits from customers	21	8,250,677,803	7,781,433,303	8,250,677,803	7,781,433,303
Deposits form other banks	20	18,117,158	552,427,978	18,117,158	552,427,978
Loans from financial institutions	22	12,408,661	22,017,455	12,408,661	22,017,455
Issued bonds	22	243,326,012	221,659,495	243,326,012	221,659,495
Subordinated loan	22	39,329,678	-	39,329,678	-
Provisions	23	30,509,136	13,585,091	30,509,136	13,585,091
Current tax liability		10,018,600	22,141,492	10,018,600	22,141,492
Other liabilities	24	70,107,199	73,089,214	70,107,199	73,089,214
Total liabilities		**8,674,494,247**	**8,686,354,028**	**8,674,494,247**	**8,686,354,028**
Share capital	25	506,165,200	506,165,200	506,165,200	506,165,200
Reserves	26	310,610,024	226,319,382	310,610,024	226,335,878
Retained earnings		225,914,920	171,622,615	225,838,676	171,936,044
Total equity		**1,042,690,144**	**904,107,197**	**1,042,613,900**	**904,437,122**
Total liabilities and equity		**9,717,184,391**	**9,590,461,225**	**9,717,108,147**	**9,590,791,150**

The financial statements were authorized for issue by the Board of Directors on 19 April 2023.

Eugen Goga,
Vice President

Doina Andrei,
Head of Finance Division

The notes attached are an integral part of these standalone and separate financial statements.

STANDALONE STATEMENT OF CHANGES IN EQUITY

In RON	Note	Share capital	Legal reserve	Other reserves	Retained earnings	Total
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		-	-	-	-	-
Total comprehensive income	26	-	-	-	180,825,930	180,825,930
Transfer to legal reserves	26	-	10,599,683	-	-10,599,683	-
Profit distribution to reserves	26	-	-	35,804,015	-35,804,015	-
Dividends distribution	26	-	-	-43,000,000	-	-43,000,000
Total distributions and contributions		**-**	**10,599,683**	**-7,195,985**	**-46,403,698**	**-43,000,000**
Balance at 31 December 2021		**506,165,200**	**33,826,255**	**192,493,127**	**171,622,615**	**904,107,197**
Balance at 1 January 2022		**506,165,200**	**33,826,255**	**192,493,127**	**171,622,615**	**904,107,197**
Profit for the year		-	-	-	238,582,948	238,582,948
Other comprehensive income, net of tax		**-**	**-**	**-**	**-**	-
Total comprehensive income	26	**-**	**-**	**-**	**238,582,948**	**238,582,948**
Transfer to legal reserves	26	-	13,738,300	-	-13,738,300	-
Profit distribution to reserves	26		-	170,552,343	-170,552,343	-
Dividends distribution	26	-	-	-100,000,000		-100,000,000
Total distributions and contributions		**-**	**13,738,300**	**70,552,343**	**-184,290,643**	**-100,000,000**
Balance at 31 December 2022		**506,165,200**	**47,564,555**	**263,045,469**	**225,914,920**	**1,042,690,144**

The financial statements were authorized for issue by the Board of Directors on 19 April 2023.

Eugen Goga,

Vice President

Doina Andrei,

Head of Finance Division

SEPARATE STATEMENT OF CHANGES IN EQUITY

In RON	Note	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2021		**506,165,200**	**23,226,572**	**199,689,112**	**37,220,709**	**766,301,593**
Profit for the year		-	-	-	181,135,529	181,135,529
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income	26	**-**	**-**	**-**	**181,135,529**	**181,135,529**
Transfer to legal reserves	26	-	10,599,683	-	-10,599,683	-
Profit distribution to reserves	26	-	-	35,820,511	-35,820,511	-
Dividends distribution	26	-	-	-43,000,000	-	-43,000,000
Total distributions and contributions		**-**	**10,599,683**	**-7,179,489**	**-46,420,194**	**-43,000,000**
Balance at 31 December 2021		**506,165,200**	**33,826,255**	**192,509,623**	**171,936,044**	**904,437,122**
Balance at 1 January 2022		**506,165,200**	**33,826,255**	**192,509,623**	**171,936,044**	**904,437,122**
Profit for the year		-	-	-	238,176,778	238,176,778
Other comprehensive income, net of tax		-	-	-	-	**-**
Total comprehensive income	26	**-**	**-**	**-**	**238,176,778**	**238,176,778**
Transfer to legal reserves	26	-	13,738,300	-	-13,738,300	-
Profit distribution to reserves	26	-	-	170,535,846	-170,535,846	-
Dividends distribution	26	-	-	-100,000,000	-	-100,000,000
Total distributions and contributions		**-**	**13,738,300**	**70,535,846**	**-184,274,146**	**-100,000,000**
Balance at 31 December 2022		**506,165,200**	**47,564,555**	**263,045,469**	**225,838,676**	**1,042,613,900**

The financial statements were authorized for issue by the Board of Directors on 19 April 2023.

Eugen Goga,

Vice President

Doina Andrei,

Head of Finance Division

For the year ended 31 December

		Standalone		Separate	
In RON	**Note**	**2022**	**2021 *restated**	**2022**	**2021 *restated**
Cash flows from operating activities:					
Net profit		**238,582,948**	**180,825,930**	**238,176,778**	**181,135,529**
Adjustments for non-cash items:					
Depreciation and amortization	10	15,504,697	15,864,955	15,504,697	15,864,955
Loss from disposal of intangible assets and fixed assets	10	1,295	318,108	1,295	318,108
Net loss on sale of repossessed assets	10	1,064,169	-	1,064,169	-
Net (income)/ expenses with provisions	10	17,011,870	-6,587,685	17,011,870	-6,587,685
Fair value increase for financial instruments at FVTPL		-605,908	-84,841	-605,908	-84,841
Net (income)/ expenses with impairment of financial instruments	11	26,081,945	-10,648,973	26,081,945	-10,648,973
Dividends	9	-963,012	-682,403	-963,012	-682,403
Interest expenses	6	122,137,030	62,643,693	122,137,030	62,643,693
Income from interest calculated using the effective interest method	6	-565,900,390	-379,119,657	-565,900,390	-379,119,657
Share of (gain)/loss from associates	12	-406,169	309,599	-	-
Income tax expenses		36,589,226	30,858,126	36,589,226	30,858,126
Other adjustments		588,089	-1,030,521	588,090	-1,030,521
Total adjustments		**-348,897,158**	**-288,159,599**	**-348,490,988**	**-288,469,198**
Changes in: (Increase)/ Decrease of other assets		-34,078,445	1,865,212	-34,078,445	1,865,212
Increase/ (Decrease) of other liabilities		-2,982,016	-93,197	-2,982,016	-93,197
Increase/ (Decrease) of deposits from clients		446,759,191	1,382,204,039	446,759,191	1,382,204,039
Increase/ (Decrease) of deposits from other banks		-534,265,224	552,382,382	-534,265,224	552,382,382
(Increase)/ Decrease of loans and advances to clients		-582,020,650	-860,304,729	-582,020,650	-860,304,729
Total changes		**-706,587,144**	**1,076,053,707**	**-706,587,144**	**1,076,053,707**
Tax paid		-52,035,488	-8,252,420	-52,035,488	-8,252,420
Interest paid		-86,748,256	-62,948,181	-86,748,256	-62,948,181
Interest received		503,472,784	354,403,747	503,472,784	354,403,747
Net cash used in operating activities		**-452,212,314**	**1,251,923,184**	**-452,212,314**	**1,251,923,184**
Net cash from investment activities:					
Purchases of intangible assets	18	-1,833,033	-832,091	-1,833,033	-832,091
Purchases of property, plant and equipment	18	-1,894,984	-708,999	-1,894,984	-708,999
Sales of property, plant and equipment		1,007,974	-	1,007,974	-
Purchases of financial assets at fair value through profit		-	-1,135,062	-	-1,135,062

*For more details see Note 3, chapter II, point s)

		Standalone		Separate	
In RON	Note	2022	2021 *restated	2022	2021 *restated
Purchases of securities		-1,198,235,907	-781,998,728	-1,198,235,907	-781,998,728
Sales of securities		1,195,250,000	541,724,765	1,195,250,000	541,724,765
Dividends received	9	963,012	682,403	963,012	682,403
Sale of assets held for sale	10	20,691,720	81,933	20,691,720	81,933
Interest received on securities		63,918,223	35,950,332	63,918,223	35,950,332
Net cash used in investment activities		**79,867,005**	**-206,235,447**	**79,867,005**	**-206,235,447**
Cash flow from financing activities:					
Proceeds from subordinated loan	13 (iii)	39,579,200	-	39,579,200	-
Payment of subordinated loan	13 (iii)	-550,261	-	-550,261	-
Proceeds from bonds issued	13 (iii)	21,085,819	197,930,980	21,085,819	197,930,980
Payments with bonds issued	13 (iii)	-9,660,429	-1,808,005	-9,660,429	-1,808,005
Repayments from loans from financial institutions	13 (iii)	-10,111,689	-10,354,382	-10,111,689	-10,354,382
Lease payments	13 (iii)	-14,086,657	-9,757,679	-14,086,657	-9,757,679
Proceeds from selling loans to IFN		-	58,030,862	-	58,030,862
Dividends paid	26	-100,000,000	-43,000,000	-100,000,000	-43,000,000
Net cash from financing activities		**-73,744,017**	**191,041,776**	**-73,744,017**	**191,041,776**
Net increase/(decrease) in cash and cash equivalents		**- 446,089,326**	**1,236,729,513**	**-446,089,326**	**1,236,729,513**
Cash and cash equivalents, at 1 January	13 (ii)	**2,923,336,462**	**1,686,606,949**	**2,923,336,462**	**1,686,606,949**
Effect of exchange rate fluctuations on cash and cash equivalents held		**-**	**-**	**-**	**-**
Cash and cash equivalents, at 31 December	13 (ii)	**2,477,247,136**	**2,923,336,462**	**2,477,247,136**	**2,923,336,462**

*For more details see Note 3, chapter II, point s)

The financial statements were authorized for issue by the Board of Directors on 19 April 2023.

Eugen Goga,
Vice President

Doina Andrei,
Head of Finance Division

1. Reporting entity

Libra Internet Bank SA ("the Bank") was incorporated in Romania in 1996 and is licensed by the National Bank of Romania to conduct all commercial banking activities.

Standalone financial statements (equity accounting)

In 2020, the Bank participated at the set-up of an associated entity, namely LIBRA DEVELOPMENT I.F.N. SA; the associate's object of activity is lending and the Bank holds 49% of its share capital as of 31 December 2022.

The Bank's corporate banking activities consist of: deposits taking, cards, cash management and lending. The Bank offers standard banking services and products related to foreign trade transactions, including payment orders, issuance of letters of credit and guarantees. The Bank offers a comprehensive range of banking services for individuals: current and term deposits, loans, domestic and international money transfers and payment orders, cards, electronic payment.

As the Bank's operations have different risks and returns, and taking into account that the regulatory environment, the nature of its services, the business process, as well as the types of customers for the Bank's products and services, as well as the methods used for providing services, the Bank operates as five business segments unit and its activities are exclusively carried out in Romania. The reporting by its business segments: Retail, Small Companies, Large Companies, Treasury and Others and GM (General Management) is presented in Note 30.

The Bank operates through the head office located in Bucharest and through its network of 54 branches (2021: 55 branches).

The Bank is managed by a Board of Directors, made up of 4 members and by a Board of Administrators made up of 8 members, 8 nonexecutives and 4 executives.

The Bank's registered head office is located in Vitan Street, no. 6-6A, Phoenix Tower, and Bucharest, Romania.

2. Basis of preparation

(a) Statement of compliance

The Standalone financial statements of the Bank and its associate have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union (EU).

The separate financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union (EU).

(b) Functional and presentation currency

The accounts of the Bank and of it associate are maintained in RON which is the Bank's functional currency in accordance with Romanian accounting law and National Bank of Romania banking regulations. The financial statements are presented in RON, rounded to the nearest "leu".

(c) Basis of measurement

The standalone and separate financial statements of the Bank are prepared a historical cost basis except for the financial assets classified at fair value through profit or loss. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost or, in the case of assets held for sale, at the lower of the carrying amount and fair value less costs to sell.

(d) Use of estimates and judgments

The preparation of the standalone and separate financial statements in conformity with IFRS as adopted by the European Union requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2. Basis of preparation (continued)

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 COVID pandemic 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 28: 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 standalone and separate financial statements, unless otherwise stated.

I. Investments in associates

Standalone financial statements (equity accounting)

In 2020, the Bank participated in the establishment of an associate, namely LIBRA DEVELOPMENT IFN SA. The associated entity’s activity is lending, and the Bank owns 49% of its share capital at 31 December 2022. Libra Development I.F.N. started its activity on July 14, 2020.

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. The bank’s investment in the associated entity is accounted for using the equity methos. Significant influence is determined by the 49% ownership for exercising the voting rights and the impact of the potential rights that are currently enforceable or convertible.

At present, the Bank also exercises its significant influence through the presence of a member in the Board of Directors.

In accordance with the equity method, the standalone financial statements include the bank's share of the associated entity's result from the date the bank began to exercise significant influence until the date this influence ceases.

The bank recognizes its share of the associated entity's profit or loss, including any impairment losses recognized by the associated entity.

Thus, the Bank performs the limited "consolidation" and fair value adjustments required by IAS 28 for the elimination of unrealized gains and adjusts amortization and impairment losses when the fair value of the associated entity is higher or lower than the accounting value in the associated entity's own financial statements.

The resulting carrying amount of the investment is then tested for impairment as a whole.

The goodwill generated by the acquisition of the associate 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 at the end of the reporting period and anytime there is an impairment indication.

Separate financial statements (cost accounting)

In the separate financial statements, the Bank has elected to measure the investment in associates at cost and to test it for impairment anytime there is an impairment indication. At 31 December 2021 and 31 December 2022 there were no impairment indications.

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 closing exchange rate. 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 2022**	**31 December 2021**	**%**
Euro (EUR)	1: RON 4.9474	1: RON 4.9481	-0.01%
US Dollar (USD)	1: RON 4.6346	1: RON 4.3707	0.06%

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

Income and expenses from fees and commissions that are an integral part of the effective interest rate of a financial asset or financial liability are included in the calculation of the effective interest rate.

Income from fees, commissions and other operating income are accounted for in the profit and loss account to the extent that the Bank fulfills the performance obligation stipulated in the contract, according to *IFRS 15 Revenue from contracts with customers*. In particular:

- if the performance obligation is satisfied at a point in time, the related revenues are recognized in the profit and loss account when the service is provided;
- if the performance obligation is satisfied over time, the related revenues are recognized in the profit and loss account to reflect the progress of satisfying such an obligation.

The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign exchange transactions, credit card and fee-based services on behalf of customers. The commissions for the administration of the current account are calculated monthly and charged from the client's account. Transaction-based fees for exchanges, foreign exchange transactions and overdrafts are charged to the customer's account when the transaction occurs. Commissions for services provided on behalf of customers are charged monthly and are based on fixed rates revised annually by the Bank. Revenues from services and service commissions are recognized over time as the services are provided. Revenues related to transactions are recognized when the transaction takes place. The Bank's investment banking segment offers various finance-related services, including loan administration and agency services, administration of a syndicated loan, execution of customer swaps and securities underwriting. However, if a customer terminates the contract before 31 December then the fee for the services provided up that time is charged upon termination. Transaction-based fees for administering a loan syndication, executing transactions and underwriting securities are charged over the term of the transaction, in accordance with the terms of the facility agreement.

If the collection calendar is not aligned with how the performance obligation is satisfied, the Bank records a contractual asset or a contractual liability for the part of the revenues accumulated in the period or to be postponed in the following periods.

The amount of revenues from commissions and other operating income is measured based on contractual provisions. If the contractual amount is subject, in whole or in part, to variability, a revenue must be recorded based on the most probable amount that the Bank expects to receive. Such amount is determined on the basis of all the facts and circumstances considered relevant for the evaluation, which depend on the type of service provided and, in particular, on the assumption that it is not very likely that the recognized revenue will not be significantly reversed. Note, however, that no such variability is usually provided for services provided by the bank.

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

"Deferred income" includes contractual liabilities recognized in accordance with IFRS 15. Deferred income represents the part of the performance obligations that has not yet been satisfied through the services provided by the Group, but which has already been settled in the respective period or in previous periods. The majority of this amount refers to performance obligations that are expected to be fulfilled by the reporting date at the end of the following year.

