



**CARLO CANELLA**

Oil on canvas, 60.90 x 54.50 cm

Intesa Sanpaolo Collection

Gallerie d'Italia - Piazza Scala, Milan

(Verona, 1800 - Milano, 1879)

*The New Gallery in Milan with night-time passers-by, 1870*

# REPORT ON THE MANAGEMENT FRAMEWORK, OWN FUNDS AND CAPITAL REQUIREMENTS, CAPITAL SHOCK ABSORBERS

Reporting date: June 30, 2021

**Joint Stock Commercial Bank "EXIMBANK"**

Head Office: MD-2004, 171/1, Stefan cel Mare si  
Sfant blvd., Chisinau

Bank code/SWIFT EXMMMD22

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National Bank of Moldovei

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Banking System of the Republic of Moldova

Member of Intesa Sanpaolo Banking Group (Italy)

[www.eximbank.md](http://www.eximbank.md)

# Introduction

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In order to contribute to the transparency of the national banking system, JSCB “EXIMBANK”, hereinafter referred to as the Bank, submits for information to the public the annual report entitled: “Report on the management framework, own funds and capital requirements, capital shock absorbers” prepared in accordance with the provisions of the Regulation of the National Bank of Moldova on the requirements for publication of information by banks, approved by Decision of the Executive Committee of the National Bank of Moldova no.158 of July 9, 2020 (Official Gazette of the Republic of Moldova, 2020, no.188 -192, Article 667). The Bank's risk strategy is developed taking into account the current and projected economic and financial environment, as well as the Bank's business strategy.

The data of this publication refer to the reporting dated June 30, 2021, at the individual level.

Figures are expressed in thousands of MDL, individually, unless otherwise specified.

The financial statements have been prepared individually in accordance with the International Financial Reporting Standards adopted by the European Union.

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# Risk management objectives and policies

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The Bank pays an important attention to management and control of the risks in order to ensure both reliable and sustainable add value in a context of controlled risk in order to protect the Bank's and Intesa Sanpaolo Group's as well financial strength and reputation, and to allow a transparent presentation of the risk level of held portfolio. The risk management activity represents an essential position within the Bank's strategy, being considered a key element of development, profitability and business continuity.

The objective of the risk management strategy is to achieve a comprehensive/complete overview of risks, given the risk profile of the Bank, foster a culture of risk awareness and enhance the transparent and accurate representation of the risk level of the Bank's portfolios.

Within the Bank, the risk management process is ensured by Chief Risk Officer (CRO) through the Risk Management Department, which comprises the adequate mechanisms of corporate governance, clear lines of accountability at the organizational level and a well-defined and effective internal control system. The processes of monitoring and managing the Bank's comprehensive risk profile comprise the analysis of forms and scope of the risk. The processes also comprise the definition of risk appetite, the monitoring of the entire risk profile and the measures taken in case the approved limits are breached.

At the same time, the Bank, in line with the regulatory requirements and the Intesa Sanpaolo guidelines has established an independent risk management function, which is in terms of hierarchy and organization is separated from the business areas. The Risk Management Department is organizationally placed under the member of the Management Committee responsible for the risk area (Chief Risk Officer) under the direct supervision and responsibility of the Bank's Board of Directors, the independence of which is ensured by reporting directly to the Bank's Board of Directors. The role of the Risk Management Department is to identify, evaluate, report and control the risk profile of the Bank. In this regard, Risk Management Department proposes to the Bank's management the strategies and policies for risk management, issues the guidelines for the Bank's organizational units regarding the acceptable risk limits and ensures risk taking according to the regulations and instructions issued by different authorities. Moreover, it is responsible for defining and drafting the reports to be submitted to the top management and governance bodies of the Bank as well as to the Parent Company regarding the risk exposures that fall within the applied limits. The risk measurement and timely reporting are performed using daily data stored in the Bank's database, which is the basis for calculating and monitoring risk indicators. The scenarios of stress testing and stress testing exercises are performed consistently based on these data.

The most important principles of the Bank's risk-acceptance strategy are the following:

- the appropriate evaluation of business opportunities and the prevention of excessive risk-taking;
- to maintain an adequate level of capital and liquidity, both commensurate with the level of risk in accordance with regulatory provisions, and internal assessments;
- to minimize the risks, the Bank is exposed;
- establishing a set of fundamental standards for risk management within the Bank while maximizing potential gains;
- supporting the Bank's business strategy, ensuring the pursuit of commercial objectives in a prudent manner in order to maintain income stability and protect against unexpected losses;
- supporting the decision-making process at the Bank's level by providing an insight into the risks to which the Bank is exposed;
- ensuring compliance with best practices and compliance with regulatory requirements;
- promoting a risk culture integrated at all Bank's levels, based on a full understanding of the risks faced by the Bank and the way in which they are managed, taking into account the Bank's risk tolerance / appetite;
- both capital and shareholders interests protection as well the depositor's interests protection;

- ensuring a sustainable growth in the conditions of increasing profitability and maintaining a moderate risk profile;
- ensuring and maintaining a good reputation.

The identified and managed risks are the following:

#### A. Pilar I risks

- Credit risk;
- Market risk;
- Operational risk including the ICT one;

#### B. Pilar II risks

- Interest Rate risk;
- HTCS Portfolio Risk (Securities Portfolio);
- Strategic risk;
- Real Estate risk;
- Concentration risk;
- Compliance risk;
- Anti Money Laundering (AML) risk;
- Reputational risk;
- Liquidity risk;
- Country risk;
- Residual risk;
- Legal risk.

The individual assessments of each type of risk are integrated within a synthesis represented by the total economic capital. This is a key assessment for determining the Bank's financial position, risk tolerance and guiding the activity, respectively to ensure a balance between assumed risks and benefits for shareholders.

The economic capital absorption level is determined based on the current situation and forward-looking estimations, based on assumptions of the economic scenarios and budgeted estimations under normal and stressed conditions.

### **Risk tolerance**

The Bank has defined the maximum acceptable risk through a system of risk limits in terms of capital adequacy, liquidity and income stability. At the same time, the Bank, in coordination with Intesa Sanpaolo Group, as well as defined a system of limits regarding the monitoring of risk appetite on continuous basis.

**Credit risk:** Credit risk comes from the core business of the Bank, which is the lending activity and, according to its level of materiality represents the most important risk for the Bank.

It is parameterized through a range of internal normative acts designed for evaluation at the risk assumption stage and at the subsequent identification and monitoring stage.

The measurement of the Bank's capital exposure to credit risk is being carried out on both Pillar I as well as Pillar II levels. On Pillar I level the Bank follows the regulatory approach and determines the unexpected loss that it can incur, based on the standardized approach of risk-weighting assets, while on Pillar 2 level the Bank takes into consideration the additional losses on top of unexpected losses resulting under the Pillar I level, the former resulting from the specificities of the credit risk subtype, namely concentration risk.

**Operational risk:** the centralized operational risk management is based on the contribution of all Bank structures. The Risk Management Department is responsible for implementing the internal framework in order to assess this risk, to check the effectiveness of mitigation actions and reporting to the Bank's governance structure.

**ICT risk:** as operational risk sub-category, refers to the risk of loss/negative impact due to the compromise of information confidentiality, data integrity, information systems, unavailability of information and/or data systems and inability to change ICT over a given period and at a reasonable cost. These losses/negative impacts may be the product of external or internal factors, such as inadequate organization, insufficiently secured or malfunctioning information systems and network infrastructure, and insufficient staffing or insufficiently qualified staff who are in charge of the Bank's information system management.

**Market risk** (foreign exchange risk component): considering that the Bank is not allowed to perform any kind of trading activity nor it is allowed to hold a trading book, the only source of market risk is due to Foreign Exchange exposures.

**Interest rate risk regarding the banking book portfolio:** The Bank is exposed to the interest rate risk related to the banking book portfolio measured through shift sensitivity indicator to which is assigned a maximum exposure limit in accordance with the Bank's risk appetite. These limits are constantly monitored and periodically reported to the Bank's governance structures.

**HTCS portfolio risk:** in order to cover the unexpected losses resulted from the market changes in values of securities held by the Bank, additional capital was allocated to cover them.

**Strategic risk**, actual or perspective, is defined as the risk caused by potential fluctuations in earnings or in capital due to the pursuit of an unsuccessful business plan, poor business decisions, substandard execution of decisions, inadequate resource allocation, or from a failure to respond well to changes in the business environment. In this view, variations are caught from the Balance Sheet's Profit and Loss Account. Essentially, strategic risk is represented by the business margin volatility due to changes in revenues and costs. More in depth, strategic risk can be calculated as the difference between expected business margin and worst-case business margin, where the latter is defined by the level of certainty the Bank wishes to achieve.

**Real Estate risk:** it is measured in terms of how strategic decisions may affect the Bank's revenues, respectively a possible decrease in the value of the Bank's assets. In calculating the real estate risk, the Bank uses the approach proposed by the Parent Company.

**Concentration risk:** defines guidelines of risk allocation process in order to ensure the optimization of the loans portfolio for limiting the exposure on certain segments and to optimize the capital allocation. With the aim of measuring the capital related to the credit risk on Pillar II, the Bank determines the capital requirement for the concentration risk at the individual level, using the legal entities portfolio.

**Compliance risk:** its governance within the Bank is carried out with a view to prevent, ensuring firstly that external regulations are constantly monitored and adequately translated into internal guidelines, processes and procedures. At the same time, the governance of this risk is performed, not only from a preventive standpoint, but also through subsequent verification of the adequacy and effective application of internal processes and procedures and the organizational modifications suggested for prevention purposes and, generally, by controlling the effective respect for external and internal regulations by the Bank's structures.

**Anti-money laundering risk (AML):** the monitoring of anti-money laundering risk is an integral part of Bank's risk management and internal control systems and is pursued in accordance with internal normative provisions as well as regulatory and legal requirements to ensure the adequate control over the risk of money laundering and associated financial crimes.