3. Significant accounting policies *(continued)*

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:

- commissions related to customers' payment modality (cheques, cards, promissory notes, etc.), interbank transactions (commissions for account transactions),

- receipts and payments (current accounts, business banking, others);

- loan commitments and letters of guarantee issued;

- commissions related to the lending activity that are not an integral part of the EIR, such as fees for non-use of commitments or fees for early repayment of loans or commissions that do not lead to the granting of the loan.

If the performance obligation is fulfilled at a point in time, the related income is recognized in the profit and loss account when the service is provided.

If the performance obligation is fulfilled over time, the related income is recognized in the profit and loss account to reflect the progress of fulfilling such obligation.

The commissions for managing the accounts are charged to the client's account monthly and are based on fixed rates periodically reviewed by the Bank. Transaction-based fees (exchange, currency transactions and overdrafts) are charged to the customer's account when the transaction takes place.

d) Financial assets and liabilities

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 (e.g. upon the settlement date and/or acquisition date).

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.

3. Significant accounting policies *(continued)*

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:

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

3. Significant accounting policies *(continued)*

II. Accounting policies (continued)

- 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 cancelled 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.

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.

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.

vi. Impairment

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.

3. Significant accounting policies *(continued)*

II. Accounting policies (continued)

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:

- 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 (revocable and irrevocable), credit loss is the present value of the difference between the contractual cash flows due to the (estimated using a CCF conversion factor representing a modeled assumption, meaning a proportion of any unused exposure that is expected to be used prior to the occurrence of the default event) 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:

1. stage 3 exposures of the following categories:

- individually significant exposures – over 1% of own funds;

- exposures of debtors in insolvency, bankruptcy or other post-bankruptcy status;

- customer exposures with more than 180 days overdue without eligible guarantees in the calculation of collective provisions;

- assets that register a debt service of more than 360 days and for which no legal proceedings have been initiated;

- exposures identified at individual level by internal decisions or NBR orders;

- non-performing restructured exposures;

- all exposures exposed to the risk of exercising the debtor's legal option to apply the *datio in solutum* to the mortgaged property.

2. stage 1 or 2 exposures identified on an individual level by internal decisions or NBR orders:

- the criteria considered for establishing the individual analysis within the monitoring process refer to the default history, the reasons for inclusion in the watchlist, other identified risk elements.

3. Significant accounting policies *(continued)*

II. Accounting policies (continued)

d) Financial assets and liabilities (continued)

vi. Impairment (continued)

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;
- Clients on watch list;

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:

- 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.

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.

3. Significant accounting policies *(continued)*

II. Accounting policies (continued)

vii. Modification of financial assets

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.

If the terms of a financial assets are modified, the Bank evaluates whether the cash-flows of the modified asset are substantially different. 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.

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".

ix. Taking possession of collateral

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.

3. Significant accounting policies *(continued)*

II. 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 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.

3. Significant accounting policies *(continued)*

II. Accounting policies (continued)

j) Leases (continued)

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 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 2022 is 16% (31 December 2021: 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.

3. Significant accounting policies *(continued)*

II. Accounting policies (continued)

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).

***r)* New standards and amendments to existing standards issued by the IASB and adopted by the EU**

A. Standards that became effective in the current period

In 2022, the Bank applied all the interpretations of the new standards revised or issued by the International Accounting Standards Board (IASB) and the IFRS Interpretation Committee, adopted by the UE which are relevant for the activity carried out by the Bank.

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

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

- **Amendments to IAS 16 “Property, Plant and Equipment”** - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IFRS 3 “Business Combinations”** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated).

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

B. *Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective*

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

- **IFRS 17 “Insurance Contracts”** including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IFRS 17 “Insurance contracts”** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 12 “Income Taxes”** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023).

3. Significant accounting policies *(continued)*

II. Accounting policies (continued)

C. *New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU*

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of financial statements (the effective dates stated below is for IFRS as issued by IASB):

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IFRS 16 "Leases"** - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

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

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

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

***s)* Comparatives**

Where necessary, the comparative amounts were adjusted and reclassified to reflect the changes in presentation from the current period in accordance with NBR Order no. 27/2010 for the approval of the accounting regulations in accordance with the International Financial Reporting Standards applicable to credit institutions, as revised ("Order 27/2010") and with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with the interpretations adopted by the International Accounting Standards Board ("IASB"), on the basis of which the standalone financial statements were drawn up at 31 December 2022.

In 2022, the Bank corrected the presentation of cash flows for the year ended 31 December 2021 by including the balances with the National Bank of Romania in cash and cash equivalents, by including the cash in EURONET ATMs in cash and cash equivalents, as well as by excluding the treasury bills with a residual maturity of up to three months from cash and cash equivalents and excluding loan expected losses and advances granted to banks from cash and cash equivalents. Previously, the change in cash held at the National Bank of Romania as well as the other elements were presented as a variation of assets, cash flows, without other adjustments. The impact on the statement of cash flows is presented below:

In RON	**31 December 2021 Reported**	**Reclassification -**	**31 December 2021 restated**
Petty cash	91,511,155	-	91,511,155
Loans and advances to banks, of which:	406,160,803	210,072	406,370,875
Nostro accounts with banks	*244,441,713*	-	*244,441,713*
Term deposits with banks	*161,719,090*	210,072	*161,929,162*
Loans and advances to the National Bank of Romania	-	2,397,623,472	2,397,623,472
Investment securities at amortised cost with a remaining maturity of less than 3 months	204,719,458	(204,719,458)	-
Cash at ATMs (Euronet) (note 15)	-	27,830,960	27,830,960
Total cash and cash equivalents (cash flows)	**702,391,416**	**2,220,945,046**	**2,923,336,462**

**For more details see Note 3, chapter II, point s)*

3. Significant accounting policies *(continued)*

II. Accounting policies (continued)

In RON	1 January 2021 reported	Reclassification	1 January 2021 restated
Petty cash	82,219,566	-	82,219,566
Loans and advances to banks, of which:	689,560,214	91,748	689,651,962
Nostro accounts with banks	*198,328,227*	-	*198,328,227*
Term deposits with banks	*491,231,988*	91,748	*491,323,736*
Loans and advances to the National Bank of Romania	-	867,637,497	867,637,497
Investment securities at amortised cost with a remaining maturity of less than 3 months	49,268,933	(49,268,933)	-
Cash at ATMs (Euronet)	-	20,648,750	20,648,750
Total cash and cash equivalents (cash flows)	**821,048,713**	**839,109,062**	**1,660,157,775**

**For more details see Note 3, chapter II, point s)*

In RON	31 December 2021 reported	Reclassification	31 December 2021 restated
Cash flows from operating activities	-233,328,192	1,485,251,376	1,251,923,184
Cash flows from investment activities	-81,628,029	-124,607,418	-206,235,447
Cash flows from financing activities	196,298,926	5,257,150	191,041,776

**For more details see Note 3, chapter II, point s)*

(*) The comparative explanatory notes containing the mention "restated" were corrected in the current year compared to the version reported at 31 December 2021 in the sense that the disclosure requirements were aligned and to provide comparability to users of financial statements. In addition, certain explanatory notes that were not presented for 2021 were prepared in 2022 for 2021, as well.

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.

4. Financial risk management (continued)

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 (2021 and 2022). 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 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;
- Loss – Financial assets measured at amortized cost included in Stage 3.

The loans and advances granted to banks and investment securities are presented below depending on credit risk quality at 31 December 2022 and 31 December 2021:

	2022			
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to Banks				
Standard	2,331,582,626	-	-	2,331,582,626
Loss Allowance	**-492,304**	-	-	**-492,304**
Carrying amount	**2,331,090,322**	-	-	**2,331,090,322**
Investment securities				
Standard	1,087,649,080	-	-	1,087,649,080
Loss Allowance	**-82,401**	-	-	**-82,401**
Carrying amount	**1,087,566,679**	-	-	**1,087,566,679**

	2021 *restated			
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to Banks				
Standard	2,803,994,347	-	-	2,803,994,347
Loss Allowance	-210,072	-	-	-210,072
Carrying amount	**2,803,784,275**	-	-	**2,803,784,275**
Investment securities				
Standard	1,100,941,923	-	-	1,100,941,923
Loss Allowance	-113,180	-	-	-113,180
Carrying amount	**1,100,828,743**	-	-	**1,100,828,743**

**For more details see Note 3, chapter II, point s)*

4. Financial risk management (continued)

i. Credit quality analysis (continued)

The loans and advances granted to customers at gross carrying amount and at amortised cost are presented below depending on credit risk quality at 31 December 2022 and 31 December 2021:

	2022			
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortized cost - gross carrying amount				
Standard	5,430,649,039	-	-	5,430,649,039
> 30 days[1]	-	438,435	-	438,435
Watch list	-	654,256,330	-	654,256,330
Loss	-	-	99,730,803	99,730,803
Total gross amount	**5,430,649,039**	**654,694,765**	**99,730,803**	**6,185,074,607**
Impairment allowance	**-56,889,835**	**-49,281,880**	**-66,970,953**	**-173,142,668**
Carrying amount	**5,373,759,204**	**605,412,885**	**32,759,850**	**6,011,931,939**

	2021 *restated			
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortized cost - gross carrying amount				
Standard	4,957,769,691	-	-	4,957,769,691
> 30 days[1]	-	-	-	-
Watch list	-	525,892,144	-	525,892,144
Loss	-	-	108,568,324	108,568,324
Total gross amount	**4,957,769,691**	**525,892,144**	**108,568,324**	**5,592,230,159**
Impairment allowance	**-48,058,958**	**-31,997,889**	**-71,352,098**	**-151,408,945**
Carrying amount	**4,909,710,733**	**493,894,255**	**37,216,226**	**5,440,821,214**

**For more details see Note 3, chapter II, point s)*

The loan commitments and financial guarantee contracts at gross carrying amount and at amortised cost are presented below depending on credit risk quality at 31 December 2022 and 31 December 2021:

	2022			
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan commitments and financial guarantee contracts				
Standard	-	-	-	1,849,872,763
>30 Days[1]	-	-	-	-
Watchlist	-	84,403,433	-	84,403,433
Loss	-	-	5,881,339	5,881,339
Total gross amount	**1,849,872,763**	**84,403,433**	**5,881,339**	**1,940,157,535**
Impairment allowance	**-3,223,743**	**-871,965**	**-825,580**	**-4,921,288**

	2021 *restated			
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[1]	-	-	-	-
Watchlist	-	44,198,749	-	44,198,749
Loss	-	-	258,182	258,182
Total gross amount	**2,119,541,021**	**44,198,749**	**258,182**	**2,163,997,952**
Impairment allowance	**-3,055,742**	**-549,930**	**-4,749**	**-3,610,421**

**For more details see Note 3, chapter II, point s)*

[1] The number of days of delay is contaminated at customer level on off-balance sheet exposure and balance sheet exposure.

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 at gross carrying amount and amortised cost are further broken down as follows:

	2022			
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortized cost - gross carrying amount				
Current	5,255,293,088	578,214,805	19,974,065	5,853,481,958
<=30 days	175,355,951	56,154,565	30,271,788	261,782,304
<=90 days	-	20,325,395	17,091,733	37,417,128
<= 180 days	-	-	7,654,660	7,654,660
> 180 days	-	-	24,738,557	24,738,557
Total	**5,430,649,039**	**654,694,765**	**99,730,803**	**6,185,074,607**
Loss allowance	-56,889,835	-49,281,880	-66,970,953	-173,142,668
Carrying amount	**5,373,759,204**	**605,412,885**	**32,759,850**	**6,011,931,939**

	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	-	21,766,319	15,963,760	37,730,079
<= 180 days	-	2,875	9,538,449	9,541,324
> 180 days	-	-	24,743,820	24,743,820
Total	**4,957,769,691**	**525,892,144**	**108,568,324**	**5,592,230,159**
Loss allowance	**-48,058,958**	**-31,997,889**	**-71,352,098**	**-151,408,945**
Carrying amount	**4,909,710,733**	**493,894,255**	**37,216,226**	**5,440,821,214**

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:

	2022			
RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortized cost - gross carrying amount				
Agri	1,052,303,678	59,956,283	14,848,610	1,127,108,571
Real Estate	1,646,618,151	340,826,098	27,084,961	2,014,529,210
Corporate	1,365,636,531	170,976,170	39,329,710	1,575,942,411
Professionals	864,614,022	72,791,734	17,234,874	954,640,630
Individuals	501,476,657	10,144,480	1,232,648	512,853,785
Total	**5,430,649,039**	**654,694,765**	**99,730,803**	**6,185,074,607**
Loss allowance	-56,889,835	-49,281,880	-66,970,953	-173,142,668
Carrying amount	**5,373,759,204**	**605,412,885**	**32,759,850**	**6,011,931,939**

	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	1,780,240,698
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	598,961	380,011,687
Total	**4,957,769,691**	**525,892,144**	**108,568,324**	**5,592,230,159**
Loss allowance	**-48,058,958**	**-31,997,889**	**-71,352,098**	**-151,408,945**
Carrying amount	**4,909,710,733**	**493,894,255**	**37,216,226**	**5,440,821,214**

The Bank holds loans and advances to banks of RON 2,331,090,322 as at 31 December 2022 (31 December 2021: RON 2,803,784,275). The loans and advances with the National Bank in amount of RON 841,426,839 (31 December 2021: RON 2,397,623,472), fall under the rating BBB-, Baa3, BBB-, based on the ratings issued by Fitch, Moody's or Standard & Poor's.

4. Financial risk management (continued)

i. Credit quality analysis (continued)

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

In RON	31 December 2022	31 December 2021 *restated
No rating	203,968,538	30,596,208
AA-	22,988,537	34,630,126
B+	95,045,917	-
BB	320,217,806	-
BB+	345,023,923	108,116,296
BBB	44,921,260	13,726
BBB-	875,150,293	2,609,034,558
BBB+	424,266,352	21,603,433
Total	**2,331,582,626**	**2,803,994,347**

**For more details see Note 3, chapter II, point s)*

The investments securities at amortized cost as at 31 December 2022 and 31 December 2021 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 2022			31 December 2021		
LTV	Not impaired loans and advances to customers	Impaired loans and advances to customers	TOTAL	Not impaired loans and advances to customers	Impaired loans and advances to customers	TOTAL
Less than 50%	69,073,909	425,791	69,499,700	40,089,143	184,895	40,274,038
51-70%	106,577,996	-	106,577,996	65,597,365	220,157	65,817,522
71-90%	317,689,978	135,591	317,825,569	185,535,123	200,620	185,735,743
91-100%	180,104,546	608,220	180,712,766	213,671,194	-	213,671,194
More than 100%	37,728,046	197,041	37,925,087	35,869,949	348,890	36,218,839
Grand Total	**711,174,475**	**1,366,643**	**712,541,118**	**540,762,774**	**954,562**	**541,717,336**

RON	Gross carrying amounts					
NON RETAIL	31 December 2022			31 December 2021		
LTV	Not impaired loans and advances to customers	Impaired loans and advances to customers	TOTAL	Not impaired loans and advances to customers	Impaired loans and advances to customers	TOTAL
Less than 50%	1,011,102,725	26,087,600	1,037,190,325	823,634,514	15,095,165	838,729,679
51-70%	1,472,338,540	14,952,092	1,487,290,632	1,241,538,469	28,604,675	1,270,143,144
71-90%	1,345,868,346	20,756,579	1,366,624,925	1,545,407,080	16,087,088	1,561,494,168
91-100%	306,182,632	7,700,950	313,883,582	306,728,887	2,208,329	308,937,216
More than 100%	1,238,677,085	28,866,940	1,267,544,025	1,025,590,112	45,618,506	1,071,208,618
Grand Total	**5,374,169,328**	**98,364,161**	**5,472,533,489**	**4,942,899,062**	**107,613,763**	**5,050,512,825**

4. Financial risk management *(continued)*

ii) Collateral 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.

	2022		**2021**	
RON	**Carrying amount**	**Collateral**	**Carrying amount**	**Collateral**
Stages 1 and 2	5,979,172,089	5,077,502,467	5,403,604,988	4,681,302,850
Stage 3	32,759,850	76,450,208	37,216,226	77,786,844

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 criteria do not align with the point at which an asset becomes exceeded by 30 days;
- 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).

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

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.

4. Financial risk management *(continued)*

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

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.

The Bank uses at least three macroeconomic scenarios to achieve the objective of measuring expected credit losses in a way that reflects an unbiased and weighted probability result. The scenarios are reflected in the risk parameters for the next 3 years and the weights are assigned to each scenario, which represents the probability of occurrence for each of these scenarios.

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 macroeconomic forward-looking indicators of the ECL IFRS 9 model are: the 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. The choice of these indicators for the FLI component also has a qualitative dimension, with the following aspects: although there are several indicators that statistically seem to be correlated with the evolution of the default rate, those for which the correlation has no economic basis were avoided (for example Government Consolidated Gross Debt, M1 Cash) or those that are correlated between them.

	2022			**2021**		
At 31 December	**Base case scenario**	**Pessimistic scenario**	**Worst case scenario**	**Base case scenario**	**Pessimistic scenario**	**Worst case scenario**
Scenario probability weighting	30%	30%	40%	20%	40%	40%

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.

4. Financial risk management *(continued)*

a. Credit risk (continued)

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

The Bank used the following macroeconomic scenarios in its calculation of expected credit losses for December 2022:

GDP:

Year of forecast	AVERAGE MACRO SCENARIO	Base case scenario	Pessimistic scenario	Worst case scenario
2022	3.17%	3.9%	4.00%	2.00%
2023	0.15%	1.8%	2.7%	-3.00%
2024	1.26%	3.8%	3.1%	-2.00%
2025	1.56%	3.5%	3.00%	-1.00%

Unemployment:

Year of forecast	AVERAGE MACRO SCENARIO	Base case scenario	Pessimistic scenario	Worst case scenario
2022	6.5%	5.5%	5.4%	8.00%
2023	7.2%	5.4%	5.1%	10.00%
2024	6.6%	5.2%	4.8%	9.00%
2025	6.3%	5.00%	4.6%	8.5%

Consumer price index:

Year of forecast	AVERAGE MACRO SCENARIO	Base case scenario	Pessimistic scenario	Worst case scenario
2022	16.8%	16.3%	13.00%	20.00%
2023	13.9%	11.2%	8.3%	20.00%
2024	8.7%	4.2%	4.7%	15.00%
2025	5.8%	3.00%	3.2%	10.00%

House price index:

Year of forecast	AVERAGE MACRO SCENARIO	Base case scenario	Pessimistic scenario	Worst case scenario
2022	2.7%	4.00%	5.00%	0.00%
2023	-4.00%	-0.5%	0.5%	-10.00%
2024	-1.9%	-0.5%	1.00%	-5.00%
2025	-0.4%	0.00%	1.5%	-2.00%

Long term interest rate:

Year of forecast	AVERAGE MACRO SCENARIO	Base case scenario	Pessimistic scenario	Worst case scenario
2022	8.97%	8.7%	8.54%	9.5%
2023	9.18%	7.5%	7.78%	11.5%
2024	8.18%	7.00%	6.94%	10.00%
2025	7.38%	6.5%	6.11%	9.00%

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
2021	2.2%	4.8%	4.3%	-1.2%
2022	2.1%	3.8%	3.8%	-0.4%
2023	1.9%	3.8%	3.4%	-0.6%

Unemployment:

Year of forecast	AVERAGE MACRO SCENARIO	Base case scenario	Pessimistic scenario	Worst case scenario
2021	5.4%	4.9%	2.9%	8.1%
2022	5.7%	4.9%	2.8%	8.9%
2023	5.9%	4.9%	2.6%	9.8%

4. Financial risk management *(continued)*

a. Credit risk (continued)

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

Consumer price index:

Year of forecast	AVERAGE MACRO SCENARIO	Base case scenario	Pessimistic scenario	Worst case scenario
2021	11.00%	7.00%	9.00%	15.00%
2022	8.00%	6.00%	7.00%	10.00%
2023	6.00%	4.00%	5.00%	8.00%

House price index:

Year of forecast	AVERAGE MACRO SCENARIO	Base case scenario	Pessimistic scenario	Worst case scenario
2021	-0.1%	1.2%	0.8%	-1.6%
2022	-0.1%	1.2%	1.6%	-2.5%
2023	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
2021	6.4%	5.0%	5.5%	8.0%
2022	5.62%	4.5%	4.8%	7.0%
2023	5.46%	4.3%	4.5%	7.0%

The Bank has performed a sensitivity analysis on the value of 12-month expected credit losses based on the data at 31 December 2022, using the assumptions from macro scenario 3 (worst case scenario). The impact for this scenario amounts to an ECL increase of RON 49.15 million.

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 2022 **In RON**				
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross amount	4,120,334	35,244,982	20,251,487	59,616,803
Allowance for impairment	-315,862	-3,350,748	-16,559,121	-20,225,731
Carrying amount	**3,804,472**	**31,894,234**	**3,692,366**	**39,391,072**
31 December 2021 *In RON*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross amount	**3,490,338**	**23,141,470**	**47,683,208**	**74,315,016**
Allowance for impairment	-333,582	-944,692	-35,879,554	- 37,157,828
Carrying amount	**3,156,756**	**22,196,778**	**11,803,654**	**37,157,188**

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

4. Financial risk management *(continued)*

a. Credit risk (continued)

iv. ECL changes and impact during 2022

In Q2 and Q4 2022, the forecasts of the indicators used in the macroeconomic scenarios were updated. Also, in Q4 2022, the methodology for calculating the risk parameters and macroeconomic components was updated, also incorporating the auditor's observations.

Loss allowance

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

Changes and impact in expected credit loss and advances granted to banks in 2022 and 2021.

	2022			
In RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to banks				
Balance at 1 January	**210,072**	-	-	**210,072**
Transfer to Stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	282,232	-	-	282,232
Balance at 31 December	**492,304**	-	-	**492,304**

	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**

Changes and impact in expected losses related to investment securities at amortised cost in 2022 and 2021

	2022			
In RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment securities				
Balance at 1 January	**113,180**	-	-	**113,180**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	-30,779	-	-	-30,779
Balance at 31 December	**82,401**	-	-	**82,401**

4. Financial risk management *(continued)*

a. Credit risk (continued)

iv. ECL changes and impact during 2022 (continued)

	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**

Changes and impact in expected credit losses related to loans and advances granted to customers in 2022 and 2021:

		2022		
In RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected losses – Loans and advances to customers				
Balance at 1 January	**48,058,958**	**31,997,889**	**71,352,098**	**151,408,945**
Transfer to Stage 1	5,858,902	-5,704,154	-154,748	-
Transfer to Stage 2	-2,248,378	26,736,996	-24,488,618	-
Transfer to Stage 3	-424,931	-1,287,828	1,712,759	-
Net remeasurement of expected credit losses due to changes in credit risk	-13,550,089	-9,596,165	26,413,142	3,266,888
Expected losses for new financial assets	25,156,965	10,418,960	9,814,897	45,390,822
Expected losses for derecognized assets	-5,961,592	-3,283,818	-13,384,250	-22,629,660
Correction of interest income	-	-	-260,318	-260,318
Expected losses of loans written off	-	-	-4,034,009	-4,034,009
Balance at 31 December 2022	**56,889,835**	**49,281,880**	**66,970,953**	**173,142,668**

		2021		
In RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected losses – 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	-11,638,140	-313,663	-
Transfer to Stage 2	-2,116,700	19,497,753	-17,381,053	-
Transfer to Stage 3	-514,466	-8,303,292	8,817,758	-
Net remeasurement of expected credit losses due to changes in credit risk	-23,632,908	-17,852,598	31,986,204	-9,499,302
Expected losses for new financial assets	20,618,422	7,653,326	166,112	28,437,860
Expected losses for derecognized assets	-5,281,273	-10,925,424	-13,824,439	-30,031,136
Correction of interest income	-	-	642,219	642,219
Expected losses of loans written off	-	-	-5,301,402	-5,301,402
Balance at 31 December 2021	**48,058,958**	**31,997,889**	**71,352,098**	**151,408,945**

4. Financial risk management *(continued)*

a. Credit risk (continued)

iv. ECL changes and impact during 2022 (continued)

Changes and impact in expected credit losses related to loan commitments, letters of credit and financial guarantees in 2022 and 2021:

		2022		
In RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
loan commitments, letters of credit and financial guarantees				
Balance at 1 January	**3,055,742**	**549,930**	**4,749**	**3,610,421**
Transfer to Stage 1	163,412	-163,412	-	-
Transfer to Stage 2	-133,556	133,556	-	-
Transfer to Stage 3	-949	-5,599	6,548	-
Net remeasurement of expected credit losses due to changes in credit risk	-117,320	58,461	29,924	-28,935
Expected losses for new financial assets	1,427,131	440,334	789,091	2,656,556
Expected losses for derecognized assets	-1,170,717	-141,305	-4,732	-1,316,754
Balance at 31 December 2022	**3,223,743**	**871,965**	**825,580**	**4,921,288**

		2021 *restated		
In RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
loan commitments, letters of credit and financial guarantees				
Balance at 1 January	**4,099,616**	**1,545,608**	**142,535**	**5,787,759**
Transfer to Stage 1	182,228	-182,228	-	-
Transfer to Stage 2	-86,854	86,866	-12	-
Transfer to Stage 3	-46	-	46	-
Net remeasurement of expected credit losses due to changes in credit risk	-1,243,055	106,625	3,905	-1,132,525
Expected losses for new financial assets	1,720,945	204,724	-	1,925,669
Expected losses for derecognized assets	-1,617,092	-1,211,666	-141,724	-2,970,482
Balance at 31 December 2021	**3,055,742**	**549,929**	**4,750**	**3,610,421**

**For more details see Note 3, chapter II, point s)*

Total loans and advances granted to customers in 2022 and 2021 – gross amount

		2022		
In RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers				
Balance at 1 January	**4,957,769,691**	**525,892,144**	**108,568,324**	**5,592,230,159**
Transfer to Stage 1	100,424,536	-100,129,839	-294,697	-
Transfer to Stage 2	-253,872,439	288,408,788	-34,536,349	-
Transfer to Stage 3	-31,165,038	-21,553,952	52,718,990	-
Changes that did not result in derecognition[2]	-904,141,304	-82,526,822	-14,174,986	-1,000,843,112
New financial assets	2,225,145,585	114,513,418	15,405,440	2,355,064,443
Financial assets derecognized[3]	-663,511,992	-69,908,972	-23,921,910	-757,342,874
Loans written off	-	-	-4,034,009	-4,034,009
Balance at 31 December 2022	**5,430,649,039**	**654,694,765**	**99,730,803**	**6,185,074,607**

*The contractual amount outstanding on financial assets that were written off during 2022 and are still subject to enforcement activity amounts to RON 4,034,009 (2021: RON 5,301,402).

[2] Include draw-downs and repayments for loans outstanding at 1 January, not closed at 31 December.

[3] Loans fully derecognized from the bank's balance sheet which the bank considers they meet the derecognition criteria and loan derecognition from normal or early repayments.

4. Financial risk management *(continued)*

a. Credit risk (continued)

iv. ECL changes and impact during 2022 (continued)

		2021 *restated		
In RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers				
Balance at 1 January	**3,584,590,168**	**1,111,205,687**	**104,507,160**	**4,800,303,015**
Transfer to Stage 1	383,434,610	-382,442,528	-992,082	-
Transfer to Stage 2	-140,252,288	167,897,517	-27,645,229	-
Transfer to Stage 3	-28,213,388	-65,444,308	93,657,696	-
Changes that did not result in derecognition[2]	-424,648,545	-83,461,575	-31,213,739	-539,323,859
New financial assets	1,967,154,470	99,169,325	448,972	2,066,772,767
Financial assets derecognized[3]	-384,295,336	-321,031,974	-24,893,052	-730,220,362
Loans written off	-	-	-5,301,402	-5,301,402
Balance at 31 December 2022	**4,957,769,691**	**525,892,144**	**108,568,324**	**5,592,230,159**

**For more details see Note 3, chapter II, point s)*

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).

Loan commitments and financial guarantee agreements in 2022 and 2021 – off-balance sheet gross amount

		2022		
In RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	**2,119,541,021**	**44,198,750**	**258,182**	**2,163,997,952**
Transfer to Stage 1	14,268,584	-14,268,584	-	-
Transfer to Stage 2	-93,155,112	93,155,112	-	-
Transfer to Stage 3	-301,924	-420,000	721,924	-
Changes that did not result in derecognition[2]	-193,496,252	-62,122,618	158,815	-255,460,055
New financial assets	829,991,003	32,737,930	5,000,618	867,729,551
Financial assets derecognized[3]	-826,974,556	-8,877,158	-258,182	-836,109,896
Balance at 31 December 2022	**1,849,872,763**	**84,403,432**	**5,881,357**	**1,940,157,553**

		2021 *restated		
In RON	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	**1,426,231,229**	**138,152,195**	**18,594,014**	**1,582,977,438**
Transfer to Stage 1	45,552,079	-28,102,456	-17,449,623	-
Transfer to Stage 2	-20,854,745	20,854,856	-111	-
Transfer to Stage 3	-137,857	-	137,857	-
Changes that did not result in derecognition[2]	-382,206,272	-23,725,958	-45,305	-405,977,535
New originated financial assets	1,471,759,510	25,550,230	-	1,497,309,740
Financial assets derecognized[4]	-420,802,924	-88,530,117	-978,650	-510,311,691
Balance at 31 December 2021	**2,119,541,020**	**44,198,750**	**258,182**	**2,163,997,952**

**For more details see Note 3, chapter II, point s)*

In 2022, similar to 2021, there were no transfers between stages for investment securities or deposits and current accounts to other banks.

Deposits and current accounts at other banks and at National Bank of Romania and securities owned by the Bank are classified in Stage 1.

[4] Amended amount from using or closing loan commitments and financial guarantee agreements.

4. Financial risk management *(continued)*

a. Credit risk (continued)

iv. ECL changes and impact during 2022 (continued)

The Bank's maximum exposure to credit risk is as follows:

In RON	31 December 2022	31 December 2021
Cash and cash equivalents	88,515,060	91,511,155
Loans and advances to the National Bank of Romania	841,426,839	2,397,623,472
Loans and advances to banks	1,489,663,483	406,160,803
Loans and advances to customers	6,011,931,939	5,440,821,214
Investment securities at amortized cost	1,087,566,679	1,100,828,743
Loan commitments and financial guarantee contracts	1,935,236,247	2,160,387,531
Total	**11,454,340,247**	**11,597,332,918**

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

Analysis by geographical sector 2022

Indicator	Bucharest-Ilfov	South (Muntenia)	Centre-North-West (Transilvania)	South-East	North-East	Total
% exposure	61.49	5.43	15.9	8.47	8.71	100
% NPL	0.98	0.13	0.15	0.26	0.09	1.61
% stage 2	6.81	0.25	1.62	0.87	1.03	10.59

Analysis by geographical sector – 2021 *restated

Indicator	Bucharest-Ilfov	South (Muntenia)	Centre-North-West (Transilvania)	South-East	North-East	Total
% exposure	61.69	5.26	15.21	8.97	8.87	100
% NPL	1.05	0.15	0.16	0.21	0.36	1.94
% stage 2	5.74	0.57	1.23	0.87	0.99	9.4

**For more details see Note 3, chapter II, point s)*

Analysis by industry	**31 December 2021**	**31 December 2020**
Construction	1,748,906,940	1,416,404,139
Wholesale and retail trade	462,665,264	436,715,731
Agriculture, forestry and fishing	1,035,530,483	923,623,240
Real estate transactions	495,074,780	574,987,934
Manufacturing industry	178,331,556	151,265,935
Professional, scientific and technical activities	358,190,920	344,411,905
Hotels and restaurants	276,755,035	293,389,324
Financial intermediation and insurance	190,651,382	187,706,285
Health and social care	430,249,458	418,739,592
Information and communications	64,600,692	58,957,456
Production and supply of electric and thermal energy, gas, hot water and air conditioning	34,001,587	10,568,589
Transport and storage	39,193,822	27,876,706
Other service activities	20,663,729	15,942,215
Water distribution; sanitation, waste management, decontamination activities	14,104,446	67,444,692
Administrative support activities and support activities	54,149,661	63,746,838
Performing, cultural and recreational activities	28,758,814	28,544,271
Extractive industry	4,625,310	1,176,496
Education	11,171,267	10,385,249
Public administration and defense; social insurance in the public system	291,986	325,659
Individuals	737,157,475	560,017,903
TOTAL	**6,185,074,607**	**5,592,230,159**

4. Financial risk management *(continued)*

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 2022 was 37%. At 31 December 2022 the liquidity indicator was 40.1%.