**Reputational risk:** The Bank actively manages its image in the eyes of all stakeholders and aims to prevent and contain any negative effects on said image, including through robust, sustainable growth capable of creating value for all stakeholders, while also minimizing possible adverse events through rigorous, stringent governance, control and guidance of the activity performed at the various service and function levels. Reputation risk is generally a second-level risk and arises from a number of factors within and/or external to the Bank.

**Liquidity risk:** it is defined as the current or future risk of profit and capital losses resulting from the Bank's inability to meet its obligations upon maturity.

Liquidity risk management is carried out in compliance with local prudential requirements, as well as is monitored according to the Group's methodologies both in short term and in medium and long term.

**Country risk:** considering that the Bank's country risk is part of the ISP Group Portfolio model, its monitoring is done by the Parent Company and limits are defined as well at the Parent Company level.

**Residual risk:** represents the risk of profit and capital loss that may occur due to less effective than expected risk mitigation techniques, as these techniques generate new risks (such as liquidity and compliance risks) that could affect the effectiveness of mitigation techniques. For the purpose of monitoring and mitigating this risk, the Bank includes this risk in the risk assessment process related to the credit risk mitigation techniques to which the Bank is exposed.

**Legal risk:** it is related to the risk of losses resulting from breaches of laws or regulations, from contractual or out-of-contract responsibilities as well as other disputes. The Legal Department of the Bank ensures the correct administrative, legal and accounting management of litigations against the Bank, using and coordinating all the legal elements in order to protect the Bank's interests, following criteria of speed, efficiency and costs' moderation.

# Management framework

The Management Body of the Bank is represented by the Board of Directors and by the Management Committee of the Bank.

The members of the Board of Directors and of the Management Committee are responsible for the Bank's compliance with the legislation in force and for the fulfilment of all the requirements provided for by the Law nr.202/ 2017 on banking activity and the normative acts issued for its application, in accordance with the attribution set out in the Banks of Articles of Association.

The Board of Directors acts in the composition approved by the General Meeting of Shareholders dated April 17, 2018, more than that on December 22, 2020, the General Meeting of Shareholders approved the renewal of the mandates of the members of the Bank's Board for a term of 4 years in the same nominal and numerical composition, respectively the structure remained the same:

1. Massimo Lanza – Chairman
2. Marco Capellini - Deputy Chairman
3. Giovanni Bergamini - Member
4. Veronika Vavrova - Member
5. Francesco Del Genio - Member
6. Massimo Pierdicchi - Member
7. Adriana Carmen Imbarus - Member

The activity of the Management Committee is directly supervised by the Board of Directors. The Management Committee shall be in charge of managing the Bank's current activity and shall report to the Board.

The Management Committee consists of 3 persons appointed by the Board of Directors for a term of 4 (four) years.

The composition of the Management Committee includes:

1. General Manager– Marco Santini
2. First Deputy General Manager – Vitalie Bucataru
3. Deputy General Manager – Michele Castoro

The Board of Directors and the Management Committee of the Bank have at their individual and collective level the experience, competences, understanding and personal qualities, including professionalism and personal integrity, necessary to perform their duties properly, and have adequate knowledge of the areas for which they will have a collective responsibility, knowing on a collective level, the object of activity of the Bank and the risks associated with it, as well as having relevant experience for the activities carried out by the institution in order to ensure effective governance and supervision.

Therefore, the number of positions, according to art. 43, paragraphs no. (12), (13) and (14) of Law no. 202/2017, effectively held for each member of the Bank's management body are as follows:

No.	Name, Surname	Position	Date of approval by the National Bank of Moldova	The function(s) held
1	MASSIMO LANZA	Chairperson of the Board	28.04.2017	1. Member of Board of Directors of IMPACT SIM (01.06.2018) 2. Member of the Supervisory Board of Intesa Sanpaolo Banka Bosnia and Herzegovina (01.09.2018) 3. Chairperson of the Board of Directors of PM & Partners SGR (01.07.2020)



				4. Member of the Board of Directors of DAR Casa (01.04.2017)
2	MARCO CAPELLINI	Member of the Board, Vice-Chairperson	10.08.2018	General Manager EXELIA SRL - BRASOV (ROMANIA)
3	BERGAMINI GIOVANNI	Member of the Board	24.09.2018	1. Member of the Board of Directors, Intesa Sanpaolo Bank Romania (member of Intesa Sanpaolo) 2. Chairperson of the Audit and Risks Committee, Intesa Sanpaolo Bank (member of Intesa Sanpaolo)
4	FRANCESCO DEL GENIO	Member of the Board	07.08.2018	1. Head of the Credit Management Service of the Foreign Banks in General Division Foreign Banks credits, governing area - Chief Lending Officer, Intesa Sanpaolo S.p.A. Italy 2. Member of the Risk Committee of CIB Bank Budapest Hungary 3. Member and Vice-Chairperson of the Supervisory Board of CIB Bank Budapest Hungary
5	MASSIMO PIERDICCHI	Member of the Board	27.09.2018	-
6	IMBĂRUS ADRIANA CARMEN	Member of the Board	14.09.2018	Head of Human Resources and Organization Department, Intesa Sanpaolo Bank Romania S.A.
7	VERONIKA VAVROVA	Member of the Board	27.11.2018	Head of the Governance Systems and Processes & Business Conduct Advisory of the Governance and Strategic Initiatives Department of the International Subsidiary Banks Division
<b>Members of the Management Committee</b>				
1	MARCO SANTINI	General Manager	28.05.2018	-
2	VITALIE BUCĂȚARU	First Deputy General Manager	20.10.2006	-
3	MICHELE CASTORO	Deputy General Manager	03.12.2018	-

The requirements to the candidates for the position of member of the management body, the assessment conditions, the requested documents and the flow of approval or appointment are established in the „[Policy on appointment of members of management body and persons holding key positions within JSCB “EXIMBANK”](#)”. According to that, the Board of Directors adopts the necessary measures to ensure that each member of the Board of Directors and Management Committee as a whole are continuously adequate in terms of competence, reputation and correctness, integrity, independence of mind, time commitment and degree of diversification, and in terms of experience, age, gender and international profile, where necessary by proposing the necessary corrective actions. All these elements, based on extensive experience, knowledge and skills, diversity contribute to the improvement of the Board of Directors's work in their

supervisory role and contribute to the creation of the "group thinking" phenomenon, favoring the expression of objective and independent opinions and constructive debates in the decision-making process.

Thus, the composition of the Board of Directors shows compliance with the indicators of diversity-related to experience, age, sex, and international profile. Additionally, to the members of Management Committee were assigned a KPI for BY 2020, in line with BY2019 and with ISP Group Remuneration and Incentive Policies, titled „Diversity & Inclusion“. Being a qualitative KPI, relating to the actions envisaged by the ISP Group Business Plan, whose evaluation is usually objected by identifying project milestones and/or drivers, this was identified among the managerial qualities as a Group transversal KPI. The assessment result was approved at a level of 115%, according to the rating based on the results of specialized surveys combined with the level of diffusion of Smart Working initiatives.

**The Risk Committee** provides support to the Board of Directors in fulfilling its supervisory responsibilities regarding risk appetite and implementing the Bank's current and future risk strategy, as well as in monitoring the implementation of this strategy by the executive body. During 2020, the Risk Committee met in 6 meetings.

### **Information flow regarding risks to the management body**

The Bank has implemented standard risk reporting models in order to inform the structures of the management body, thus ensuring good communication, transparency and coherence in the data presented. Therefore, the Risk Management Department delivers to the Bank's management body information on the risks, evolutions, trends and results of controls, with a monthly / quarterly frequency within the specialised committees in which the members are persons from the management structure such as the Credit Risk Governance Committee, the Assets and Liabilities Management Committee, as well as the Bank's Management Committee. The Risk Management Department also informs on a quarterly basis the Board of Directors and the Audit and Risk Committee about the risks to which the Bank is exposed and recent developments.

The risks of compliance, reputational and money laundering and terrorist financing are managed by the Compliance Function (includes the AML Function), which according to the relevant internal regulations, periodically provides the Bank's management body with information flows.

Respectively, regarding the compliance risk, the Compliance Function prepares and submits to the management body reports on the compliance activity on a quarterly, half-yearly and annual basis.

According to the Bank's Compliance Policy, the quarterly report contains information on the activity of the Compliance Function performed in the managed quarter, as well as the progress recorded with regard to the Annual Compliance Program, and which includes at least the result of compliance checks performed, main deficiencies identified, measures applied in order to remedy them and the manner in which these measures were implemented. The half-yearly report includes a description of the activities carried out during the analyzed period, the critical situations detected and the remedial measures identified, and the annual report contains information on the identification and assessment of compliance risk and the scheduling of administrative interventions.

In addition, annually, the Compliance Function carries out the compliance risk assessment exercise, to which the Bank is exposed, the results of the assessment being included in the annual compliance report, which is approved by the management body.

With regard to the reputational risk, the Compliance Function shall annually inform the Bank's management body about the reputational risk situation with a description of the main activities undertaken in relation to the reputational risk management process and reputational risk events recorded and managed during the reporting period.

At the same time, about any significant event that could affect the Bank's reputation, the Compliance Function has the responsibility to inform the management body. It should be noted that the quarterly compliance reports also include the activities undertaken by the Compliance Function concerning the

reputational risk management. The annual reputational risk assessment is carried out at the level of the Parent Company in coordination with the Bank.

The AML risk at the Bank level is managed by the AML Function, which is part of the Compliance Function. Regarding the risk of AML managed, the communication processes with the management body include half-yearly reports on the controls performed, actions taken, deficiencies identified and corrective measures to be taken, as well as staff training, half-yearly reports on anti-money laundering training activities, terrorist financing and embargo management, as well as specific information on issues of particular relevance.

Annually, the Compliance Function and the AML Function elaborate the Plan for reducing the Bank's exposure to compliance, reputational and money laundering risks, the implementation of which is brought to the attention of the management body through compliance and AML reports.