- 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 2022 and 31 December 2021 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 2022	**Up to 1 month**	**1-3 Months**	**3 Months – 1 year**	**1-5 years**	**Over 5 years**	**Total**
Deposits from other banks	18,117,158	-	-	-	-	18,117,158
Customer deposits and savings accounts (incl interests)	5,117,615,194	1,183,793,508	1,785,530,163	502,534,379	30,239	8,589,503,483
Bonds issued	826,211	1,772,676	8,262,475	250,672,252	48,579,301	310,112,915
Loans from financial institutions	38,447	1,620,050	1,721,482	9,378,679	-	12,758,658
Subordinated loan	237,985	214,953	1,969,213	11,535,678	41,235,326	55,193,155
Lease liabilities	1,158,350	2,442,210	8,702,185	34,793,822	4,088,244	51,184,811
Total financial liabilities	**5,137,993,345**	**1,189,843,397**	**1,806,185,518**	**808,914,810**	**93,933,110**	**9,036,870,180**
Off Balance sheet commitments	**1,940,157,535**	**-**	**-**	**-**	**-**	**1,940,157,535**

	Up to 1 month	**1-3 Months**	**3 Months – 1 year**	**1-5 years**	**Over 5 years**	**Total**
31 December 2021 *restated	-	-	-	-	-	-
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
Bonds issued	814,940	1,551,014	7,229,305	48,002,582	227,976,705	285,574,546
Loans from financial institutions	19,905,094	1,719,514	21,722,945	12,685,306	6,185,125	62,217,984
Lease liabilities	1,075,301	2,126,318	8,536,125	40,054,711	2,469,839	54,262,294
Total financial liabilities	**5,151,153,708**	**1,193,995,316**	**1,839,640,119**	**344,340,116**	**236,639,230**	**8,765,768,489**
Off Balance sheet commitments	**2,163,997,952**	**-**	**-**	**-**	**-**	**2,163,997,952**

**For more details see Note 3, chapter II, point s)*

4. Financial risk management (continued)

b. Liquidity risk (continued)

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

	Up to one mon	**From 1 to**	**rom 3 months to**	**From 1year**	**Over**	**Non-defined**	**TOTAL**
31 December 2022		**3 months**	**1 year**	**to 5 years**	**5 years**	**maturity**	
ASSETS							
Petty cash	88,515,060	-	-	-	-	-	88,515,060
Financial assets at fair value through profit or loss	-	-	-	-	-	14,481,425	14,481,425
Loans and advances to the National Bank of Romania	841,426,839	-	-	-	-	-	841,426,839
Loans and advances to banks	1,490,155,787	-	-	-	-	-492,304	1,489,663,483
Loans and advances to customers	42,610,400	68,316,760	400,925,375	2,323,881,875	3,176,197,529	-	6,011,931,939
Investment securities at amortised cost	-	41,288,568	749,094,063	297,184,048	-	-	1,087,566,679
Investment in associates	-	-	-	-	-	7,840,000	7,840,000
Other financial assets	83,393,653	-	-	-	-	15,472,095	98,865,748
Total assets	**2,546,101,739**	**109,605,328**	**1,150,019,438**	**2,621,065,923**	**3,176,197,529**	**37,301,216**	**9,640,291,173**
Liabilities							
Customer deposits	5,347,184,523	934,146,320	1,786,627,572	174,215,033	8,504,355	-	8,250,677,803
Customer deposits and savings accounts	18,117,158	-	-	-	-	-	18,117,158
Loans from financial institutions	-	1,660,105	1,546,063	9,276,375	-	-73,882	12,408,661
Bonds issued	434,115	434,115	2,219,459	-	240,238,323	-	243,326,012
Subordinated loans	-	-	130,438	-	39,579,200	-379,960	39,329,678
Other financial liabilities	1,026,737	2,059,468	7,399,377	32,494,313	4,089,945	-	47,069,840
Total liabilities	**5,366,762,533**	**938,300,008**	**1,797,922,909**	**215,985,721**	**292,411,823**	-453,842	8,610,929,152
Liquidity risk at 31 December 2022	**-2,820,660,794**	**-828,694,680**	**-647,903,471**	**2,405,080,202**	**2,883,785,706**	**37,755,058**	**-**
Cumulative liquidity gap	**-2,820,660,794**	**-3,649,355,474**	**-4,297,258,945**	**-1,892,178,743**	**991,606,963**	**1,029,362,021**	**-**

4. Financial risk management (continued)

b. Liquidity risk (continued)

	Up to one mon	From 1 to 3 months	rom 3 months to 1 year	From 1year to 5 years	Over 5 years	Non-defined maturity	TOTAL
31 December 2021 *restated							
ASSETS							
Petty cash	91,511,155	-	-	-	-	-	91,511,155
Financial assets at fair value through profit or loss	-	-	-	-	-	13,403,252	13,403,252
Loans and advances to the National Bank of Romania	2,397,623,472	-	-	-	-	-	2,397,623,472
Loans and advances to banks	406,370,875	-	-	-	-	-210,072	406,160,803
Loans and advances to customers	52,856,119	99,284,918	403,595,271	1,781,944,264	3,103,140,642	-	5,440,821,214
Investment securities at amortised cost	-	204,606,278	327,017,534	497,134,648	72,070,283	-	1,100,828,743
Investment in associates	-	-	-	-	-	7,840,000	7,840,000
Other financial assets	37,311,346	-	-	-	-	11,736,168	49,047,514
Total assets	**2,985,672,967**	**303,891,196**	**730,612,805**	**2,279,078,912**	**3,175,210,925**	**32,769,348**	**9,507,236,153**
Liabilities							
Customer deposits	4,576,537,963	1,156,177,643	1,808,469,316	240,248,381	-	-	7,781,433,303
Customer deposits and savings accounts	552,427,978	-	-	-	-	-	552,427,978
Loans from financial institutions	3,345,047	1,501,170	4,800,988	12,370,250	-	-	22,017,455
Bonds issued	-	499,217	1,976,766	-	219,183,512	-	221,659,495
Other financial liabilities	940,509	1,729,666	7,143,111	36,950,628	2,414,407	-	49,178,321
Total liabilities	**5,133,251,497**	**1,159,907,696**	**1,822,390,181**	**289,569,259**	**221,597,919**	**-**	**8,626,716,552**
Liquidity risk at 31 December 2021	**-2,147,578,530**	**-856,016,500**	**-1,091,777,376**	**1,989,509,653**	**2,953,613,006**	**32,769,348**	**-**
Cumulative liquidity gap	**-2,147,578,530**	**-3,003,595,030**	**-4,095,372,406**	**-2,105,862,753**	**847,750,253**	**880,519,601**	**-**

**For more details see Note 3, chapter II, point s)*

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 15.4 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 2022 and 2021, the net exposure of the Bank to foreign currency risk is as follows:

Currency	**31 December 2022**	**31 December 2021**
EUR	11,340,226	591,739
USD	851,307	278,708
GBP	171,260	204,269
CHF	246,657	-1,448
SEK	137,888	435,021
CAD	133,856	45,032
HUF	1,210,376	30,294,003
JPY	84,391	2,210,630
Other	783,557	1,122,107
Total exposure	**14,959,518**	**35,180,061**

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, CAD, JPY and HUF 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 2022 +5%	31 December 2022 -5%	31 December 2021 +5%	31 December 2021 -5%
EUR	567,011	-567,011	29,587	-29,587
USD	42,565	-42,565	13,935	-13,935
GBP	8,563	-8,563	10,213	-10,213
CHF	12,333	-12,333	-72	72
SEK	6,894	-6,894	21,751	-21,751
CAD	6,693	-6,693	2,252	-2,252
HUF	60,519	-60,519	1,514,700	-1,514,700
JPY	4,220	-4,220	110,532	-110,532
Other currencies	39,178	-39,178	56,105	-56,105
TOTAL	**747,976**	**-747,976**	**1,759,003**	**-1,759,003**

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 2022 and 2021.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 2022		**31 December 2021 *restated**	
In RON	**+1%**	**-1%**	**+1%**	**-1%**
Loans and advances to customers sensitive to interest rates	61,185,694	-61,185,694	55,438,229	-55,438,229
Customer deposits and savings accounts sensitive to interest rate	-43,355,830	43,355,830	-39,188,348	39,188,348
International Financial Institutions sensitive to interest rate	-524,388	524,388	-221,207	221,207
TOTAL	**17,305,476**	**-17,305,476**	**16,028,674**	**-16,028,674**

**For more details see Note 3, chapter II, point s)*

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 2022		**31 December 2021**	
In RON	**+1%**	**-1%**	**+1%**	**-1%**
Financial instruments at fair value sensitive to market price	106,292	106,292	103,996	103,996

d. Capital management

The Bank is in compliance with the regulatory capital requirements as of 31 December 2022.

Libra Internet Bank calculates the regulatory capital requirement in order to satisfy the following requirements:

a) for the credit risk and the dilution risk, with the exception of operations from the trading portfolio → 8% of the total risk-weighted values of the exposures, calculated according to EU Regulation no. 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012 and according to NBR Regulation no. 5/2013 on prudential requirements for credit institutions;

4. Financial risk management (continued)

d. Capital management (continued)

b) for market risk → The Bank applies the standard approach for market risk, in accordance with the provisions of EU Regulation 575/2013 for the calculation of the minimum capital requirements according to Pillar 1. The Bank does not calculate capital requirements for the interest rate risk in the trading portfolio for the purposes of Pillar 1 because it does not hold a trading portfolio according to the regulated definition.

The Bank calculates the minimum capital requirements for currency risk determined according to EU Regulation no. 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012.

c) for the operational risk related to the entire activity → capital requirements determined according to EU Regulation no. 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012.

The Bank's objective is to ensure compliance with regulatory requirements and to assure shareholders that the Bank has integrated, solid and efficient strategies and processes to assess and permanently maintain an adequate level, type and process of capital in order to cover risks to which the Bank is exposed.

In this regard, the Bank has implemented the ICAAP framework, which includes aspects such as the organization of the risk management function within the Bank, the description of the risk management process, the approach to capital management, the presentation of some approaches for determining the internal capital related to Pillar 2 requirements, practices for crisis scenarios, practices regarding the internal control system, ICAAP reports.

ICAAP is integrated in the decision-making process by using the results in defining the business strategy and the risk management strategy.

Economic capital is an estimate of the value of expected and unexpected losses and is defined as the amount of capital that a bank must hold (for example, shareholders must invest) considering the entire risk and profit structure, in order to limit the probability of bankruptcy for a specified time horizon.

The management of the Bank's capital has two main purposes:

- To ensure that the available capital base is in accordance with the general level of risk assumed, as well as with the exogenous constraints imposed by the capital requirements, the external rating that the bank wants to achieve (if applicable), and its development plans; and

- To optimize the capital structure by selecting a combination of financial instruments that minimizes the required capital according to regulatory limits.

The table below summarizes the structure of regulatory capital and the indicators for the financial years ended 31 December 2022 and 31 December 2021.

4. Financial risk management (continued)

d. Capital management (continued)

	2022	2021 *restated
EQUITY TIER 1	**1,046,172,818**	**908,301,422**
COMMON EQUITY TIER 1	**1,046,172,818**	**908,301,422**
Capital instruments eligible as common equity tier 1	506,165,200	506,165,200
Retained earnings	181,946,596	124,905,347
Other accumulated comprehensive income	34,485,716	23,886,033
Other reserves	262,386,008	191,850,162
Adjustments of common equity tier 1 de to prudential filters	-22,321	-21,243
Other intangible assets	-3,059,725	-2,502,796
Other transient adjustments to common equity tier 1	64,271,344	64,018,719
EQUITY TIER 2	**81,921,523**	**21,259,512**
TOTAL EQUITY	**1,128,094,341**	**929,560,934**
Own funds requirements, of which	5,979,198,802	5,214,475,308
Credit risk	5,162,647,239	4,549,865,120
Market risk	-	-
Operational risk	816,551,563	664,610,188
CET1 ratio	**17.50%**	**17.42%**
Equity tier 1 ratio	**17.50%**	**17.42%**
Total equity ratio	**18.87%**	**17.83%**
Leverage ratio	**10.39%**	**9.08%**

For more details see Note 3, chapter II, point s)

In the Solvency calculation above, the National Bank of Romania imposes the grouping of capital elements as follows:

- Retained earnings - the year's profit adjusted with the retained earnings from previous years and with the 16% tax on the retained earnings resulting from the transition to IFRS 9. The total net value of the net profit adjustment with the retained earnings is RON -6,230,182 (RON -7,630,380 + RON 1,400,198). The above solvency calculation was made prudently, considering that the General Shareholders' Meeting will approve the distribution of dividends to existing shareholders at 31 December 2022 in amount of RON 50,000,000.
- Other comprehensive income includes the legal reserves less the allocation from the current year to the legal reserve and the reserves for credit risk.
- The Other Reserves position includes other reserves from profit and Other Reserves for the fund of property, plant and equipment.

The value of retained earnings resulting from the transition to IFRS 9 is RON 47,689,876, and the related tax that is prudentially deducted in the solvency calculation is RON 7,630,380, which is the difference between the total equity taken into account in the solvency and equity calculation.

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.

4. Financial risk management (continued)

d. Capital management (continued)

Operational risk

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

	31 December 2022		31 December 2021	
In RON	**+10%**	**-10%**	**+10%**	**-10%**
Capital requirement for Operational risk sensitive to net banking income	2,869,543	-2,869,543	1,963,710	-1,963,710

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 modelling of risk parameters used in ECL calculation, the bank uses additional post-model (PMA") adjustments. PMAs are used in circumstances where existing inputs, assumptions and modelling techniques do not capture all relevant risk factors. The occurrence of new macroeconomic, microeconomic or political events, together with expected changes in parameters, models or data that are not incorporated in current parameters, or forward-looking information are examples of such circumstances.

Current conditions require such adjustments, due to:

- the uncertainty and instability of the macroeconomic environment
- rising interest rates and inflation
- low values for adjusted “R-squared" due to economic conditions

As such, PMAs used are:

- for the calculation of the PDs used, a number of 1 standard deviations for all portfolios were added to the values predicted by the models.

o Estimated default rate calculated using the model before PMA +1 standard deviation calculated from the last 12 historical quarters (3 years of data).

At the same time, additional coefficients are used to multiply PDs in Stage 2, based on the historical migration rates of exposures from Stage 2 to Stage 3.

5. Use of estimates and judgments (continued)

ECL post-model adjustments (continued)

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 total value of the additional model adjustment for expected credit losses is approximately RON 26.85 million.

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:

- 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 Agriculture categories
- Agriculture – 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).

5. Use of estimates and judgments (continued)

Standalone 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 reflects 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)

At 31 December 2022, the Bank had a small portfolio of assets repossessed resulted from the foreclosure process, in amount of RON 232,203.

At 31 December 2021, the repossessed assets amounted 22,145,666 RON. The main asset in this portfolio is HOTEL PROIECT SA in amount of 21,975,768 RON, which was sold in November 2022 for RON 20,511,599.

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**,** if 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	2022	2021
Interest income calculated using the effective interest method:		
Loans and advances to banks	25,467,718	5,056,917
Loans and advances to customers	493,626,175	343,890,479
Investment securities at amortized cost	46,806,497	30,172,261
Total interest income	**565,900,390**	**379,119,657**
Interest expense:	**2022**	**2021 *restated**
Deposits from other banks	-3,357,643	-160,570
Customers deposits and current accounts	-105,830,326	-56,966,346
Interest on loans from financial institutions	-518,593	-643,847
Debenture loan	-10,171,655	-2,912,232
Interest on subordinated loan	-680,699	-
Lease interest	-1,578,114	-1,960,698
Total interest expenses	**-122,137,030**	**-62,643,693**
Net interest income	**443,763,360**	**316,475,964**

**For more details see Note 3, chapter II, point s)*

The interest income presented above explain in the same manner both the separate and the standalone financial statements. Interest income on loans and advances to customers includes RON 9,137,886 (2021: RON 13,264,272) representing interest income on impaired financial assets.

7. Net fee and commission income

In RON	2022	2021 *restated
Commission from collections and payments from customers operations	35,487,886	29,265,072
Commission from ATM and card transactions	38,659,290	25,798,321
Other commissions	343,123	336,360
Total commissions from contracts with customers	**74,490,299**	**55,399,753**
Commissions related to lending business	11,592,829	8,582,758
Total commission income	**86,083,128**	**63,982,511**
Commission expenses		
Expenses with commissions from interbank operations	-10,508,586	-7,604,502
Expenses related to payment operations	-18,750,275	-13,102,074
Other commissions	-2,360,573	-4,452,202
Total commission expenses	**-31,619,434**	**-25,158,778**
Net fee commission income	**54,463,694**	**38,823,733**

**For more details see Note 3, chapter II, point s)*

7. Net fee and commission income (continued)

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

- fees and commissions related to payment modalities: such fees are charged when the transaction takes place; this category includes all fees and commissions that refer to direct debit agreements, payment orders and other payment modalities;

- fees and commissions based on some transactions (for example: cash withdrawal at the cash desk, payment orders, etc.); the commissions are collected immediately after the transaction or monthly. such commissions are established as a percentage of the transaction with a fixed minimum amount;

- Customer collections and payment commissions: applies to a wide range of standard banking services, related services (SMS alert, internet banking, monthly administration fee, opening current accounts, escrow accounts, significant guarantee account and closing accounts etc.). These commissions are considered one-off commissions related to a specific service that is provided by the Bank and, therefore, are accounted for when the service is provided, but they can also be charged monthly for the services provided in the previous month.

The Bank did not provide information on the allocation of the transaction price to the remaining performance obligations in the contracts and this is due to the fact that the contract periods are usually less than one year.

Fees and commissions from credit commitments and letters of guarantee issued: although fee and commission income from financial guarantee contracts and loan commitments is recognized in accordance with IFRS 15, the financial guarantee contract falls within the scope of IFRS 9 and fee income therefrom is not revenue from contracts with customers. The bank presents fee and commission income from financial guarantees as part of total fee and commission income. The commissions for financial and credit guarantees are amortized on a straight line basis over the lifetime of the instruments.

The income from charges and commissions presented above explains both the standalone and the separate financial statements in the same way.

8. Net gains on foreign exchange transactions and revaluation

In RON	**2022**	**2021 *restated**
Gain/(Loss) on foreign exchange transactions	47,041,577	32,676,629
Gain/(Loss) on revaluation	-188,237	188,699
Total net gains on foreign exchange transactions and revaluation	**46,853,380**	**32,862,328**

**For more details see Note 3, chapter II, point s)*

9. Other operating income

In RON	2022	2021 *restated
Dividend income	963,012	682,403
Income from insurance policies	3,346,863	2,740,894
Income from penalties	2,474,160	176,387
Net gains from sales of tangible and intangible assets	1,007,974	-
Other income	526,714	653,246
Total other operating income	**7,310,785**	**4,252,930**

**For more details see Note 3, chapter II, point s)*

Dividend income comes from investments accounted for at market value through profit or loss and the structure thereof is presented in the table below:

In RON	2022	2021 *restated
Dividends from Visa	44,306	41,710
Dividends from Transfond	909,598	634,340
Dividends from the Credit Office	9,108	6,353
Total dividend income	**963,012**	**682,403**

**For more details see Note 3, chapter II, point s)*

10. Operating expenses

In RON	2022	2021
Personnel expenses *(i)*	-155,820,025	-129,862,223
Professional fees, rent and insurance	-31,480,554	-26,271,483
Repairs, maintenance and utilities	-5,956,027	-5,803,173
Other taxes	-19,404,874	-15,180,778
Amortization and depreciation expenses *(ii)*	-15,504,697	-15,864,955
Other expenses with services rendered (*v*)	-5,200,880	-5,243,311
Net loss on the sale of repossessed assets *(iv)*	-1,064,169	-
Other expenses with third parties	-2,049,031	-2,318,515
Other provisions *(Note 23)*	-17,011,870	6,587,685
Other expenses *(iii)*	-4,805,849	-2,959,915
Total operating expenses	**-258,297,976**	**-196,916,667**

(i) The Bank had 1,037 employees at 31 December 2022 and 1,027 employees at 31 December 2021. The average number of employees was 997 at 31 December 2022 and 980 at 31 December 2021.

10. Operating expenses (continued)

(ii) The amortization and depreciation expenses of tangible and intangible assets also include the amortisation of right-of-use assets for operating lease and rental agreements, which is presented in the table below:

	31 December 2022				31 December 2021		
	No. of employees		Salary costs		No. of employees		Salary costs
In RON							
Operating personnel	891		107,663,963		890		89,492,321
Management personnel	146		48,156,062		137		40,369,902
	1,037		**155,820,025**		**1,027**		**129,862,223**

(iii) The amortization and depreciation expenses of tangible and intangible assets also include the amortisation of right-of-use assets for operating lease, which is presented in the table below:

In RON	2022	2021 *restated
Amortization and depreciation expenses for tangible and intangible assets	3,876,290	4,346,629
Amortisation expenses for car leases	401,222	-
Amortisation expenses for land and building leases	11,227,185	11,518,326
Total amortization and depreciation expenses	**15,504,697**	**15,864,955**

**For more details see Note 3, chapter II, point s)*

(iv) In 2022, other operating expenses presented above in amount of RON 4,805,848 represented the Bank's sponsorships to support not-for-profit entities, for which the Bank was granted tax incentives.

(v) In 2022, operating expenses also include the loss generated by the sale of Hotel Proiect, owned by Expo Center Hotel, in amount of RON -1,064,169. The income from the sale was RON 20,511,599 while the net carrying amount of the hotel was RON 21,575,768.

(vi) Expenses with audit and non-audit services provided by audit firms in 2022 were RON 966.45 thousand, compared to RON 741.09 thousand in 2021.

Out of the total of such expenses, RON 508.78 thousand represented statutory audit services and RON 457.66 thousand represented other audit services. In 2021, the statutory audit services totalled RON 279.03 thousand, other audit services totalled RON 368.03 thousand, and non-audit services totalled RON 94.03 thousand.

In 2022, out of the total audit services, RON 464,812 consisted of services provided by Deloitte Audit SRL, and RON 501,642 consisted of services provided by KPMG Audit SRL due to the change of auditor in 2022.

11. Impairment losses on financial instruments

In RON	2022	2021
Net charge/(release) of expected losses for loans and advances granted to banks	-276,800	-116,402
Net charge of expected losses for investment securities	30,777	-4,997
Net charge of expected losses for loans and advances to customers	-25,835,922	10,770,372
Revenues from loans previously written-off	5,140,860	5,758,553
Total impairment loss on financial instruments	**-20,941,085**	**16,407,525**

11. Impairment losses on financial instruments (continued)

The movement in the expected loss accounts is presented below:

In RON	Expected losses for nostro accounts	Expected losses for investment securities	Expected losses for loans and advances to customers	Total
1 January 2021 *restated	**91,749**	**108,150**	**167,160,706**	**167,360,605**
Net impairment expense/(income)	116,402	4,997	-10,770,372	-10,648,973
Expected losses of loans written-off	-	-	-5,301,402	-5,301,402
E/R differences	1,921	33	-322,204	-320,250
Adjustment of interest income	-	-	642,219	642,219
31 December 2021 *restated	**210,072**	**113,180**	**151,408,945**	**151,732,199**
Net impairment expense/(income)	276,800	-30,777	25,835,922	26,081,945
Expected losses of loans written-off	-	-	-4,034,009	-4,034,009
E/R differences	5,431	-2	192,128	197,558
Adjustment of interest income	-	-	-260,318	-260,318
31 December 2022	**492,304**	**82,401**	**173,142,668**	**173,717,375**

**For more details see Note 3, chapter II, point s)*

12. Income tax expenses

Income tax comprises:

In RON	2022	2021 *restated
Current tax	-39,912,597	-29,201,390
Deferred tax	3,323,371	-1,656,736
Total income tax expense	**-36,589,226**	**-30,858,126**

**For more details see Note 3, chapter II, point s)*

Reconciliation of income tax expense and the product of gross profit and tax rate applicable is presented below:

	2022	2021 *restated
Gross profit before tax	**274,766,004**	**211,993,655**
Taxation at statutory rate of 16%	**43,962,561**	**33,918,985**
Non-deductible expenses	9,948,106	6,442,750
Non-taxable revenues	-8,418,014	-8,269,250
Adjustments of income tax recognized in the current period relating to prior periods (i)	-774,207	404,954
Deferred income (expense)/income	-3,323,371	1,656,736
Corporate income tax before fiscal credit	**41,395,075**	**34,154,175**
Fiscal credit from sponsorship and fiscal credit	-4,805,849	-3,296,049
Total income tax expense	**36,589,226**	**30,858,126**

**For more details see Note 3, chapter II, point s)*

12. Income tax expenses (continued)

(i) Income tax adjustments recognized in the current period related to prior periods represent corrections to the income tax return related to prior periods that were accounted after the closing process of the respective year.

The main non-taxable income comes from the reversal of non-deductible provisions and from dividends received. The main non-deductible expenses come from provisions, sponsorships, and other non-deductible expenses according to the Fiscal Code.

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

In RON	2022	2021 *restated
Taxable/(deductible) temporary differences:		
Operational provisions	-31,107,068	-10,299,324
Tangible and intangible assets	-387,535	-424,212
Total temporary differences	**-31,494,603**	**-10,723,536**
Deferred tax assets at 16%	**- 5,039,137**	**- 1,715,766**

**For more details see Note 3, chapter II, point s)*

The provisions that are not deductible and generate deferred tax mainly comprise litigation provisions, provisions for postponed bonuses and provisions for undrawn loan commitments and financial guarantees (see Note 23).

For associate LIBRA DEVELOPMENT IFN, at 31 December 2022 the Bank did not set impairment allowances and the investment in such associate did not generate temporary differences, as the associate obtained profit in 2022, which covered the loss from the first operating year.

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

In RON	2021 *restated	charge 2022 or reversal in reserves	2022
Provisions	-1,647,892	5,868	-62,006
Tangible and intangibles assets	-67,874	-3,329,239	-4,977,131
Total	**-1,715,766**	**-3,323,371**	**-5,039,137**

**For more details see Note 3, chapter II, point s)*

13. Financial assets and liabilities

(i) Classification of financial assets and liabilities

The bank classifies financial assets according to its business model and the characteristics of the financial asset's contractual cash flows. The bank's business model is that of collecting contractual cash flows.

Financial assets or liabilities held in order to collect cash flows, by collecting contractual payments over the lifetime of the instrument (includes assets such as loans, government securities and bonds that are not held for trading) are accounted for at amortized cost if these assets/liabilities also meet the criterion of cash flows representing exclusively principal and interest (SPPI test). These assets are included in the periodic calculation of expected loss allowances.

Financial assets and liabilities measured at fair value through profit or loss are those financial assets/liabilities that do not meet the criterion of cash flows that are exclusively principal and interest payments or if they are held for trading. The Bank does not have a trading portfolio, and includes in this category only its minority holdings in other entities.

13. Financial assets and liabilities (continued)

The rest of the financial assets that are not classified at amortized cost or at fair value through profit or loss are measured at cost.

Associate Libra Development IFN is measured at cost in the separate financial statements and using the equity method in the standalone financial statements.

The table below presents the measurement categories for financial instruments (in the Separate Financial Statements):

31 December 2022	At FVTPL market value	At amortised cost	At cost	Total carrying amount	Total fair value
Assets					
Cash and cash equivalents	-	2,419,605,382	-	2,419,605,382	2,419,610,562
Financial assets at fair value through profit or loss	14,481,425	-	-	14,481,425	14,481,425
Loans and advances to customers	-	6,011,931,939	-	6,011,931,939	6,053,358,731
Investment securities at amortised cost	-	1,087,566,679	-	1,087,566,679	1,196,287,209
Investment in associates	-	-	7,840,000	7,840,000	7,840,000
Assets held for sale	-	-	232,302	232,302	232,302
Property, plant and equipment	-	-	49,694,479	49,694,479	49,694,479
Intangible assets	-	-	3,059,725	3,059,725	3,059,725
Current tax assets	-	-	-	-	-
Deferred tax assets	-	-	5,039,137	5,039,137	5,039,137
Other assets	-	98,865,748	18,791,331	117,657,079	117,647,358
Total assets	**14,481,425**	**9,617,969,738**	**84,656,974**	**9,717,108,147**	**9,867,250,928**
Liabilities					
Customer deposits	-	8,250,677,803	-	8,250,677,803	8,005,234,746
Deposits from other banks	-	18,117,158	-	18,117,158	18,117,158
Loans from financial institutions	-	12,408,661	-	12,408,661	12,408,661
Bonds issued	-	243,326,012	-	243,326,012	243,326,012
Subordinated loan	-	39,329,678	-	39,329,678	39,329,678
Provisions	-	4,921,288	25,587,848	30,509,136	30,509,136
Current tax liabilities	-	-	10,018,600	10,018,600	10,018,600
Other liabilities	-	47,069,840	23,033,357	70,107,199	70,107,199
Total liabilities	-	**8,615,850,440**	**58,639,805**	**8,674,494,247**	**8,429,051,190**

13. Financial assets and liabilities (continued)

31 December 2021 *restated	At FVTPL market value	At amortised cost	At cost	Total carrying amount	Total fair value
Assets					
Cash and cash equivalents	-	2,895,295,430	-	2,895,295,430	2,895,295,430
Financial assets at fair value through profit or loss	13,403,252	-	-	13,403,252	13,403,252
Loans and advances to customers	-	5,440,821,214	-	5,440,821,214	5,472,537,948
Investment securities at amortised cost	-	1,100,828,743	-	1,100,828,743	1,096,467,722
Investment in associates	-	-	7,840,000	7,840,000	7,840,000
Assets held for sale	-	-	22,145,666	22,145,666	22,145,666
Property, plant and equipment	-	-	51,978,139	51,978,139	51,978,139
Intangible assets	-	-	2,502,796	2,502,796	2,502,796
Current tax assets	-	-	-	-	-
Deferred tax assets	-	-	1,715,766	1,715,766	1,715,766
Other assets	-	49,047,514	5,212,630	54,260,144	54,260,144
Total assets	**13,403,252**	**9,485,992,901**	**91,394,997**	**9,590,791,150**	**9,618,146,863**
Liabilities					
Customer deposits	-	7,781,433,303	-	7,781,433,303	7,757,142,714
Deposits from other banks	-	552,427,978	-	552,427,978	552,427,978
Loans from financial institutions	-	22,017,455	-	22,017,455	22,017,455
Bonds issued	-	221,659,495	-	221,659,495	221,659,495
Provisions	-	3,610,421	9,974,670	13,585,091	13,585,091
Current tax liabilities	-	-	22,141,492	22,141,492	22,141,492
Other liabilities	-	49,178,321	23,910,893	73,089,214	73,089,214
Total liabilities	-	**8,630,326,973**	**56,027,055**	**8,686,354,028**	**8,662,063,439**

***** *For more details see Note 3, chapter II, point s)*

(ii) Cash and cash equivalents

Cash and cash equivalents comprise petty cash, the current account with banks, bank deposits with initial maturity of less than 3 months, the current account at the National Bank of Romania and the cash in the EURONET ATMs.

In RON	**31 December 2022**	**31 December 2021 *restated**
Cash on hand	88,515,060	91,511,155
Loans and advances to banks, of which	1,490,155,787	406,370,875
Nostro accounts with banks	146,682,251	244,441,713
Term deposits with banks	1,342,473,536	161,929,162
NBR current account	841,426,839	2,397,623,472
Cash in EURONET ATMs	57,149,450	27,830,960
Total gross	**2,477,247,136**	**2,923,336,462**
Expected loss on loans and advances to customers	-492,304	-210,072
Total net	**2,476,754,832**	**2,923,126,390**

**For more details see Note 3, chapter II, point s)*

13. Financial assets and liabilities (continued)

(iii) Cash from financing activities

The net cash from the financing activity for 2022 is presented in the table below:

RON	Balance at 1 January 2022	Net cash from 2022 financing activity Draw-downs/Collections	Repayments/ Payments*	Accrued interest	Other changes**	Balance at 31 December 2022
Loans from banks and other financial institutions at amortised cost	22,017,455	-	-10,111,689	518,593	-15,698	12,408,661
Bonds issued	221,659,495	21,085,819	-9,660,429	10,171,655	59,472	243,326,012
Subordinated loan	-	39,579,200	-550,261	680,699	-379,960	39,329,678
Lease liabilities	49,178,321	-	-14,086,657	1,578,114	10,400,062	47,069,840
Total	**292,855,271**	**60,665,019**	**-34,409,036**	**12,949,061**	**10,063,876**	**342,134,191**

(*) Repayments/Payments also include interest paid.