# Remuneration policy and practices for the Bank's staff

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The Bank has a Remuneration and Incentive Policies that aims to facilitate and promote a healthy and effective risk management, sound and prudent shall not encourage risk-taking beyond the level of tolerated risk of the Bank, so as to correspond to the business strategy, objectives, values and long-term interests of the Bank. The document is a primary normative act which is approved by the Board of Directors.

The roles and responsibilities of the Corporate Bodies and Functions/Departments of the Bank for the adoption and implementation of the Bank Remuneration and Incentive Policies are as follow:

## 1. Shareholders' Meeting:

- acknowledges:
  - the Eximbank Remuneration and Incentive Policies that include in addition the Rules for identifying staff whose professional activities have a material impact on Eximbank risk profile;
  - the remuneration plans based on financial instruments;
  - the criteria for the determination of any amount to be granted in the event of early termination of the employment agreement or early termination of office, including the limits established for said amounts in terms of fixed annual remuneration and the maximum amount arising from the application of such limits;
- acknowledges the remuneration to be paid to the Board of Directors in the previous business year. The information must specify remuneration of each Member separately, it must show at least the split among fixed and variable remuneration, participation in the profit, options and other benefits, compensations of costs, insurance premiums, fees and other additional payments, if any;
- approves the remuneration of the members of the Board of Directors.

## 2. Board of Directors

- is responsible for approving and reviewing Eximbank Remuneration and Incentive Policies on annual basis;
- supervises, in cooperation with the Bank's Remuneration Committee, the implementation of the remuneration rules, and reviews the processes and practices related to remuneration and compliance with the Eximbank and ISP Group Policies, taking into account the long-term interests of Shareholders, the medium and long-term strategies and corporate objectives of the Bank and its risk profile as well as the input provided by all competent corporate functions and bodies (e.g. committees, control functions, human resources, strategic planning, budget function, etc.) and business units;
- ensures that the Remuneration and Incentive Policies are suitably documented and accessible within the Bank structures and that the staff are aware of the consequences of any breach of Legislation or the Bank's Code of Ethics or Code of Conduct;
- approves and reviews Eximbank Guidelines on remuneration, incentives and identification of staff that have a material impact on the risk profile of the Bank;
- approves the list of Legal Entity Risk Takers identified according to the criteria set out in the Regulation on requirements to members of the management body of the bank and the mixed financial holding company or holding company, the managers of the branch of a bank from another state, the persons holding key positions and the liquidator of the Bank in liquidation 292/2018;
- approves and reviews the criteria (defined in the Remuneration and Incentive Policies) to set the remuneration for the members of the Management Committee (including the General Manager), the other Legal Entity Risk Takers and the Heads of Internal Control Functions;
- approves the fixed pay levels for the members of the Management Committee (including the General Manager) and the Heads of Control Functions;
- with regard to the General Manager, the other members of the Management Committee and the Heads of Control Functions, approves and reviews in collaboration with ISB Division HR - on proposal of the Remuneration Committee - the assignment of the KPIs and targets of the performance scorecards,

the assessment of the level of achievement against performance targets and the amount of the bonus to be paid (if any);

- verifies – with the support of the Risk Management Department - that the remuneration and incentive systems, with specific regard to the incentive system for the members of the Management Committee (including the General Manager), are aligned with the Risk Appetite Framework and take into account the overall risks, capital and liquidity parameters;
- approves, before the bonus payout, the fulfilment of the gateway conditions both at Legal Entity and Group level required to make bonus pool available and, with regard to the members of the Management Committee and the Heads of Control Functions, assesses the fulfilment of the individual conditions required to make individual bonus available;
- is informed, at least on an annual basis, about the bonus pool at the Bank's level;
- assesses whether any malus condition is applied with regard to past variable remuneration;
- decide, if necessary, to employ for advice and assistance external consultants in the field of remuneration;
- examines the reports prepared by the Internal Audit Department at the end of any audit about the compliance and the correct implementation of the remuneration procedures and, if any, the corrective measures to be adopted.

The Board of Directors makes sure that the Remuneration and Incentive Policies and practices for the Bank's employees, including the members of the Board of Directors and management function, comply with the culture, objectives and long-term strategy, as well as with its control environment.

During 2020, the activity of the Board of Directors was assisted by four specialised committees as follows:

- The Audit Committee
- The Risk Management Committee
- The Nomination Committee
- The Remuneration Committee

On September 28, 2020, the Board of Directors approved the establishment of the Joint Audit and Risk Committee, following this decision, the Bank received the official permission of the National Bank of Moldova. Therefore, during the meeting of the Board of Directors, which took place on November 20, 2020, the individual and collective evaluation was carried out and the nominal composition of the following specialised committees of the Board was approved:

- The Audit & Risk Committee
- The Nomination Committee
- The Remuneration Committee

### **3. Remuneration Committee**

The Remuneration Committee has been set up by the Board of Directors in order to support it in all activities concerning remuneration. In particular, the Committee:

- independently assesses the remuneration principles and provides support to the Board of Directors concerning the adoption and regular review and update of the Remuneration and Incentive Policies, if appropriate, propose changes thereto;
- supports the Board of Directors in supervising the implementation of the remuneration rules, and reviews the processes and practices related to remuneration and compliance with the Bank and ISP Group Policies;
- ensures the adequacy of information provided to shareholders on remuneration policies and practices, in particular regarding the ratio between fixed and variable remuneration;

- reviews a number of possible scenarios to test how the remuneration policies and practices react to external and internal events, and back-tests the criteria used for determining the award and the ex-ante risk adjustment based on the actual risk outcomes with the involvement of Chief Risk Officer;
- ensures the involvement of the competent Bank's Functions in the process of preparation and control of the Remuneration and Incentive Policies and practices;
- reviews Eximbank Guidelines on remuneration, incentives and identification of staff that have a material impact on the risk profile of the Bank;
- reviews, before the approval of the Board of Directors, the list of Legal Entity Risk Takers identified according to the criteria set out in the Regulation on requirements to members of the management body of the bank and the mixed financial holding company or holding company, the managers of the branch of a bank from another state, the persons holding key positions and the liquidator of the Bank in liquidation 292/2018;
- assesses the criteria (defined in the Remuneration and Incentive Policies) to apply in determining the remuneration for the members of the Management Committee (including the General Manager), the other Risk Takers and the Heads of Internal Control Functions;
- assesses the fixed remuneration pay levels for the members of the Management Committee (including the General Manager) and the Heads of Control Functions;
- with regard to the General Manager, the members of the Management Committee and to Heads of Control Functions, reviews the assignment of the KPIs and targets of the performance scorecards, the assessment of the level of achievement against performance targets and the amount of the bonus to be paid;
- Ensures the adequacy of the information provided to the Shareholders' meeting on any information on remuneration policies and practices;
- Advises on the appointment of external consultants in the field of remuneration, which the Board of Directors may decide to employ for advice and assistance;
- assesses – with the support of the Risk Management Department, that the remuneration and incentive systems, with specific regard to the incentive system for the members of the Management Committee, are aligned with the Risk Appetite Framework and take into account the overall risks, capital and liquidity parameters.

In 2020, 6 meetings of the Remuneration Committee took place. On November 20, 2020, the Board of Directors approved the following composition of the Remuneration Committee:

- Carmen Imbarus, Chairperson
- Massimo Lanza, Member
- Massimo Pierdicchi, Member

#### **4. Risk Committee**

Without prejudicing the responsibilities of the Remuneration Committee, the Risk Committee supports the Board of Directors in analysing Eximbank Policies in order to verify their link with current and prospective risks, the capital strength and levels of liquidity of the Eximbank, with specific regard to the incentive systems to the members of the Management Committee.

The Risk Committee shall closely collaborate with the Remuneration Committee the activity of which can have an impact on the Bank's risk strategy. A member of the Risk Committee shall attend the meetings of the Remuneration Committee.

#### **5. HR & Organization Department**

The HR & Organization Department is responsible for:

- drawing up Eximbank remuneration and incentive Policies and ensuring its full implementation;
- identifying (and periodically reviewing) the Legal Entity Risk Takers according to the criteria set out in the Regulation on requirements to members of the management body of the bank and the mixed

financial holding company or holding company, the managers of the branch of a bank from another state, the persons holding key positions and the liquidator of the Bank in liquidation 292/2018 and sharing it with ISBD HR Department;

- proposing to the Board of Directors the criteria (defined in the Remuneration and Incentive Policies) to set the remuneration for the members of the Management Committee (including the General Manager), the other Risk Takers and the Heads of Internal Control Functions;
- proposing to the Board of Directors the fixed remuneration pay levels for the members of the Management Committee (including the General Manager) and the Heads of Internal Control Functions;
- with regard to the General Manager, the members of the Management Committee and to Heads of Control Functions, in collaboration with ISB Division HR, proposing to the Board of Directors the assignment of the KPIs and targets of the performance scorecards, the assessment of the level of achievement against performance targets and the amount of the bonus to be paid;
- providing to the Board of Directors the data and information to assesses the fulfilment of the gateway conditions both at Legal Entity and Group level required to make bonus pool available and, with regard to the members of the Management Committee and the Heads of Control Functions, to assesses the fulfilment of the individual conditions required to make individual bonus available;
- informing the Board of Directors, at least on an annual basis, about the funding of the bonus pool at Bank level;
- coordinating the flow of data and information in relation to the regular review of the Remuneration and Incentive Policies by the Internal Audit;
- handling, together with Compliance & AML Department, relations with the Supervisory Authorities and their requests for clarifications concerning the Remuneration and Incentive Policies and the identification of the staff that have a material impact on the risk profile of the Bank.

## **6. Planning & Control Department**

The Planning & Control Department, in collaboration with the Planning & Control Department of the Division, is involved in defining the Eximbank Remuneration and Incentive Policies, in order to ensure the consistency of the Incentive Systems with:

- the strategic short-and medium-long term objectives of the Eximbank;
- the capital strength and the liquidity level of Eximbank and of the Group.