(**) Other changes mean the effect of the exchange rate on the revaluation of balances, the amounts to amortise and the effect of new rental agreements signed/extended in 2022.

The net cash from the financing activity for 2021 is presented in the table below:

RON	Balance at 1 January 2021	Net cash from 2021 financing activity *restated Draw-downs/Collections	Repayments/ Payments*	Accrued interest	Other changes**	Balance at 31 December 2021
Loans from banks and other financial institutions at amortised cost	31,454,700	-	-10,354,382	643,847	273,290	22,017,455
Bonds issued	21,196,508	197,930,980	-1,808,005	2,912,232	1,427,780	221,659,495
Subordinated loan	50,835,236	-	-9,757,679	1,960,698	6,140,066	49,178,321
Total	**103,486,444**	**197,930,980**	**21,920,066**	**5,516,777**	**7,841,136**	**292,855,271**

For more details see Note 3, chapter II, point s)

(*) Repayments/Payments also include interest paid.

(**) Other changes mean the effect of the exchange rate on the revaluation of balances, the amounts to amortise and the effect of new rental agreements signed/extended in 2021.

At 31 December 2022 and 2021 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 2022 and 2021, the interest rates on term deposits with banks were as follows:

Initial currency	31 December 2022	31 December 2021
RON	5.75% - 5.95%	2.00% - 2.35%
USD	4%	0.03% - 0.07%

13. Financial assets and liabilities (continued)

(iv) Current account with the National Bank of Romania

Current accounts with the National Bank of Romania in amount of RON 841,427 thousand (31 December 2021: 2,397,623 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 December 2022	31 December 2021
Current account with NBR for RMO (RON)	432,032,218	1,514,417,711
Current account with NBR for RMO (foreign currency)	162,076,248	310,482,219
Settlement Account Target 2	247,318,373	572,723,542
Total current accounts with NBR	**841,426,839**	**2,397,623,472**

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 2022, the required rate for RON and foreign currency compulsory reserves was 8% for ON and 5% for foreign currency, while in 2021 it was the same. As of 31 December 2022 and 2021, the interest rates on current accounts balances with the National Bank of Romania were as follows:

Initial currency	31 December 2022	31 December 2021
RON	0.70%	0.13%
USD	0.08%	0.01%
EUR	0.02%	0.00%

14. Loans and advances to customers

In RON	31 December 2022	31 December 2021
Loans and advances to customers	6,185,074,607	5,592,230,159
Allowance for expected credit losses (Note 11)	-173,142,668	-151,408,945
Total	**6,011,931,939**	**5,440,821,214**

At 31 December 2022 and 2021, loan interest rates were as follows:

Initial currency	31 December 2022	31 December 2021
RON	0%-23.5%	0%-21.25%
EUR	0%-13.9%	0%-13.9%
USD	0%-9%	0%-12.5%

15. Other assets

The tables below present the breakdown of other assets by nature and quality:

In RON	31 December 2022	31 December 2021 *restated
Prepayments	3,887,991	3,092,979
Cash in transit (from ATM network supplier)	57,149,450	27,830,960
Warranty deposits paid	15,472,095	11,736,168
Suspense accounts	26,244,203	9,480,386
Sundry debtors	14,903,340	2,119,651
Total	**117,657,079**	**54,260,144**

**For more details see Note 3, chapter II, point s)*

The table below presents the breakdown of other assets by quality:

In RON	31 December 2022	31 December 2021 *restated
Financial assets	98,865,748	49,047,514
Non-financial assets	18,791,331	5,212,630
Total	**117,657,079**	**54,260,144**

**For more details see Note 3, chapter II, point s)*

Suspense accounts include suspense amounts recoverable in the form of cash, checks and promissory notes, from the card activity and sundry debtors.

In RON	31 December 2022	31 December 2021 *restated
Other current assets	102,184,984	42,523,976
Other non-current assets	15,472,095	11,736,168
Total	**117,657,079**	**54,260,144**

**For more details see Note 3, chapter II, point s)*

16. Investments

In RON	31 December 2022	31 December 2021
Financial assets amortized cost		
Government debt securities	1,067,169,250	1,100,941,923
Debt securities at CEC Bank	20,479,830	-
Allowance for expected credit losses	-82,401	-113,180
Financial assets at amortised cost (net)	**1,087,566,679**	**1,100,828,743**
Financial assets fair value through P&L		
Total financial assets at fair value through profit or loss	**14,481,425**	**13,403,252**
Financial assets at cost		
Investment in associate (separate financial statements)	7,840,000	7,840,000
Total investments in financial assets	**1,109,888,104**	**1,122,185,061**

16. Investments (continued)

At 31 December, 2022, the investments include state bonds denominated in RON and EUR with monthly returns of 4.25% - 5.85% p.a. for RON and 1.6%-2.38% p.a. for EUR and CEC corporate bonds denominated in RON with a return of 9% p.a.

Additionally, the Bank's investments also include a share portfolio of RON 14,481,425 accounted for at market value through profit or loss and an associate worth RON 7,840,000 accounted for at cost in the separate financial statements and using the equity method in the standalone financial statements.

At 31 December 2022, part of the portfolio of government bonds at a nominal amount of RON 30,000,000 (31 December 2021: RON 33,521,661) is pledged in favor of the National Bank of Romania.

Details of equity securities are as follows:

Investments in minority interests classified at fair value through profit or loss

				Carrying amount (RON)	
Company name	**Business**	**Place of establishment**	**Ownership**	**31 December 2022**	**31 December 2021**
Transfond SA	Money transfer	Romania	2,56%	3,789,055	2.953.366
Biroul de Credit	Banking information services	Romania	0,18%	63,145	50.267
SWIFT	Money transfer	Belgium	56 shares	2,015,571	1.677.802
Elvila S.A.	Furniture, trade and manufacturing	Romania	1,88%	352,384	349.885
Visa		USA	650 type C preferential shares and 64 type A preferential shares	8,261,270	8.371.932
Total securities at fair value				**14.481.425**	**13,403,252**

17. Investments in associates

In 2020, the Bank invested in its associate LIBRA DEVELOPMENT IFN an amount of RON 7,840,000 in the form of capital contribution of 49%. LIBRA Development IFN SA is non-banking financial institution established on 14 July 2020 under the supervision of the National Bank of Romania, whose object of activity is lending. The registered office of LIBRA DEVELOPMENT IFN is in Bucharest, Calea Vitan no. 6-6A, 4th floor, Romania.

Name of associate	**Business**	**Place of establishment**	**Ownership and voting right**	
			31 December 2022	**31 December 2021 *restated**
Libra Development IFN	Lending	Romania, Bucharest	49%	49%
Net assets of associate (not audited)			16,155,601	15,326,683
Bank's ownership in associate			49%	49%
Value of ownership in associate (capital method)			**7,916,244**	**7,510,075**

**For more details see Note 3, chapter II, point s)*

17. Investments in associates (continued)

The tables below present the unaudited financial statement of associate Libra development IFN:

Statement of profit or loss	**31 December 2022**	**31 December 2021**
Interest revenue	10,397,078	3,895,733
Interest expenses	-6,739,489	-1,994,087
Net interest income	**3,657,589**	**1,901,646**
Commission income	936,995	25,281
Commission expenses	-12,969	-3,997
Net commission income	**924,026**	**21,285**
Net impairment on financial assets and commitments	-108,169	-617,079
Other income	70,911	-
Net operating income	**-37,258**	**1,305,852**
Personnel expenses	-2,427,672	-1,346,432
Amortization expenses	-440,983	-330,235
Other operating expenses	-727,641	-321,691
FX differences	-1,218	-15,510
Total operating expenses	**-3,597,514**	**-2,013,868**
Profit/(loss) before tax	**946,843**	**-708,017**
(Expense)/Income with income tax	-117,927	92,008
Net profit/(loss) for the financial year	**828,916**	**-616,009**
Statement of financial position	**31 December 2022**	**31 December 2021**
Cash and cash equivalents	237,737	745,711
Loans and advances to customers	96,486,473	88,933,234
Property plant and equipment	870,139	1,065,903
Intangible assets	251,676	408,441
Deferred tax assets	132,520	112,159
Other assets	86,874	79,742
Total assets	**98,065,419**	**91,345,190**
Equity and liabilities		
Financial liabilities		
Borrowings from banks	80,398,430	74,204,629
Lease liabilities	876,499	936,359
Current tax payables	26,371	1,829
Other payables	492,548	851,243
Provisions	115,970	24,447
Total liabilities	**81,909,818**	**76,018,507**
Equity		
Issued capital	16,000,000	16,000,000
Other reserves	53,705	-
Retained earnings	101,896	-673,317
Total equity	**16,155,601**	**15,326,683**
Total equity and liabilities	**98,065,419**	**91,345,190**

18. Property, plant and equipment and intangible 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 2020	**7,918,111**	**15,801,142**	**7,458,122**	**174,796**	**69,513,929**	**100,866,100**
Additions	-	724,089	-	708,999	-	1,433,088
Disposals/Changes *restated	-	-874,421	-300,997	-724,089	8,100,765	6,201,258
At 31 December 2021	**7,918,111**	**15,650,810**	**7,157,125**	**159,706**	**77,614,694**	**108,500,446**
Additions	-	828,609	-	1,894,984	2,397,794	5,121,387
Disposals/Changes	-	-3,586	-2,691,632	-818,830	-4,147,074	-7,661,122
At 31 December 2022	**7,918,111**	**16,475,833**	**4,465,493**	**1,235,860**	**75,865,414**	**105,960,711**

**For more details see Note 3, chapter II, point s)*

In RON	Land and buildings	Office equipment	Vehicles	Fix assets in progress	Right of use asset	Total
At 31 December 2020		**-10,959,531**	**-5,791,752**	**-**	**-21,775,888**	**-43,756,212**
Charge for the year	-357,806	-1,764,847	-669,706	-	-11,518,326	-14,310,685
Disposals/Changes	-	831,769	300,997	-	411,824	1,544,590
At 31 December 2021	**-5,586,847**	**-11,892,609**	**-6,160,461**	**-**	**-32,882,390**	**-56,522,307**
Charge for the year	-311,356	-1,559,201	-729,679	-	-11,628,407	-14,228,643
Disposals/Changes	-	2,291	2,691,632	-	11,790,795	14,487,684
At 31 December 2022	**-5,898,203**	**-13,449,519**	**-4,198,508**	**-**	**-32,720,002**	**-56,266,232**

b. Intangible assets

In RON	Intangible Assets	Intangible Assets in progress	Total
COST			
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**
Additions	427,268	1,833,033	2,260,301
Disposals	-	-356,059	-356,059
At 31 December 2022	**22,257,389**	**1,835,223**	**24,092,612**
ACCUMULATED DEPRECIATION			
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**
Charge for the year	-1,347,314	-	-1,347,313
Disposals			
At 31 December 2022	**-21,032,888**	**-**	**-21,032,887**
NET BOOK VALUE			
At 31 December 2021	**2,144,547**	**358,249**	**2,502,796**
At 31 December 2022	**1,224,502**	**1,835,223**	**3,059,725**

18. Property, plant and equipment and intangible assets (continued)

The tables below present the changes in rights of use related to leases governed by IFRS 16 in 2022:

RON	Vehicles	Land and buildings	Total
Gross balance at 1 January 2022	**-**	**77,614,694**	**77,614,694**
New contracts	2,397,794	-	2,397,794
Contractual amendments	-30,984	-4,116,090	-4,147,074
Gross balance at 31 December 2022	**2,366,809**	73,498,604	**75,865,414**
Accumulated amortization at 1 January 2022	-	-32,882,390	-32,882,390
Contractual amendments	-	11,790,795	11,790,795
Amortisation for the period (-)	-401,222	-11,227,185	-11,628,407
Net balance at 31 December 2022	**1,965,588**	**41,179,824**	**43,145,412**

The tables below present the changes in rights of use related to leases governed by IFRS 16 in 2021:

RON	Vehicles	Land and buildings	Total
***restated**			
Gross balance at 1 January 2021	-	**69,513,929**	**69,513,929**
New contracts	-	-	-
Contractual amendments	-	8,100,765	8,100,765
Gross balance at 31 December 2021	**-**	**77,614,694**	**77,614,694**
Accumulated amortization at 1 January 2021	-	-21,775,888	-21,775,888
Contractual amendments		411,824	411,824
Amortisation for the period (-)	-	-11,518,326	-11,518,326
Net balance at 31 December 2021	**-**	**44,732,304**	**44,732,304**

**For more details see Note 3, chapter II, point s)*

19. Assets held for sale

At 31 December 2022, the Bank had in its portfolio a single asset resulting from the foreclosure process, representing a plot of land with a building in Petrileni commune, Bihor county, totalling RON 232,302.

At 31 December 2021, the repossessed assets amounted to RON 22,145,666, the main asset in this portfolio being HOTEL PROIECT SA with a net book value of RON 21,975,768, which was sold in November 2022 for RON 20,511,599.

In RON	**31 December 2022**	**31 December 2021**
Building and land in Bihor county	232,302	232,302
Land in Bihor county	-	26,475
Hotel Proiect SRL	-	21,886,889
Balance at 31 December	**232,302**	**22, 145,666**

20. Bank deposits

	31 December 2022		
In RON	**RON**	**Other currencies**	**Total**
LORO accounts	18,117,158		18,117,158
Total	**18,117,158**	**-**	**18,117,158**

	31 December 2021 *restated		
In RON	**RON**	**Other currencies**	**Total**
On demand	346,045,596	-	346,045,596
Term deposits	206,382,382	-	206,382,382
Total	**552,427,978**	**-**	**552,427,978**

**For more details see Note 3, chapter II, point s)*

21. Deposits from customers

	31 December 2022		
In RON	**RON**	**Foreign currency**	**Total**
On demand	2,644,553,748	1,087,243,340	3,731,797,088
Term deposits	3,081,963,994	1,436,916,721	4,518,880,715
Total	**5,726,517,742**	**2,524,160,061**	**8,250,677,803**
	31 December 2021		
In RON	**RON**	**RON**	**RON**
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**

As of 31 December 2022, and 2021, the interest rates on term deposits were as follows:

Initial currency	**31 December 2022**	**31 December 2021**
RON	0%-9%	0%-5.5%
EUR	0%-2.5%	0%-2.5%
USD	0%-3.6%	0%-1.3%

As of 31 December 2022, the interest payable on current accounts balances were between 0% - 3.6% p.a. on current accounts in RON, 0% 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 249,760,382 at 31 December 2022 and RON 236,215,198 at 31 December 2021. At 31 December 2022 the amount exceeded 10% of the Bank's equity. The average interest rate at deposits attracted from related parties is of 1.31% RON equivalent.

22. Loans from financial institutions and bonds issued

The Bank has signed one facility agreement with European Investment Fund. The disbursable amount in EUR at 31.12.2022 was 2,500,000 EUR having an interest rate of 3.6% (EUR 3,125,000 with an interest rate of 1.27% at 31 December 2021).

During 2022, an issue of subordinated, nominative, dematerialized, non-secured and non-convertible bonds, for ten years, in amount of EUR 4,262,000, with a yield of 6.5%/year, was successfully completed.

Also in 2022, the Bank contracted a subordinated loan in amount of EUR 8,000,000, from the EFSE Investment Fund for a period of 7 years with an interest of (4.5% + EURIBOR 6M) p.a.

In 2021, the issue of nominative, dematerialized, non-secured and non-convertible, senior MREL-eligible bonds with a total nominal value of EUR 40,000,000 for 7 years with an interest rate of 4.25%/year was successfully completed.

In 2020, the issuance of subordinated, registered, dematerialized, non-secured and non-convertible bonds for ten years, in amount of EUR 4,296,500 for 10 years at an interest rate of 5%/year, was successfully completed.

The structure of loans and bonds issued by the Bank is presented in the table below:

	31 December 2022	31 December 2021 *restated	Maturity
Loans from FEI	12,408,661	22,017,455	September 2026
Issue of subordinated bonds (in 2020)	21,536,042	21,539,089	March 2030
Issue of senior bonds (in 2021)	200,115,459	200,120,406	September 2028
Issue of subordinated bonds (in 2022)	21,674,511		July 2032
Subordinated loan from EFSE (in 2022)	39,329,678		September 2029
Total loans and bonds issued	**295,064,351**	**243,676,950**	

**For more details see Note 3, chapter II, point s)*

The total balance of the bonds issued by the Bank at 31 December 2022 is EUR 48.56 million representing principal amount.

23. Provisions

In RON	Provisions for credit commitments and financial guarantees given	Provision for litigation	Other provisions	Total
At 31 December 2020	**5,787,759**	**2,446,433**	**12,050,050**	**20,284,242**
Net expense/income from provision	-2,063,595	138,583	-4,662,673	-6,587,685
E/R differences	-113,743	-	2,277	-111,466
At 31 December 2021	**3,610,421**	**2,585,016**	**7,389,654**	**13,585,091**
Net expense/income from provision	1,487,568	-1,463,052	16,987,354	17,011,870
E/R differences	-176,701	-	88,876	-87,825
At 31 December 2022	**4,921,288**	**1,121,964**	**24,465,884**	**30,509,136**

23. Other provisions (continued)

During 2022, the total other provisions increased by RON 17,011,870 (compared to the decrease of RON 6,587,685 in 2021), mainly because of the planned payment of employee and management benefits to the 2022 profit.

The provision made for postponed management bonuses increased by RON 4,314,366 in 2022 while in 2021 it decreased by RON 4,756,394.

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

Some of these provisions will be reversed in 2023 as presented in the table below, where we have assumed a short term of less than one year and a long term of more than one year.

31 December 2022

Provisions	**Long term**	**Short term**	**Total**
Provisions for lending commitments and financial guarantees granted	3,420,905	1,500,383	4,921,288
Litigation provisions	1,121,964	-	1,121,964
Other provisions	12,071,073	12,394,811	24,465,884
Total	**16,613,942**	**13,895,194**	**30,509,136**

The breakdown of other provisions by recovery period for 2021 is presented in the table below:

31 December 2021 *restated

Provisions	**Long term**	**Short term**	**Total**
Provisions for lending commitments and financial guarantees granted	2,881,972	728,449	3,610,421
Litigation provisions	2,585,016	-	2,585,016
Other provisions	7,389,654	-	7,389,654
Total	**12,856,642**	**728,449**	**13,585,091**

**For more details see Note 3, chapter II, point s)*

24. Other liabilities

In RON	**31 December 2022**			**31 December 2021 *restated**		
	Short term	**Long term**	**Total**	**Short term**	**Long term**	**Total**
Social security, payroll and other taxes payable *(i)*	4,286,853	-	4,286,853	3,553,919	-	3,553,919
Lease liability (ii)	3,086,206	43,983,634	47,069,840	1,983,243	47,195,078	49,178,321
Other creditors	11,966,211	6,784,295	18,750,506	15,369,326	4,987,648	20,356,974
Total	**19,339,270**	**50,767,929**	**70,107,199**	**20,906,488**	**52,182,726**	**73,089,214**

**For more details see Note 3, chapter II, point s)*

(i) Such expenses include amounts owed to the State budget for social contributions, VAT payable and various employees' salary retainers.

24. Other liabilities (continued)

The table below presents an analysis of financial liabilities by quality:

In RON	31 Dec 2022	31 Dec 2021 *restated
Other financial liabilities	47,069,840	49,178,321
Other non-financial liabilities	23,037,359	23,910,893
Total	**70,107,199**	**73,089,214**

**For more details see Note 3, chapter II, point s)*

(ii) IFRS 16 – Leases (Bank as lessee)

The Bank acts as lessee in leases for vehicles and space rentals. The leases are denominated in EUR, and signed for a period of 1 to 5 years.

The tables below present changes in lease liabilities in 2022:

RON	Vehicles	Land and buildings	Total
Balance at 1 January 2022	**-**	**49,178,321**	**49,178,321**
Interest expenses	39,549	1,538,565	1,578,114
Lease payments – principal	-408,295	-12,078,966	-12,487,261
Lease payments – interest	-55,538	-1,543,857	-1,599,395
New leases	2,397,794	-	2,397,794
Contractual amendments	-30,984	8,033,251	8,002,267
Balance at 31 December 2022	**1,942,526**	**45,127,314**	**47,069,840**

The tables below present changes in lease liabilities in 2021:

RON	Vehicles	Land and buildings	Total
***restated**			
Balance at 1 January 2021	**-**	**50,835,236**	**50,835,236**
Interest expenses	-	1,960,698	1,960,698
Lease payments – principal	-	-7,796,981	-7,796,981
Lease payments – interest	-	-1,960,698	-1,960,698
New leases	-	-	-
Contractual amendments	-	6,140,066	6,140,066
Balance at 31 December 2021	**-**	**49,178,321**	**49,178,321**

**For more details see Note 3, chapter II, point s)*

The table below shows the amounts recognized in the statement of comprehensive income for the IFRS 16 items and for the amounts related to leases not included in the IFRS 16 items (short-term rent expenses and rent expenses for low-value assets).

31 December 2022			
RON	**Vehicles**	**Land and buildings**	**Total**
Expenses with impairment of right of use	401,222	11,227,185	11,628,407
Expenses with interest on lease liabilities	39,549	1,538,565	1,578,114
Expenses with short-term rentals in IFRS 16 items	-	219,204	219,204
Total	**440,771**	**12,984,954**	**13,425,725**

24. Other liabilities (continued)

31 December 2021 *restated			
RON	**Vehicles**	**Land and buildings**	**Total**
Expenses with impairment of right of use	-	11,518,326	11,518,326
Expenses with interest on lease liabilities	-	1,960,698	1,960,698
Expenses with short-term rentals in IFRS 16 items	-	98,062	98,062
Total	**-**	**13,577,086**	**13,577,086**

**For more details see Note 3, chapter II, point s)*

The table below presents the maturity of lease liabilities (undiscounted) at 31 December 2022:

RON	**Vehicles**	**Land and buildings**	**Total**
Within 3 months	269,013	3,083,601	3,352,614
3 months - 1 year	548,239	10,905,720	11,453,959
1 - 2 years	1,280,718	9,438,533	10,719,251
2 - 3 years	-	8,788,625	8,788,625
More than 3 years	-	16,870,362	16,870,362
Total	**2,097,970**	**49,086,841**	**51,184,811**

The table below presents the maturity of lease liabilities (undiscounted) at 31 December 2021:

RON	**Vehicles**	**Land and buildings**	**Total**
***restated**			
Within 3 months	-	3,201,619	3,201,619
3 months - 1 year	-	8,536,126	8,536,126
1 - 2 years	-	9,222,540	9,222,540
2 - 3 years	-	7,890,762	7,890,762
More than 3 years	-	25,411,247	25,411,247
Total		**54,262,294**	**54,262,294**

**For more details see Note 3, chapter II, point s)*

25. Share capital

In RON	**31 December 2022**	**31 December 2021**
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**

25. Share capital (continued)

The shareholders structure as of 31 December 2022 and 2021 is as follows:

	31 December 2022				31 December 2021			
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%**

There were no changes in the capital structure during 2022. The value of the capital remained the same.

26. Other reserves and dividends allocated

Other reserves consist of legal reserves, general risk reserve established in accordance with Romanian legislation and other reserves from the unallocated profit in the form of dividends.

	31 December 2022	31 December 2021
Legal reserve	47,564,555	33,826,255
General reserve for credit risk	418,133	418,133
General risk reserve	241,330	241,330
Other reserves from profit	262,386,006	191,850,160
Total	**310,610,024**	**226,335,878**

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 2022, the Bank has allocated to the legal reserve the amount of 13,738,300 RON representing 5% of the gross profit recorded in 2022. The remaining amount of 2022 profit amounting to RON 224,438,478 RON is subject to the shareholders meeting from April 2023. RON 50,000,000 will be distributed as dividends, and the rest from the profit of 2022, in amount of RON 174,438,478 will be allocated to Other reserves from profit.

Other reserves from profit consist of the profit of previous years that was not distributed in the form of dividends.

In 2022, dividends totalling RON 100,000,000 were distributed, of which RON 50,000,000 from the profit of 2021 and RON 50,000,000 from the balance of Other reserves from profit.

In 2021, the Bank allocated to the legal reserve the amount of RON 10,599,683 representing 5% of the gross profit recorded in 2021, RON 50,000,000 being distributed as dividends, and the rest from the profit of 2021, in amount of RON 120,535,846 was allocated to Other reserves from profit.

26. Other reserves and dividends allocated (continued)

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 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.

Other reserves consist of the profit of previous years that was not distributed in the form of dividends.

In 2022, dividends totalling RON 100 million were distributed, 50 million from the profit of 2021 and 50 million from the Other reserves account.

The distribution of dividends during 2022 is presented in the table below:

	Gross dividend paid
BROADHURST INVESTMENTS LIMITED	66,677,763
ROMARTA S.A.	27,563,249
ANDREI SIMINEL CRISTIAN	5,730,455
STANCA BOGDAN	28,533
Total	**100,000,000**

27. Commitments and contingencies

Letters of guarantee

The aggregate amounts of outstanding letters of guarantee at 31 December 2022 and 31 December 2021 are:

	31 December 2022	**31 December 20201**
Letters of guarantee in RON		
secured by mortgage	34,079,994	19,188,860
secured by cash	32,832,149	16,368,448
secured by other instruments	411,566	187,212
Total	**67,323,709**	**35,744,520**
Letters of guarantee in foreign currency (RON equivalent)		
secured by cash	5,957,210	6,318,598
secured by mortgage	5,240,521	5,962,465
secured by other instruments	-	1,046,401
Total	**11,197,730**	**13,327,464**
Total letters of guarantee	**78,521,439**	**49,071,984**

In RON	**31 December 2022**	**31 December 2021 *restated**
Undrawn loan commitments - irrevocable	193,698,041	238,721,332
Undrawn loan commitments - revocable	1,667,938,055	1,876,204,636
Letters of guarantees	78,521,439	49,071,984
Total undrawn loan commitments and letters of guarantee	**1,940,157,535**	**2,163,997,952**

**For more details see Note 3, chapter II, point s)*

27. Commitments and contingencies (continued)

Undrawn loan commitments and letters of guarantee:

At 31 December 2022, Bank has a funding commitment from Broadhurst Investments Limited amounting to RON 278.1 mil (USD 60,000,000) due on 15 October 2025.

At 31 December 2021, the Bank has a funding commitment from Broadhurst Investments Limited amounting to RON 262.2 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.

28. Fair value of financial instruments

Fair value of financial instruments is the price 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.

(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 or term deposits with maturity up to one month. The carrying amount approximates the fair value.

(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. At 31 December 2022, the loans at fixed interest rates amount to RON 26,013,749 of the total portfolio and their fair value is RON 72,713,077. At 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.

(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 2022 the fixed interest rates deposits amounted to RON 4,495,388,480 and their fair value amounted to RON 4,317,692,194.

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

28. Fair value of financial instruments (continued)

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 2022				
In RON	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Petty cash	88,515,060	88,515,060	-	-	88,515,060
Loans and advances to the National Bank of Romania	841,426,839	841,426,839	-	-	841,426,839
Loans and advances to banks	1,489,663,483	1,489,663,483	-	-	1,489,663,483
Loans and advances to customers	6,011,931,939	-	-	6,053,358,731	6,053,358,731
Investment securities at amortised cost	1,087,566,679	1,175,807,379	20,479,830	-	1,196,287,209
Financial assets at fair value through profit or loss	14,481,425	-	-	14,481,425	14,481,425
Other financial assets	98,865,748		-	98,865,748	98,865,748
Total assets	**9,632,451,173**	**3,595,412,761**	**20,479,830**	**6,166,705,904**	**9,782,598,495**
Customer deposits	8,250,677,803	-	-	8,072,981,517	8,072,981,517
Deposits from other banks	18,117,158	18,117,158	-	-	18,117,158
Loans from financial institutions	12,408,661	12,408,661	-	-	12,408,661
Bonds issued	243,326,012	243,326,012	-	-	243,326,012
Subordinated loan	39,329,678	39,329,678	-	-	39,329,678
Other financial liabilities	47,069,840	-	-	47,069,840	47,069,840
Total liabilities	**8,610,929,152**	**313,181,509**	**-**	**8,120,051,357**	**8,433,232,866**

28. Fair value of financial instruments (continued)

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

	31 December 2021 *restated				
In RON	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Petty cash	91,511,155	91,511,155	-	-	91,511,155
Loans and advances to the National Bank of Romania	2,397,623,472	2,397,623,472	-	-	2,397,623,472
Loans and advances to banks	406,160,803	406,160,803	-	-	406,160,803
Loans and advances to customers	5,440,821,214	-	-	5,485,720,808	5,485,720,808
Investment securities at amortised cost	1,100,828,743	1,096,467,722	-	-	1,096,467,722
Financial assets at fair value through profit or loss	13,403,252	-	-	13,403,252	13,403,252
Other financial assets	49,047,514			49,047,514	49,047,514
Total assets	**9,499,396,153**	**3,991,763,152**	**-**	**5,548,171,574**	**9,539,934,726**
Customer deposits	7,781,433,303	-	-	7,757,142,715	7,757,142,715
Deposits from other banks	552,427,978	552,427,978	-	-	552,427,978
Loans from financial institutions	22,017,455	22,017,455	-	-	22,017,455
Bonds issued	221,659,495	221,659,495	-	-	221,659,495
Other financial liabilities	49,178,321	-	-	49,178,321	49,178,321
Total liabilities	**8,626,716,552**	**796,104,928**	**-**	**7,806,321,036**	**8,602,425,964**

**For more details see Note 3, chapter II, point s)*

29. Related party transactions

Entities are considered related parties if one of them has the ability to control the other directly or indirectly or to exercise a significant influence on the other entity when making financial or operational decisions. The Bank engages in operations with its affiliates, shareholders and key management personnel.

All these operations were carried out under conditions, including those regarding interest rates and conditions regarding guarantees, similar to the terms for similar operations with third parties. Transactions with other related parties include transactions with the most important shareholders, family members of key management personnel and companies where they are shareholders and have a relationship with the Bank.

At 31 December 2021 and 31 December 2022, the Bank was owned by Broadhurst Investment Ltd (part of the NCH Balkan Fund LP group) which owned 66.67% of the total shares, by Romarta SA with a 27.56% share, by Andrei Siminel Cristian with a 5.73% share and other entities with a 0.04% share.

- LIBRA DEVELOPMENT I.F.N. SA – shareholder, 49% owned by the Bank
- TRADEVILLE SA - owned by one of the shareholders
- BIL TERENURI SA - owned by one of the shareholders
- ANDREI SIMINEL CRISTIAN – shareholder and member of the Board
- ANNALIESSE INVESTMENTS LIMITED - owned by one of the shareholders

29. Related party transactions *(continued)*

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

31 December 2022	**Parent**	**Associate**	**Key personnel**	**Other group interest**	**Total**
Loans or advances to customers	-	73,801,060	3,976,072	5,427,110	83,204,242
TOTAL ASSETS	**-**	**73,801,060**	**3,976,072**	**5,427,110**	**83,204,242**
Deposits from customers	-	237,535	38,920,325	249,760,382	288,918,242
Bonds issued	9,894,800	-	14,025,879	-	23,920,679
TOTAL LIABILITIES	**9,894,800**	**237,535**	**52,946,204**	**249,760,382**	**312,838,921**
Interest income calculated using the effective interest rate	-	6,303,200	95,109	586,969	6,985,278
Interest expenses			-158,866	-3,283,953	-3,442,819
Other operating income	-	-	-	9,107	9,107
Fee and commission income	19,369	16,116	24,321	2,402,368	2,462,174
Employee-related expenses	-	-	-9,922,401	-	-9,922,401
Other operating expenses	-	-	-4,314,366	-	-4,314,366
Lending commitments	-	24,427,535	358,169	4,855,133	29,640,837
Commitments received	282,242,000	-	-	-	282,224,000

31 December 2021 *restated	**Parent**	**Associate**	**Key personnel**	**Other group interest**	**Total**
Loans or advances to customers	-	68,993,257	2,110,872	6,639,490	77,743,619
TOTAL ASSETS	**-**	**68,993,257**	**2,110,872**	**6,639,490**	**77,743,619**
Deposits from customers	311,338	745,711	13,427,639	235,903,860	250,388,548
Bonds issued	-	-	13,533,054	-	13,533,054
TOTAL LIABILITIES	**311,338**	**745,711**	**26,960,693**	**235,903,860**	**263,921,602**
Interest income calculated using the effective interest rate	-	1,953,834	39,352	680,929	2,674,115
Interest expenses	-3,725	-67,278	-64,813	-884,964	-1,020,780
Other operating income	-	-	-	79,203	79,203
Fee and commission income	60,830	196	4,801	1,034,122	1,099,949
Income from credit sales	-	58,030,862	-	-	58,030,862
Employee-related expenses			-6,387,555		-6,387,555
Other operating expenses	-	-	4,756,394	-	4,756,394
Lending commitments		28,955,656	311,170	4,647,320	33,914,146
Commitments received	262,242,000	-	-	-	262,242,000

**For more details see Note 3, chapter II, point s)*

29. Related party transactions *(continued)*

The amount presented as management remuneration represents the Bank's total costs with salaries (fixed and variable), social contributions, medical insurance, rental expenses, trainings and flight tickets for management members.