The Planning & Control Department in collaboration with the Planning & Control Department of the Division supports the Departments in charge in identifying (and periodic monitoring) the parameters used to evaluate performance targets, on which the granting of incentives is based.

In addition, it provides data in relation to the actual value of the criteria set out in the Regulation on requirements to members of the management body of the bank and the mixed financial holding company or holding company, the managers of the branch of a bank from another state, the persons holding key positions and the liquidator of the Bank in liquidation 292/2018.

## **7. Risk Management Department**

The Risk Management Department, in collaboration with the Risk Management Function of ISP:

- assesses that the remuneration and incentive systems of the members of the Management Committee, are aligned with the Risk Appetite Framework and take into account the overall risks, capital and liquidity parameters (i.e. verifies the risk adjusted KPIs) provides a written opinion;
- participates in the ex-post risk adjustment of variable remuneration;
- assists the Remuneration Committee in risk-related matters.

## **8. Compliance & AML Department**

The Compliance & AML Department, in collaboration with the Compliance Function of ISP:

- verifies if the Policies are compliant with the applicable external and internal regulations (including ISP Group Remuneration and Incentive Policies) and provides a written opinion;
- assesses if the list of Legal Entity Risk Takers identified is compliant with the applicable external regulations and provides a written opinion;
- assists the Remuneration Committee in compliance matters;
- participates in the meetings of the Remuneration Committee concerning the aspects on which it provides its evaluation and at all other times when its presence is requested;
- participates in the decision procedure relating to the application of the malus or clawback mechanism in relation to compliance breaches;
- handles, together with the HR & Organization Department, relations with the Supervisory Authorities and their requests for clarifications concerning the Remuneration and Incentive Policies and the identification of Legal Entity Risk Takers.

## 9. Internal Audit Department

On an annual basis, the Internal Audit Department, in collaboration with the Audit Function of ISP, verifies the compliance of the remuneration implementation procedures to the relevant Policies and, in that context, it also checks the correct implementation of the process for identifying Legal Entity Risk Takers, informing the Board of Directors on the results of the verifications conducted. In making that verification, in compliance with NBM Regulation on Banking Activity Management Framework of December 20, 2018 (Art. 119), the Internal Audit Department shall also ensure that remuneration policies, practices and processes

- operate as intended in the Remuneration and Incentive Policies and in compliance with the applicable law and regulations;
- with specific regard to the remuneration payments, are appropriate according to the business model, risk profile, long-term objectives and other objectives of the bank and are adequately reflected;
- are consistently implemented within the Bank and ensure compliance with the provisions of Law no. 202/2017 and normative acts issued in support thereof and do not limit the ability of the Bank to maintain or restore a solid capital base per Art. 63, para. (1), of Law no. 202/2017.

The drafting of the Remuneration and Incentive Policies is carried out annually by the HR & Organization Department of the Bank.

In order to ensure the consistency of the Policies with ISP Group Remuneration and Incentive Policies, the ISB Division HR and the Development Policies and Learning Academy Head Office Department are involved. Specifically, at the beginning of the year, the Development Policies and Learning Academy Head Office Department inform the ISB Division HR about the changes regarding the ISP Group Remuneration and Incentive Policies that may impact on the Bank's Policies providing the review of such Policies. In turn, ISB Division HR informs the HR & Organization Department about them.

The HR & Organization Department verifies the applicability of the aforementioned changes for the Bank and the necessity to make other updating of the Policies (i.e. due to Organizational or/and regulatory framework changes) involving ISBD.

Moreover, at the Bank level, for the drafting of the Policies, the HR & Organization Department involves the following Departments in that process:

- the Planning and Control Department, in order to ensure consistency with:
  - the strategic short-and medium-long term objectives of the Bank and of the Group;
  - the level of capitalisation and liquidity of the Bank and of the Group.
- the Risk Management Department, in order to ensure consistency with the Bank's RAF;
- the Compliance & AML Department, in order to ensure compliance with the Legislation or the Bank's Code of Ethics or Code of Conduct.

Once the Policies have been draw-up with the involvement of the above-mentioned functions, they are shared with ISB Division HR and the Development Policies and Learning Academy Head Office Department to receive the final consent.



Once a first examination has been carried out, the HR & Organization Department submits the Policies to the Risk Management Department and the Compliance & AML Department of the Bank, prior to the start of the planned decision-making process by the Board of Directors, making sure those Departments are given enough time to carry out an in-depth review. The mentioned Departments shall coordinate themselves with the respective Functions of the Parent Company and provide formal written opinions on the relevant aspects.

Once received the consent from the Risk Management Department and the Compliance & AML Department and their written opinions, the Remuneration and Incentive Policies are subject to ISB Division HR and the Development Policies and Learning Academy Head Office Department for the final confirmation.

The HR & Organization Department presents the proposed Remuneration and Incentive Policies to the Remuneration Committee that:

- examines the proposal;
- acquires the written opinions of the Risk Management Department and the Compliance & AML Department, as well as any observations of the Risks Committee.

The HR & Organization Department thus submits to the Boards of Directors the Remuneration and Incentive Policies, together with the abovementioned written opinions.

The Board of Directors receives the Remuneration Committee Report and approves the Bank Remuneration and Incentive Policies.

The Board of Directors is entrusted with the responsibility of implementing the Remuneration and Incentive Policies in cooperation with the Bank's Remuneration Committee. During this process the Board of Directors will take into account the long-term interests of shareholder(s), the medium and long-term strategies and corporate objectives of the Eximbank and its risk profile.

**Employee remuneration is broken down into the following:**

- a) fixed component;
- b) variable component.

The Bank adopts a pay mix that is appropriately balanced, in order to:

- allow flexible management of labour costs, as the variable portion may significantly decline, even down to zero, depending on the performance actually achieved during the year in question or when the Group is not able to maintain or restore a solid capital base;
- discourage behaviour focused on the achievement of short-term results, particularly if these involve taking on greater risk.

In order to achieve the above objectives, in the Bank, in line with the ISP Group Policies, ex-ante limitations in terms of balanced maximums for variable remuneration have been established through the definition of specific caps on the increase of bonuses in relation to any over-performance.

This cap to the variable remuneration is determined in general in 100% of the fixed remuneration with the exception of the roles belonging to the Company Control Functions (all of them, independently from the position covered whether managerial or non-managerial) which a cap of 33% of the fixed remuneration is assigned to.

The Incentive Systems for the Bank personnel are subject to the minimum activation conditions requested by the Regulator and non-achievement of even only one of those conditions shall result in non-activation of the Incentive Systems.

These conditions are based, on a priority basis, on the principles envisaged by the prudential regulations concerning **sound capital base** and **liquidity**, represented by the consistency with the limits set as part of both ISP Group RAF and the Bank RAF as well as the principles of financial sustainability of the variable

component that consist in checking the availability of sufficient economic-financial resources to meeting the expenditure requirement.

The Incentive System for the Risk Takers and Managers aims to guide the behaviour and managerial actions towards reaching the objectives set for the Bank's strategy and in the Business plan and to reward the best annual performance assessed with a view to optimise the risk/return ratio.

This System is formalised through Performance Scorecards.

Performance Scorecards include both KPIs of an economic-financial nature and non-financial KPIs.

The KPIs identification process and the relative target setting and performance evaluation are described below, considering most significant economic and financial indicators for the achievement of the budget objectives, periodically monitored through internal reporting tools and available at Bank level and/or Division and/or consolidated level.

The Performance Scorecards guarantee the balance between the line of sight and the managerial solidarity/teamwork, and they include KPIs whose scope is:

- ISP Group for:
  - the General Manager, the First Deputy General Manager, the other Legal Entity Risk Takers and Middle Managers in Business and Governance functions who are evaluated on a financial KPI that is common to all the Scorecards of Group Risk Takers. For 2020, in line with the previous year, the Net Income is assigned as Group transversal KPI.
- ISBD for:
  - the General Manager and the First Deputy General Manager, who are evaluated on one KPI chosen from the KPIs assigned to the Head of Division to which the Bank belongs to;
- EXIMBANK for:
  - all the clusters of population since everybody is evaluated on at least either one financial or non-financial KPI whose scope is the Bank;
  - all the clusters of population who are evaluated also on a qualitative KPI relating to the actions envisaged by the ISP Group Business Plan, whose evaluation is usually objectified by identifying project milestones and/or drivers. For 2020, in line with 2019 and with ISP Group Remuneration and Incentive Policy, the "Diversity & Inclusion" is identified among the managerial qualities as a Group transversal KPI;
  - Legal Entity Risk Takers belonging to Corporate Control Functions only, an additional Group transversal KPI has been chosen and it lies in the "Risk Culture - Promoting awareness at all levels of the organization with respect to the emerging risks, with a particular focus on those connected to technological innovation, through information, awareness and training actions".

Finally, all Legal Entity Risk Takers and Managers in:

- Business and Governance Functions are evaluated on one KPI weighted up to 20% chosen from the KPIs assigned to any intermediate organizational level among the Division and one's own area of responsibility;
- Corporate Control Functions, considering that they functionally report to the relevant Control Function set at ISP level, are evaluated on one KPI chosen from the KPIs assigned to any intermediate organizational level among the Head of ISP Function and one's own area of responsibility.

Only in particular cases, it's possible to provide an additional KPI chosen from the KPIs assigned to any intermediate organizational level among the Head of the Function of the ISP Group and one's own area of responsibility as long as the maximum total weight of the two KPIs is in any case equal to 20%.

To each KPI is assigned a weight equal to at least 10% to ensure the relevance of the objective and up to 30%

The sum of the weights assigned to the KPIs of each section is equivalent to the overall weight of the section; this weight varies according to the macro-area pertaining to the population.

Specifically, for what regards the evaluation of the results and the definition of the individual awarding of the bonus for the Management Committee (including the General Manager) and the Heads of Control Functions, those are in charge of the Board of Directors in collaboration with the competent functions at Bank, Division and Group level, whilst for the other Legal Entity Risk Takers and Middle Managers, they are at the discretion of the Direct Head.