The Bank does not offer other benefits to the management. Management's remuneration is represented by salary expenses.

Key management personnel compensation is as follows:

In RON	**31 December 2022**	**31 December 2021**
Expense/(income) with short-term benefits (employee-related expenses)	9,922,401	6,387,555
Expense/(income) with Long-term benefits deferred (other operating expenses)	4,314,366	-4,756,394
Total	**14,236,767**	**1,631,161**

30. Segment reporting

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;
- Treasury comprising activity of dealing, foreign exchange, placements of liquidity excess.
- Big companies, comprising companies with turnover over 4 mil EUR;
- 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 Bank concludes loan agreements with customers resident in Romania, all revenues being obtained from internal customers. All the Bank's assets are located in Romania.

Regarding the concentration of revenues obtained by Libra Internet Bank at counterparty level, we do not have a significant concentration that represents more than 10% of the Bank's revenues.

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

30. Segment reporting (continued)

Separate statement of financial position by segments 2022

	Individuals	Small companies	Big companies	Treasury	Others and GM	TOTAL
Assets						
Cash at hand	-	-	-	-	88,515,060	88,515,060
Financial assets at fair value through profit and loss	-	-	-	-	14,481,425	14,481,425
Loans and advances to National Bank of Romania	-	-	-	841,426,839	-	841,426,839
Loans and advances to banks	-	-	-	1,489,663,483	-	1,489,663,484
Loans and advances to customers	497,793,511	1,897,730,917	3,616,407,510	-	-	6,011,931,939
Investments securities at amortized cost	-	-	-	1,087,566,679	-	1,087,566,679
Investment in associates	-	-	-	-	7,840,000	7,840,000
Assets held for sale	-	-	-	-	232,302	232,302
Property and equipment	-	-	-	-	49,694,479	49,694,479
Intangible assets	-	-	-	-	3,059,725	3,059,725
Deferred tax asset	-	-	-	-	5,039,137	5,039,137
Other assets	-	-	-	-	117,657,079	117,657,079
Total assets	**497,793,511**	**1,897,730,917**	**3,616,407,510**	**3,418,657,001**	**286,519,207**	**9,717,108,147**
Liabilities and Equity						
Deposits from customers	2,857,115,344	2,550,101,622	2,775,463,965	-	67,996,872	8,250,677,803
Deposits from other banks	-	18,117,158	-	-	-	18,117,158
Loans from financial institutions	-	-	-	12,408,661	-	12,408,661
Bonds issued	-	-	-	243,326,012	-	243,326,012
Subordinated loans	-	-	-	39,329,678	-	39,329,678
Provisions	-	-	-	-	30,509,136	30,509,136
Current tax liability	-	-	-	-	10,018,600	10,018,600
Other liabilities	-	-	-	-	70,107,199	70,107,199
Total liabilities	**2,857,115,344**	**2,568,218,780**	**2,775,463,965**	**295,064,351**	**178,631,806**	**8,674,494,247**
Equity						
Share capital	-	-	-	-	506,165,200	506,165,200
Reserves	-	-	-	-	310,610,024	310,610,024
Retained earnings	-	-	-	-	225,838,676	225,838,676
Total equity	**-**	**-**	**-**	**-**	**1,042,613,900**	**1,042,613,900**
Total liabilities and equity	**2,857,115,344**	**2,568,218,780**	**2,775,463,965**	**295,064,351**	**1,221,245,707**	**9,717,108,147**

30. Segment reporting (continued)

Separate statement of financial position by segments 2021 *restated

	Individuals	Small companies	Big companies	Treasury	Others and GM	TOTAL
Assets						
Cash at hand	-	-	-	-	91,511,155	91,511,155
Financial assets at fair 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
Loans from financial institutions	-	-	-	22,017,455	-	22,017,455
Bonds issued	-	-	-	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**

**For more details see Note 3, chapter II, point s)*

28. Segment reporting (continued)

Separate Statement of Profit and Loss and other comprehensive income by segments 2022

	Individuals	Small companies	Big companies	Treasury	Others and GM	TOTAL
Interest income calculated using the effective interest method	22,543,497	174,869,926	296,258,714	46,806,497	25,421,756	565,900,390
Interest expenses	-42,668,568	-31,087,792	-31,823,536	-13,529,298	-3,027,836	-122,137,030
Net interest income	**-20,125,071**	**143,782,134**	**264,435,178**	**33,277,199**	**22,393,920**	**443,763,360**
Fee and commission income	3,721,448	21,804,386	35,672,015	342,995	24,542,284	86,083,128
Fee and commission expense	-	-12	-10	-10,508,586	-21,110,826	-31,619,434
Net fee and commission income	**3,721,448**	**21,804,374**	**35,672,005**	**-10,165,591**	**3,431,458**	**54,463,694**
Net income from financial instruments at FVTPL	-	-	848,568	-	-242,660	605,908
Share of loss from associates	-	-	-	-	-	-
Net gain from foreign exchange transactions and revaluation	-	-	-	46,853,380	-	46,853,380
Other operating income	25,469	47,639	171,423	-	8,074,192	8,318,723
Total operating income	**-16,378,154**	**165,634,146**	**301,127,173**	**69,964,988**	**33,656,910**	**554,005,065**
Personnel expenses	-	-	-	-	-155,820,025	-155,820,025
Amortization and depreciation	-	-	-	-	-15,504,697	-15,504,697
Other operating expenses	-24,361	-1,278,085	-2,382,624	-	-83,288,184	-86,973,254
Total operating expenses	**-24,361**	**-1,278,085**	**-2,382,624**	-	**-254,612,906**	**-258,297,976**
Profit before impairments and tax	-16,402,515	164,356,062	298,744,550	69,964,988	-220,955,996	295,707,089
Net income/(expenses) from impairment of financial instruments	-1,577,770	-17,641,144	-1,746,317	24,146	-	-20,941,085
Profit before tax	**-17,980,285**	**146,714,918**	**296,998,233**	**69,989,134**	**-220,955,996**	**274,766,004**
Income tax expenses	-	-	-	-	-36,589,226	-36,589,226
Net profit for the year	**-17,980,285**	**146,714,918**	**296,998,233**	**69,989,134**	**-257,545,222**	**238,176,778**
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-17,980,285**	**146,714,918**	**296,998,233**	**69,989,134**	**-257,545,222**	**238,176,778**

28. Segment reporting (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
Net income/(expenses) from impairment of 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**

31. ESG

The methodology for identifying and using ESG information represents a new field, in full development for the entire banking sector. According to Delegated Regulation (EU) 2021/2178, entered into force on 29 December 2021, starting 1 January 2022, companies must monitor ESG issues, with the aim of providing information according to the criteria included in the European taxonomies.

Libra Internet Bank has implemented an internal policy regarding ESG risks, and in 2023 it will continue its efforts to develop and implement the policy as well as the development of internal procedures, with the aim of identifying and reporting eligible financing according to the European Union taxonomy. Eligibility according to Delegated Regulation (EU) 2021/2178 means the identification of the destination of the financing based on the NACE codes financed and how these financings meet the criteria of the specific European taxonomies.

The situation of eligible assets at 31 December 2022 according to EU taxonomies is calculated according to Delegated Regulation (EU) 2021/2178 and is presented in the table below:

Status of eligible assets at 31 December 2022 as per EU taxonomies

TOTAL GROSS ASSETS	9,968,144,900
Exposure to eligible economic activities	2,590,334,603
Share of exposures to eligible economic activities in total assets	25.99%
Exposure to non-eligible economic activities	3,594,824,579
Share of exposures to non-eligible economic activities in total assets	36.06%
Exposures mentioned in article 7(1) and (2): central administrations, central banks, supranational issuers, and derivative financial instruments	1,929,075,921
Share of exposures mentioned in article 7(1) and (2) in total assets	19.35%
Financial assets held for trading	-
Share of financial assets held for trading in total assets	0.00%
Exposures mentioned in article 7(3) to undertakings not subject to the obligation to publish non-financial information under article 19a or 29a of Directive 2013/34/EU	4,198,214,036
Share of exposures mentioned in article 7(3) in total assets	42.12%

To ensure compliance with the reporting obligations, but to provide as transparently as possible the information requested by the EU Taxonomy, certain reported data were subject to the application of some value judgments that were described below.

The exposures represent gross carrying amounts, not reduced by impairment allowances, according to the information from the financial reporting for supervisory purposes (FINREP).

The exposures to eligible economic activities were identified based on the main NACE level 4 code of the customer (according to the registration from the National Trade Register Office), with the related limitations considering that the eligibility based on the NACE code may differ from the eligibility established after a more in-depth analysis of the financing.

The eligible exposures included real estate investment loans granted to individuals/legal entities for the purchase, construction, renovation of residential buildings, regardless of their obligations to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU. Their inclusion takes into account the recommendations of the European Banking Authority under EBA/Rep/2021/03 to include these exposures in the green assets rate, because the environmental impact of these investments is considered to be among the most significant impacts generated in the lending activity.

The exposures mentioned in Article 7 paragraphs (1) and (2) according to the provisions of the DELEGATED REGULATION (EU) 2021/2178 include all types of exposures to central administrations, central banks, supranational issuers, as well as derivative financial instruments.

The exposures mentioned in Article 7 paragraph (3) according to the provisions of DELEGATED REGULATION (EU) 2021/2178 are exposures to companies that are not subject to the obligation to publish non-financial information under Article 19a or 29a of Directive 2013/34/EU, more precisely loans granted to companies with less than 500 employees.

32. Subsequent events

In January 2023, a new branch was opened in Pipera, Bucharest, sector 2.

In January 2023, the Bank signed a contract with LORO bank, Raiffeisen DIGITAL Bank, to offer payment receipts in lei with IBANs associated with LIBRA for digital customers on the Raiffeisen DIGITAL Bank platform.

In March 2023, the Board of Directors of the Bank took note of the information given by Mr. Emilian Bituleanu regarding the termination of his mandate as CEO of the Bank on 8 April 2023. The Board of Directors thanked Mr. Bituleanu for his demonstrated professionalism and dedication as CEO and member of the Board of Directors of Libra Internet Bank SA during the 20 years of activity.

Libra finances customers that are less affected by price increases, that operate in areas with above-average margins (real estate, professionals). Consequently, the NPL rates in the first 3 months of 2023 do not register increases.

The impact on the market value of the securities and bonds held by Libra in order to ensure liquidity compared to the value at amortized cost given the increase in interest rates is marginal according to the February 2023 calculation (below 0.05% of equity).

The evolution of the economy

In 2022, compared to 2021, the gross domestic product increased by 4.8%, thanks to strong gross fixed capital formation and private consumption, which was supported by a strong labor market and wage growth, in combination with Government’s support measures to mitigate the impact of high energy prices.

Indicators	2022	2023	2024
GDP growth (%, per annum)	4.5	2.5	3.0
Inflation (%, last year)	12.0	9.7	5.5

Based on short-term indicators, Romania's economy is expected to have been resilient in Q4, amid favorable developments in the services sector and economic sentiment, and despite further declines in manufacturing output.
For 2023, the negative impact of still high inflation, tight financing conditions and the slowdown of other EU economies will reduce real GDP growth in Romania to 2.5%.

The implementation of the PNRR should contribute to strong investment, which is expected to be the main driver of growth. Other EU funds are also to support the investments. Private consumption, although negatively affected by high inflation, is forecast to increase due to increases in the minimum wage, pensions and public sector wages, as well as the extension of the energy price cap until 2025. Net exports are expected to remain negative due to a strong currency and low demand in export markets.

A 3% recovery in economic growth is forecast for 2024 amid easing inflationary pressures, lower interest rates and an improved foreign prospects.

Annual inflation slowed down in December amid lower energy and food prices, taking the 12-month average in 2022 to 12%. Inflation is expected to further decline over the forecast period, but only slightly, as inflationary pressures remain very high in core components such as services, non-energy industrial goods and processed food. Average annual inflation is forecast at 9.7% for 2023 before slowing to 5.5% in 2024 due to the expansion of the energy price cap, lower commodity prices and baseline effects.

At the date of preparation and authorization of the financial statements, the management of the Bank assessed the current economic situation and the current geopolitical context and does not expect that the economic impact of current developments will significantly affect the Bank's ability to carry out its activity.

However, a potential negative impact on the economic environment in which the Bank operates, on its financial position and performance cannot be excluded. The management of the Bank is monitoring the developments and will take the necessary measures, which could involve the accounting estimates and the methods for calculating expected credit losses according to IFRS 9.

32. Subsequent events (continued)

At the same time, the Bank has no exposure to entities from the Russian Federation, Ukraine or Belarus.

The national aid package of state guarantees and interest subsidies to support the financing of the SME sector within the SME INVEST program (and the sub-programs and program components, all related to the state aid scheme initiated to combat the effects of the Covid pandemic) has increased the ceilings as follows:

- EUR 345,000 for each undertaking operating in the fishery and aquaculture sector,
- EUR 290,000 for each undertaking operating in the manufacturing of basic agricultural products,
- EUR 2,300,000 for each undertaking operating in the food industry and in other fields of activity.

Under such programs, eligible clients received grants in the form of interest for the financing obtained under such programs/subprograms, subsidizing the commissions related to the financing and, for part of the IMM INVEST subprograms, according to the State Aid Scheme. At 31 December 2022, the Bank registered 261 active contracts, with a financed value of RON 234 million.

Romania's GDP increased by 1.2% in the Q3 2022 compared to Q2 and by 4.6% compared to last year (seasonally adjusted data), a value which is higher than the annual growth recorded in the Euro zone of 2.1% and in the EU of 2.4%. On the supply side, most sectors grew in annual terms, with the exception of agriculture and industry. The biggest contributors to the 3.8% increase compared to last year (gross data) were professional and technical activities (+1.7 pp), IT (+1.4 pp), retail (+0.9 pp), real estate (+0.9 pp) and construction (+0.6 pp), while agriculture and industry had negative contributions (-1.7 pp and -0.6 pp). On the demand side, the main contributors were private consumption (+2.2pp) and investments (+3.8pp), while external demand decreased by -1.7pp, imports grew faster than exports, and the variation in stocks was -0.8pp.

Considering the large negative revisions of the National Institute of Statistics in the last quarters (-3.6 pp quarterly variation), the Bank has revised downward the GDP growth for 2022 to 4.7% year. Extensive statistical revisions have transformed Romania in the last two years from a state with delayed GDP growth into one of the best performers in the EU, the main engine of growth remaining private consumption, while investments only gained speed in Q3 of 2022 supported by the funds used from the Next Generation EU program (locally called PNRR). This has postponed the risk of a technical recession in 2022, but considering the downward trend in consumption from the second half of 2022, we expect the Romanian economy to go through a superficial technical recession in Q4 2022 and Q1 2023. The decrease will probably be compensated in the second half of 2023, when positive growth is expected in 2023, but at a much slower pace, below 2% YoY.

Faced with higher prices and interest rates, households made early purchases in the first half of 2022 and spent most of their reserve savings accumulated during the Covid pandemic (2020-2021), while borrowing more. However, inflation exceeded wage growth, with wages growing faster in sectors where they lagged behind in 2020-2021 or where the labor force deficit is high (IT, retail, leisure services and construction). Negative real wage growth slowed private consumption and lending in the second half of 2022, and this trend will continue at least into the first half of 2023. In 2023, we expect investment to triple its growth rate to around 8% year (compared to 3% year in 2022), especially the public investments supported by the considerable EU funds available under the NextGen EU program, as well as the delayed transfers from the EU budget for the period 2014-2020.

The financial statements were authorized for issue by the Board of Directors on 19 April 2023.

Eugen Goga,	Doina Andrei,
Vice President	Head of Finance Division

LIBRA INTERNET BANK