In any case, the individual bonus is defined taking into account the results of the performance evaluation, both in absolute and relative terms. In other words, the bonus proposal must be consistent with the relative level of performance achieved (i.e. the Legal Entity Risk Takers or Middle Manager with the best performance score should receive a bonus as a percentage of the fixed remuneration that is higher than the other colleagues).

Finally, regardless of the cluster of population, the accrued bonus is subject to an additional corrective mechanism that measures the residual structure risk level (Q-Factor) and that acts as a possible de-multiplier of the bonus achieved which is reduced by:

- 20% in case of a “very high” Q-Factor;
- 10% in case of a “high” Q-Factor.

The Q-Factor is based on factors relating to the control system and also considers other elements that are useful for the evaluation (Operational Losses, Findings of the Supervisory Authorities, Trends and weights of the critical issues in the Tableau de Bord of the Audit Function). The evaluation is based on a quantitative scale to which the residual risk judgement corresponds: Very High, High, Medium, Low.

Finally, it is noteworthy that:

- the evaluation of the performance scorecard covers a period of one business year;
- the bonus won't be paid if the total score of the performance evaluation is lower than 80% for those who belong to Business and Governance functions or lower than 90% for those who belong to Corporate Control functions;
- the pro-quota bonus may be paid only if the person has been employed for at least six months.

The Incentive System for the Professionals aims to reward the best annual performance assessed with a view to optimise the risk/return ratio.

The individual awarding of the bonus is at the discretion of the Direct Head, taking into account the results of the performance evaluation, both in absolute and relative terms. In other words, the bonus proposal must be consistent with the level of performance achieved, also taking into account Peers.

The methodology provides an evaluation based on KPIs and the assessment of role-specific Competences.

The KPIs (at least 2 and up to 5 KPIs per person) are of economic and financial nature and/or projects-related and their scope may be the employee's area of responsibilities or his/her Business Unit. To each KPI it is assigned a weight equal to at least 10% to ensure the relevance of the objective.

Instead, the Competences to be evaluated are five and specific for each role (i.e. Support, Analytics Professional, Client Oriented Professional, Senior Professional, Team Leader and Manager). They are represented by soft skills such as cross collaboration, customer focus, planning and execution and so on.

The final result of the performance evaluation is the average of both the KPIs and Competences evaluation and is expressed in a 5-level scale (Outstanding / above expectations / in line with expectations / partially in line with expectations / below expectations). It is noteworthy that the bonus for the Head Office population won't be paid if the performance evaluation is “below expectations”, meaning that the total score is lower than 1.5.

For what regards the Network and similar roles, the evaluation is carried out through the system that is based on a multi-level approach according to which the achievements are measured at Bank and individual level. The performance evaluation is based on a Performance Scorecard that provides for both financial and non-financial KPIs. The relative weight of the financial KPIs and quantitative KPIs not related to financial data is 70% whilst the one of qualitative non-financial KPIs is 30%.

Specifically:

- up to 4 financial KPIs (economic/financial/operational) and quantitative KPIs not related to financial data (eg. Net Promoting Score) may be set, whose measurement and payout frequency are defined by the Bank (semi-annually or quarterly). These KPIs are selected from a pre-set KPIs' list clustered by strategic driver (i.e. growth, efficiency, sustainability and profitability) and they are specific for each role. The minimum weight of each KPI is 10%.
- up to 3 qualitative non-financial KPIs may be set. Specifically:
  - 1 mandatory KPI composed by 3 behavioral drivers, pre-defined per role and weighted in total from 10% to 30%
  - other optional qualitative KPIs with a minimum weight of 10%
  - other optional qualitative KPIs on Corporate Control Function request (eg. Anti-Money Laundering) whose weight is indicated by the Corporate Control Function.

The payment of the individual bonus is, in any case, subject to the verification of the absence of the so-called individual compliance breaches i.e.:

- disciplinary measures involving suspension from service and pay for a period equal to or greater than one day, including as a result of serious findings received from the Bank's control functions;
- in case of breaches specifically sanctioned by the Supervisory Authorities regarding the requirements of professionalism, integrity and independence and following on the matter of transactions with related parties and of the obligations regarding remuneration and incentives referred to in CRD IV, if involving a penalty of an amount equal to or greater than 30,000 euro;
- behaviours that do not comply with the provisions of the law, the regulations, the Articles of Association or any other ethical or conduct codes defined ex ante by the Group and which produced a "significant loss" for the Bank or for customers.

In particular, failure to comply with the individual access conditions implies both the non-payment of the bonus accrued in the same year of the compliance breach is committed and the deletion of the deferred portions of the accrual conditions referred to the same year.

In case of deferral, each portion is subject to an ex-post adjustment mechanism - the so-called malus conditions - according to which the relative amount recognised and the number of financial instruments assigned, if any, may be reduced, even to zero, in the year in which the deferred portion is paid, in relation to the level of achievement of the minimum conditions set by the Regulator regarding the sound capital base and liquidity, represented by the consistency with the respective limits set as part of the Bank and ISP Group RAF, as well as the condition of financial sustainability.

- At ISP Group level:
  - Common Equity Tier Ratio (CET1) at least equal to the limit set by the RAF (capital adequacy condition);
  - Net Stable Funding Ratio (NSFR) at least equal to the limit set by the RAF (liquidity condition);
  - No loss and positive Gross Income<sup>1</sup>(except for the Network Incentive System).
- At the Bank level:

- Common Equity Tier Ratio (CET1) at least equal to the limit set by Eximbank RAF (capital adequacy condition);
- Net Stable Funding Ratio (NSFR) at least equal to the limit set by Eximbank RAF (liquidity condition);
- No loss and positive Gross Income

In case one of the conditions of sound capital base or of liquidity does not occur individually, the deferred portion is brought down to zero; if the condition of sustainability is not met, the deferred portion is reduced by 50%.

For the verification of the malus conditions it shall be considered the perimeter of the Legal Entity where the person was employed when awarded the bonus to which the deferred portions are referred to.

The clawback mechanisms, namely the return of bonuses already paid as required by regulations, as part of:

- disciplinary initiatives and provisions envisaged for fraudulent behaviour or gross negligence by personnel, also taking into account the relative legal, contribution and fiscal profiles;
- behaviour non-compliant with the legal and regulatory provisions, Articles of Association or any codes of ethics and conduct established ex ante by the Group and from which a “significant loss” derived for the Bank or the customer,

may be applied in the 5 years following the payment of the individual portion (up-front or deferred) of variable remuneration.

The remuneration payment methods are governed by specific instructions in the Supervisory Provisions concerning remuneration with particular reference to the deferral obligations, the type of payment instruments and the retention period envisaged for the possible portion paid as financial instruments.

In compliance with the Supervisory Provisions, the financial instruments used by the Intesa Sanpaolo Group to pay the variable remuneration are Intesa Sanpaolo shares.

The termination of the employment agreement involving personnel with state pension or seniority pension rights does not result in loss of the right to payment of the entitled variable remuneration amounts, even deferred.

In all other cases, the Bank has the right to award any amounts, depending on the specific situations, upon termination of the employment agreement, also through consensual retrenchment agreements providing termination payments (Mutual Termination Agreements).

In compliance with the principles contained in the Group's Code of Ethics, the Intesa Sanpaolo Group does not enter into ex-ante individual agreements with its employees (i.e. prior to termination of the employment agreement) that govern compensation to be granted in the event of early termination of the employment agreement.

The total remuneration paid by the Bank in 2020 was 68 988 678.43 MDL, out of which:

- Business – 8 314 283.28 MDL
- Network – 18 199 126.90 MDL
- Control functions – 6 950 253.40 MDL
- Governance – 35 525 014.85 MDL

	<b>Total (MDL)</b>	<b>No of beneficiaries</b>
Fixed remuneration	63 109 992.43	383
Variable remuneration	5 878 686.00	180

The amount of deferred remuneration due and unpaid, splitted into parts according to the set criteria, is the equivalent of MDL 956 287.94, paid in the form of shares (at the NBM exchange rate for 31.12.2020 MDL / EUR = 21.1266).

	<b>Total (MDL)</b>	<b>No of beneficiaries</b>
entry bonus	146 000	3
severance	-	-

5 employees earned a cumulative remuneration equal to or more that 1 mln. MDL in BY 2020.

	<b>Total (MDL)</b>
aggregate remuneration for members of BoD	990 922.60
aggregate remuneration for members of Management Committee	9 298 633.81

## Own funds

With the implementation by the National Bank of Moldova of Regulation no. 109 of 24.05.2018 on banks' own funds and capital requirements, the structure of own funds is defined, as well as the eligibility criteria which capital instruments must meet in order to be included in Common Equity Tier 1 Capital, Additional Tier I Capital, or Tier II Capital.

The structure of the Bank's Own Funds items as of 30.06.2021 are summarized in the table below:

<b>Element</b>	<b>Value (MDL)</b>
Own funds	976,543,218
Tier I Capital	976,543,218
Common Equity Tier I Capital	976,543,218
ADDITIONAL TIER I CAPITAL	0
TIER II CAPITAL	0

Annex 1 reports the full form of disclosure of the Bank's Own Funds, including prudential filters and deductions applied as provided by art.56. point 1 of the NBM Regulation on publication requirements of information by banks.

The completed reconciliation of Own Funds elements with the Financial Statements as of 30.06.2021 is presented as follows:

<b>Financial Statement</b>	<b>MDL</b>
Cash, cash balances with central banks and other demand deposits	1,070,979,171
Financial assets measured at fair value through other comprehensive income	10,000
Financial assets at amortized cost	3,133,183,893
Tangible fixed assets	256,303,374
Intangible assets	32,296,121
Tax claims	13,486,461
Other assets	23,792,608
Fixed assets and disposal groups, classified as held for sale	22,380
<b>Total assets</b>	<b>4,530,074,008</b>

Financial liabilities measured at amortized cost 3,340,668,705

Provisions	17,024,814
Tax liabilities	2,461,617
Other debts	89,103,187
Equity	1,080,815,685
<b>Total liabilities and equity</b>	<b>4,530,074,008</b>
Paid capital instruments	1,250,000,000
Reported result	-211,399,924
Other elements of comprehensive income	23,550,318
<b>Common Equity Tier 1 Capital before applying prudential filters</b>	<b>1,062,150,394</b>
Adjustments to common equity tier 1 capital due to prudential filters	-53,311,055
Other intangible assets	-32,296,121
<b>Common Equity Tier 1 Capital</b>	<b>976,543,218</b>

The capital instruments are qualified as Common Equity Tier I Capital instruments if the eligibility criteria listed below are met:

- the instruments are issued directly by the Bank with the prior consent of the Bank's shareholders or of its governing body;
- the instruments are paid in full with funds, and their acquisition is not financed directly or indirectly by the Bank;
- the instruments cumulatively meet the following conditions regarding their classification:
  - they qualify as equity subscribed by shareholders;
  - they are classified as equity within the meaning of the accounting framework;
  - they are classified as equity for the purpose of determining negative net assets;
- the instruments are presented clearly and distinctly in the balance sheet of the financial statements of the Bank;
- the instruments are perpetual;
- the amount of the principal instrument cannot be reduced or refunded, except in any of the following cases:
  - liquidation of the Bank;
  - discretionary repurchase of instruments (acquisition of shares) or other discretionary means of capital reduction, if the Bank has previously received the approval of the National Bank of Moldova;
  - the provisions governing the instruments do not explicitly or implicitly state that the amount of the principal of the instruments would be or could be reduced or returned in cases other than the liquidation of the Bank, and the Bank does not otherwise provide such an indication before issuance, or when issuing instruments;
- the instruments meet the following conditions in terms of distributions:
  - there is no preferential distribution treatment in terms of the order in which distributions are made, including in relation to other Common Equity Tier 1 Capital instruments, and the conditions governing the instruments do not provide preferential distribution rights;
  - distributions to instrument holders can only be made from items that can be distributed;



- the conditions governing the instruments do not include a ceiling or other restriction on the level of distribution;
- the level of distributions is not determined based on the purchase price of the instruments at issue;
- the conditions governing the instruments do not include any obligation for the Bank to make distributions to their holders, and the Bank is not otherwise subject to such an obligation;
- non-distribution does not constitute a non-reimbursement event for the Bank;
- cancellation of distributions does not impose restrictions on the Bank.
- compared to all equity instruments issued by the Bank, the instruments absorb firstly and proportionally most of the losses as they arise, and each instrument absorbs losses to the same extent as the other Common Equity Tier 1 Capital instruments;
- the instruments are of a lower rank than all other receivables in case of liquidation of the Bank;
- the instruments give their owners the right to a claim on the residual assets of the Bank, which, in case of liquidation and after payment of all priority receivables, is proportional to the sum of such instruments issued, is not fixed and is not subject to a cap;
- the instruments are not guaranteed nor are they subject to a guarantee that increases the priority of payment of receivables, by any of the following:
  - the Bank or its subsidiaries;
  - the parent company of the Bank or its subsidiaries;
  - the parent holding company or its subsidiaries;
  - the mixed-activity holding company or its subsidiaries;
  - the mixed financial holding company and its subsidiaries;
  - any undertaking which has close links with the entities referred to in points above;
- the instruments are not subject to any contractual or other arrangement, which increases the priority of payment of receivables recorded under the instruments in case of insolvency or liquidation.

The capital instruments are qualifying as Tier II capital instruments if the eligibility conditions listed below are met:

- the instruments are issued or, as the case may be, the subordinated debts are obtained and paid in full;
- the instruments are not acquired or, as the case may be, the subordinated debts are not granted by any Bank or its subsidiaries an enterprise in which the Bank holds a shareholding consisting in holding, directly or through control, at least 20% of the voting rights, or from the capital of the respective enterprise;
- the purchase of instruments or, as the case may be, the granting of subordinated loans is not financed directly or indirectly by the Bank;
- the claim on the principal of the instruments, under the provisions governing the instruments or, as the case may be, the claim on the principal of the subordinated loans, under the provisions governing the subordinated liabilities, is wholly subordinated to the claims of all non-subordinated creditors;
- the instruments or, as the case may be, the subordinated debts are not guaranteed nor are they subject to a guarantee that increases the rank of priority for the payment of receivables;
- the instruments or, as the case may be, the subordinated debts are not subject to any provision that increases the rank of priority for payment of the receivables registered under the instruments or, respectively, of the subordinated loans;
- the instruments or, as the case may be, the subordinated debts have an initial maturity of at least five years;
- the provisions governing the instruments or, as the case may be, the subordinated debts do not include any incentive for the repayment or, as the case may be, the redemption of the principal amount by the bank before maturity;

- if the instruments or, as the case may be, subordinated liabilities include one or more call options or early repayments, as the case may be, the options are exercised at the sole discretion of the issuer or the debtor, as the case may be;
- the instruments or, as the case may be, the subordinated debts may be repaid, repurchased, returned or the related purchase options may be exercised in advance and not earlier than five years from the date of issue;
- the provisions governing the instruments or, as the case may be, the subordinated debts do not explicitly or implicitly indicate that the instruments or, as the case may be, the subordinated debts will be or could be repaid, repurchased, returned or that the related purchase options may be exercised in advance, as the case may be, by the Bank in other cases than the liquidation of the Bank, and the Bank does not make any other mention in this respect;
- the provisions governing the instruments or, as the case may be, subordinated debts, do not give the holder or, as the case may be, the lender the right to accelerate future scheduled interest or principal payments, except in case of liquidation of the bank without changing the order of priority;
- the level of interest or dividend payments, as the case may be, related to the instruments or, as the case may be, to the subordinated loans will not be changed based on the rating of the Bank or its parent company;
- if the instruments are not issued directly by the Bank or, as the case may be, if the subordinated debts are not obtained directly by the Bank, the following two conditions are met cumulatively:
  - the instruments are issued or, as the case may be, subordinated liabilities are obtained through an entity that is not included in prudential consolidation;
  - the Bank may immediately dispose of the income generated by these instruments, without restrictions and in a form that satisfies the conditions set out in this point.

It is necessary to mention that as of 30.06.2021 the Bank does not hold instruments of Additional Tier I Capital and Tier II Capital.

At the same time, the Common Equity Tier 1 Capital has the characteristics disclosed in Annex 2.

# Capital requirements

In order to determine the Capital Requirements, the Bank applies the standardized approach provided by the regulations of the National Bank of Moldova.

The brief breakdown of the capital requirements maintained as of June 30, 2021 is the following:

<b>Indicator</b>	<b>MDL</b>
Tier I capital	976,543,218.00
Tier II capital	-
<b>TOTAL CAPITAL</b>	<b>976,543,218.00</b>
Capital requirements for credit risk	175,020,490.40
Capital requirements for operational risk	28,137,023.00
Capital requirements for position and foreign exchange risk	9,871,082.00
<b>TOTAL CAPITAL REQUIREMENTS</b>	<b>213,028,595.40</b>
Common Equity Tier I Capital ratio	45.84%
Tier I Capital ratio	45.84%
Total Capital ratio	45.84%

Annex 3 discloses the information about the risk-weighted value of the exposures for each exposure class and the minimum own funds requirements calculated as mentioned in the NBM Regulation on the publication requirements of information by banks art.59, pt.4 - 5.

## Internal capital requirements

In order to assess the adequacy of internal capital, the Bank has assessed such risk categories as credit risk, foreign exchange risk (market component), operational risk, interest rate risk for the banking book activities, residual risk, concentration, HTCS portfolio risk, strategic risk, real estate risk, reputational risk, external risks, compliance risk, ICT risk, country risk, AML risk. The internal capital related to these risks, determined based on Group or local models, is summed and compared with the value of Available Financial Resources. Thus, as of 30.06.2021 results in a coverage of internal capital requirements equal to 283.30%.

As a result of Supervisory Review and Evaluation Process on 30.12.2020 the Bank received the NBM decision (for the situation of 31.12.2018). Thus, according to the preventions of art.139 par. (3) let. a) of Law no. 202/2017 the Bank, starting with 31.12.2020, must maintain a total own funds rate of at least 19.89% (compared to the minimum requirement of 10%), including:

- the minimum own funds requirement of 10.0% (consisting of at least 5.5% Common Equity Tier 1 Capital and 7.5% Tier 1 Capital, respectively) to be maintained on a permanent basis in accordance with the NBM Regulation on bank's own funds and capital requirements, no. 109;
- an own funds requirement of 9.89%, which will be maintained in addition to the minimum legal own funds requirement, being composed of at least 5.44% Common Equity Tier 1 and 7.42% Tier 1 own funds (i.e CET 1 rate of 10.94% (vs regulatory requirement of 5.5%) and Tier 1 capital rate of 14.92% (vs regulatory requirement of 7.5%).

# Credit risk

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Credit risk management is integrated into the Bank's risk management process. Credit risk is inherent in banking activity, for which its administration is a continuous, formal and systematic activity and is a component of a sound management of the Bank's activity. Credit risk management allows the early identification of risk positions, leading at the same time to the improvement of the decision-making process, contributing to the increase of the results and the increase of the responsibility of the decision-making activity.

The most important principles used in credit risk management are:

- identification, monitoring, control and administration of credit risk are activities that take place both at the level of the Bank's territorial units and at the level of the headquarters;
- analyzing the aspects that can lead to the registration of potential losses, at the level of an individual, at the level of a loan, and as a whole, at the level of the portfolio, when the circumstances / conditions in which the client carries out his activity change significantly;
- establishing a credit risk policy to identify impaired assets and the methods used to assess them, as well as the associated internal controls;
- establishing and implementing processes and controls in order to determine the degree of non-repayment of the debtor, representing the basis for the provision of loans at portfolio and individual level. At the same time, in accordance with the requirements of IFRS 9, the Bank thus determined the categories of loans with similar characteristics, in order to establish the deterioration and collective provisioning amount of the portfolio.

Credit risk is differently assessed at the Bank level for all groups of assets held, globally or analytically, depending on the type of asset. Thus, loans to non-bank counterparties are included in a predefined flow of customer management and detection of possible negative signals that confirm or not the occurrence of an increased credit risk at the level of the balance sheet position. These items are reported monthly to the Credit Risk Governance Committee. Assets, with financial institutions as counterparties, are valued taking into account the external rating and fixed exposure limits, monitored daily by the Risk Management Department. Exposures to sovereign entities are also constantly monitored in order to meet the risk appetite assumed and communicated monthly to the corporate bodies.

The credit risk related to all Bank's assets is measured by the monthly calculation of risk-weighted assets indicator and the corresponding capital requirement and the monitoring of subsequent evolutions.

## Credit concentration risk

The granting of loans and credit facilities, gives rise to the risk of non-repayment of debt. This risk affects balance sheet items such as receivables measured at amortized cost and off-balance sheet items. The credit concentration risk could cause a significant loss for the Bank, if a change in economic conditions would affect the entire industry or the entire country.

The Bank minimizes the risk related to the lending activity by carefully evaluating credit applications, setting exposure limits for the customer, requesting appropriate guarantees and applying a prudent provisioning policy, when there is risk of a possible loss.

The amount of credit risk weighted exposures (RWAs) is shown in the table below:

Element	Amount (MDL)	Minimum capital requirements (MDL)
Risk-weighted amounts of credit risk exposures, counterparty credit risk and incomplete transactions	1,750,204,904	175,020,490

Standardised approach (SA)	1,750,204,904	175,020,490
SA exposures excluding securitization positions	1,750,204,904	175,020,490
Central government or central banks	100,073	10,007
Regional government or local authorities	0	0
Public sector entities	0	0
Multilateral development banks	0	0
International organisations	0	0
Banks	1,441,637	144,164
Investment entities	477,301,275	47,730,128
Retail	185,761,872	18,576,187
Secured by mortgages on immovable property	573,791,788	57,379,179
Exposures in default	9,988,558	998,856
Higher-risk categories	0	0
Covered bonds	x	x
Receivables from institutions and corporates with a short-term credit assessment	221,522,437	22,152,244
Collective investment undertaking (OPC)	0	0
Equity	9,800	980
Other items	280,287,464	28,028,746

At the same time, the total amount of exposures after accounting netting and without taking into account the effects of credit risk mitigation techniques, as well as the average amount of exposures for the period, broken down by exposure classes as provided in the NBM Regulation on publication requirements of information by banks, is presented below:

Exposure classes in SA	Exposure without value adjustments and without provisions, MDL	Average exposure for 2021, MDL
<b>Standardized approach (SA)</b>	<b>4,791,488,477</b>	<b>4,694,810,776</b>
Central government or central banks	1,791,893,570	1,741,651,582

Regional government or local authorities	0	0
Public sector entities	0	0
Multilateral development banks	0	0
International organizations	0	0
Banks	1,441,637	1,286,588
Corporates	573,878,315	645,649,253
Retail	339,868,134	411,853,210
Secured by mortgages on immovable property	1,031,672,939	760,062,564
Exposures in default	9,988,558	9,944,830
Higher-risk categories	0	0
Covered bonds	x	x
Receivables from institutions and corporates with a short-term credit assessment	461,737,628	564,417,203
Collective investment undertaking (CIU)	0	0
Equity securities	9,800	9,800
Other items	580,997,895	559,935,745
<b>Total</b>	<b>4,791,488,477</b>	<b>4,694,810,776</b>

The table below reflects the performing and non-performing exposures and related provisions amounts that provide an overview of the quality of exposures and related provisions and valuation adjustments divided by portfolios and exposure classes:

Name of the indicator	Accounting value	Gross accounting value				Cumulative impairment			Cumulative value of amounts taken partially off-balance sheet	Cumulative value of amounts taken integrally off-balance sheet
		Assets without a significant increase in credit risk after initial recognition (stage 1)	of which: low credit risk instruments	Assets with a significant increase in credit risk after initial recognition, but not impaired (stage 2)	Impaired assets (stage 3)	Assets without a significant increase in credit risk after initial recognition (stage 1)	Assets with a significant increase in credit risk after initial recognition, but not impaired (stage 2)	Impaired assets due to credit risk (stage 3)		
B	010	015	020	030	040	050	060	070	080	090
Debt securities	945,874	956,722	0	0	0	10,848	0	0	0	0

Central banks	696,231	699,772	0	0	0	3,541	0	0	0	0
Public sector entities	249,644	256,950	0	0	0	7,307	0	0	0	0
Banks	0	0	0	0	0	0	0	0	0	0
Other financial entities	0	0	0	0	0	0	0	0	0	0
Non-financial entities	0	0	0	0	0	0	0	0	0	0
<b>Minimum required reserve for assets attracted in freely convertible currency</b>	<b>414,545</b>	<b>416,652</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,108</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loans and advances</b>	<b>1,772,765</b>	<b>1,679,267</b>	<b>0</b>	<b>133,453</b>	<b>55,100</b>	<b>35,638</b>	<b>24,861</b>	<b>34,556</b>	<b>0</b>	<b>1,203,726</b>
Central banks	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0	0	0
Institutions	134,773	134,821	0	0	0	48	0	0	0	0
Other financial entities	65,425	67,083	0	0	0	1,658	0	0	0	0
Non-financial entities	633,426	541,531	0	111,935	17,058	12,153	16,920	8,025	0	1,202,443
Corporates	350,932	311,211	0	54,110	0	6,798	7,591	0	0	0
SME	282,488	230,315	0	57,825	17,058	5,356	9,329	8,025	0	1,202,443
Non-SME	6	6	0	0	0	0	0	0	0	0
Households	939,141	935,831	0	21,518	38,042	21,778	7,941	26,530	0	1,283
<b>FINANCIAL ASSETS AT AMORTISED COST</b>	<b>3,133,184</b>	<b>3,052,641</b>	<b>0</b>	<b>133,453</b>	<b>55,100</b>	<b>48,593</b>	<b>24,861</b>	<b>34,556</b>	<b>0</b>	<b>1,203,726</b>
out of which: financial assets acquired, impaired as a result of credit risk	0	0	0	0	0	0	0	0	0	0

The distribution of exposures by business sectors and by types of counterparties, broken down by exposure classes is presented in the table below:

Elements	Central government or central banks	Banks	Corporates	Retail	Secured by mortgages on immovable property	Exposures in default	Institutions and corporates with a short-term credit assessment	Equity	Other items	TOTAL
Loans granted to the agriculture industry	0	0	99,966	17,067	16,880	0	0	0	0	134
Loans granted to the trade industry	0	0	182,478	21,993	129,836	4,798	0	0	0	339
Loans granted in the construction industry	0	0	0	539	1,110	0	0	0	0	2
Loans granted to the services industry	0	0	973	12,452	27,227	0	0	0	0	41
Loans granted to the transport, telecommunications and network development industries	0	0	79,945	7,933	13,499	0	0	0	0	101
Loans granted to the food industry	0	0	3,840	2,046	2,963	0	0	0	0	9
Loans granted to the energy industry	0	0	0	0	112,014	0	0	0	0	112
Loans granted to the productive industry	0	0	20,220	7,419	17,010	0	0	0	0	45
Loans granted to the non-banking financial industry	0	0	83,561	3,262	16,443	0	0	0	0	103
Loans granted for the purchase / construction of real estate industry	0	0	500	88,245	675,120	4,746	0	0	0	769
Loans granted to individuals practicing activities	0	0	0	23	16	0	0	0	0	0
Consumer loans	0	0	38	126,200	907	320	0	0	0	127
Other	1,791,894	1,442	101,769	24,692	14,355	13	461,738	10	580,998	2,977
<b>Total</b>	<b>1,792</b>	<b>1</b>	<b>573</b>	<b>312</b>	<b>1,027</b>	<b>10</b>	<b>462</b>	<b>0</b>	<b>581</b>	<b>5</b>

The distribution of exposures by residual maturity, broken down by exposure classes, is as follows:

Elements	On demand	Up to 1 year	1-5 years	More than 5 years	Without maturity	Grand Total
Central government or central banks	417,837	939,312	6,563	0	428,182	1,792
Institutions	1,442	0	0	0	0	1
Corporates	0	192,714	306,923	74,240	1	574
Retail	0	40,668	193,224	105,324	652	340



Secured by mortgages on immovable property	0	32,586	321,619	677,469	0	1,032
Exposures in default	0	339	5,044	4,592	13	10
Exposures to institutions and corporates with a short-term credit assessment	333,658	128,080	0	0	0	462
Equity exposures	0	0	0	0	10	0
Other exposures	301,565	0	0	0	279,433	581
<b>Total</b>	<b>635</b>	<b>128</b>	<b>0</b>	<b>0</b>	<b>279</b>	<b>1</b>

The amount of impaired and expired exposures, separated and broken down by geographical area is shown in the table below:

Geographic Area	Outstanding exposures (MDL)				Impaired exposures (MDL)			
	Gross Exp.	Impairments		Net Exp.	Gross. Exp.	Impairments		Net. Exp.
		Individual	General			Individual	General	
<b>Republic of Moldova</b>	70,117	6,358	26,060	37,699	55,100	7,208	27,348	20,544

The table below summarizes a reconciliation of changes in specific and general credit risk adjustments for impaired exposures:

Name of Indicator	Opening balance	Increases due to initiation and acquisition	Decreases due to derecognition	Changes due to changes in credit risk (net)	Variations due to changes without recognition (net)	Changes due to updated institution estimation methodology (net)	Diminution of the impairment adjustment account due to off-balance sheet write-offs	Other adjustments	Closing balance	Recoveries of amounts previously removed from the balance sheet, recorded directly in the statement of profit or loss	Amounts taken directly from the profit or loss statement
<b>Adjustments for financial assets without a significant increase in credit risk after initial recognition (stage 1)</b>	<b>35,192</b>	<b>46,942</b>	<b>40,377</b>	<b>4,614</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>114</b>	<b>46,486</b>	<b>0</b>	<b>0</b>
Debt securities	8,556	39,376	37,085	0	0	0	0	0	10,848	0	0
Central banks	1,236	18,123	15,818	0	0	0	0	0	3,541	0	0
Public sector entities	7,321	21,253	21,267	0	0	0	0	0	7,307	0	0
Institutions	0	0	0	0	0	0	0	0	0	0	0
Other financial entities	0	0	0	0	0	0	0	0	0	0	0
Non-financial entities	0	0	0	0	0	0	0	0	0	0	0
<b>Loans and advances</b>	<b>26,636</b>	<b>7,566</b>	<b>3,292</b>	<b>4,614</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>114</b>	<b>35,638</b>	<b>0</b>	<b>0</b>
Central banks	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0	0	0	0
Institutions	148	89	195	0	0	0	0	6	48	0	0
Other financial entities	212	1,094	1,366	1,719	0	0	0	0	1,658	0	0
Non-financial entities	6,932	1,842	102	3,374	0	0	0	106	12,153	0	0

Corporates	3,755	731	0	2,231	0	0	0	80	6,798	0	0
SME	3,176	1,111	102	1,144	0	0	0	26	5,356	0	0
Non - SME	1	0	0	-1	0	0	0	0	0	0	0
Households	19,344	4,541	1,629	-479	0	0	0	2	21,778	0	0
out of which: collectively assessed adjustments	35,192	46,942	40,377	4,614	0	0	0	114	46,486	0	0
out of which: individually assessed adjustments	0	0	0	0	0	0	0	0	0	0	0
<b>Adjustments for debt instruments with a significant increase in credit risk after initial recognition, but not impaired (stage 2)</b>	<b>52,274</b>	<b>1,259</b>	<b>1,165</b>	<b>-27,714</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>208</b>	<b>24,861</b>	<b>0</b>	<b>0</b>
<b>Debt securities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Central banks	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	0	0	0	0	0	0
Other financial entities	0	0	0	0	0	0	0	0	0	0	0
Non-financial entities	0	0	0	0	0	0	0	0	0	0	0
<b>Loans and advances</b>	<b>52,274</b>	<b>1,259</b>	<b>1,165</b>	<b>-27,714</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>208</b>	<b>24,861</b>	<b>0</b>	<b>0</b>
Central banks	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	0	0	0	0	0	0
Other financial entities	3,484	0	3	-3,525	0	0	0	44	0	0	0
Non-financial entities	38,215	1,239	986	-21,711	0	0	0	163	16,920	0	0
Corporates	25,636	980	200	-18,881	0	0	0	57	7,591	0	0
SME	12,579	259	786	-2,830	0	0	0	106	9,329	0	0
Non - SME	0	0	0	0	0	0	0	0	0	0	0
Households	10,575	20	176	-2,478	0	0	0	0	7,941	0	0
out of which: collectively assessed adjustments	52,274	1,259	1,165	-27,714	0	0	0	208	24,861	0	0
out of which: individually assessed adjustments	0	0	0	0	0	0	0	0	0	0	0
out of which: non-performing	0	x	x	x	0	x	0	x	0	x	0
<b>Adjustments for impaired debt instruments (step 3)</b>	<b>28,844</b>	<b>0</b>	<b>356</b>	<b>6,007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60</b>	<b>34,556</b>	<b>1,053</b>	<b>0</b>
<b>Debt securities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Central banks	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	0	0	0	0	0	0
Other financial entities	0	0	0	0	0	0	0	0	0	0	0
Non-financial entities	0	0	0	0	0	0	0	0	0	0	0
<b>Loans and advances</b>	<b>28,844</b>	<b>0</b>	<b>356</b>	<b>6,007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60</b>	<b>34,556</b>	<b>1,053</b>	<b>0</b>
Central banks	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	0	0	0	0	0	0
Other financial entities	0	0	0	0	0	0	0	0	0	0	0
Non-financial entities	7,965	0	4	4	0	0	0	60	8,025	1,053	0
Corporates	0	0	0	0	0	0	0	0	0	1,053	0
SME	7,965	0	4	4	0	0	0	60	8,025	0	0
Non - SME	0	0	0	0	0	0	0	0	0	0	0
Households	20,879	0	352	6,003	0	0	0	0	26,530	0	0

out of which: collectively assessed adjustments	22,238	0	352	5,450	0	0	0	12	27,348	0	0
out of which: individually assessed adjustments	6,606	0	4	557	0	0	0	48	7,208	1,053	0
<b>Total adjustment for debt instruments</b>	<b>116,311</b>	<b>48,201</b>	<b>41,897</b>	<b>-17,094</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>382</b>	<b>105,903</b>	<b>1,053</b>	<b>0</b>
Commitments and financial guarantees given (stage 1)	3,888	5,067	1,664	-404	0	0	0	29	6,915	0	0
Commitments and financial guarantees given (stage 2)	5,476	10,981	235	-7,026	0	0	0	17	9,214	0	0
out of which: non-performing	0	x	x	x	0	x	0	x	0	x	0
Commitments and financial guarantees given (stage 3)	96	0	0	39	0	0	0	0	135	0	0
<b>Total provisions for commitments and financial guarantees given</b>	<b>9,459</b>	<b>16,048</b>	<b>1,899</b>	<b>-7,390</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46</b>	<b>16,264</b>	<b>0</b>	<b>0</b>

### Approaches and applied methods to determine the loss allowances according to IFRS

The Loss Allowances represent the value of the impairment loss estimated by the Bank based on the developed models. The Bank estimates this value using two different approaches: the collective approach and the individual one. Through the collective approach, the provisions at portfolio level are calculated by dividing it into risk groups with similar characteristics. The performing portfolio is subject to the collective approach as a whole, regardless of whether the exposures are significant or not. The non-performing portfolio is subject to the collective approach, only for exposures that are considered insignificant.

Through the individual approach, provisions at individual level are calculated for each significant exposure. The individual approach is the process of measuring the depreciation of assets at transaction level (or client). According to IFRS, the individual approach is mandatory for significant individual exposures, but can also be used to assess insignificant exposures.

The process of assessing the asset's impairment through the individual approach is divided into two stages:

- identification of significant individual exposures and/or exposures for which the individual approach can be applied;
- determining the necessary level of provisions related to these exposures.

Significant exposures are subject to individual assessment. Recovery forecasts are made at classification, and subsequently at least every 12 (twelve) months, and when applicable, for any major event that occurs during the analysed period. The individual assessments of the exposures are based on a careful and in-depth, qualitative and quantitative analysis of the debtor's situation, including critical review of the following sources of information, without limitation to:

- the most recent financial information statements available, as well as the financial statements from previous years;
- information on specific corporate events (for example, extraordinary transactions);
- current and forecasted financial positions and results;
- for debtors belonging to economic groups, information on their internal and external relations (to assess the risk of contamination or damage);
- short and medium term plans and strategies of the client completed by financial projections, estimated cash flow statement, product analysis, sector and market studies, etc.;
- nature and validity of guarantees, assessment for each asset, presence of mortgages/pledge;
- reports of the Credit History Bureau.

A recovery forecast is made based on the assessment of the significance of the allocated guarantee/collateral, type of use (commercial or residential real estate guarantees), any agreed repayment

plans, the existence or lack of legal proceedings, as well as their type, creditworthiness of the counterparty and current and future profitability, in order to determine the recoverable amount which represents the net present value of all the recoverable amounts that the Bank can obtain.

The collective assessment is performed by using the risk parameters, PD and LGD, determined according to Parent Company's methodology.

According to the principles of IFRS9, for estimating the PD parameter (probability of default) three scenarios are taken into account, in order to cover all future macroeconomic trends. In order to implement the scenarios, the Bank uses both the results of the stress coefficients published by the European Banking Authority and the internal estimate of the best scenario. In estimating the PD parameter, the Bank uses historical data regarding the default status.

To estimate the LGD (loss given default) parameter, the Bank uses the same principles defined in the PD estimation methodology, using three scenarios to cover all future macroeconomic trends published by the European Banking Authority. The methodology for determining the LGD level takes into account the level of exposure covered with credit risk mitigation instruments, as the main factor to reduce the loss in case of non-repayment, using recovery estimates according to the internal historical data. In estimating the LGD parameter, the Bank also uses historical data regarding the clients who are in default.

Exposure at Default (EAD) is the expected exposure in the event of a default. This will result from the current exposure to the counterparty as well as the potential changes allowed by the contract:

- for financial assets exposure at default is represented by the gross default exposure;
- for credit commitments and financial guarantees, the exposure will be considered the value used, as well as the potential future values that can be used (transformed into value used by applying the credit conversion factor - CCF) or reimbursed according to the contract.

Regarding the past due exposures or those that are in default, the Bank continuously monitors them in order to better manage the credit risk.

### **Counterparty credit risk**

As of 30.06.2021, the Bank is not subject to the counterparty credit risk.

## The use of ECAI (External credit Assessment Institutions)

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The Bank recognizes the external credit risk assessment institutions as defined and recognized by the NBM. In order to determine the risk related to a transaction, the Bank applies the correspondence table published on the NBM website.

It is necessary to mention that as of June 30, 2021, the Bank does not hold exposures assessed by external credit assessment institutions (ECAI) or credit export agencies as required by NBM regulations.

# Residual risk resulting from credit risk mitigation techniques

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The credit risk mitigation technique is a method used by the Bank to reduce the credit risk associated with one or more exposures registered within the Bank. The Bank uses as credit mitigation techniques funded credit protection and unfunded credit protection, as defined by the NBM regulations.

Residual risk presumes that the techniques used by the Bank to mitigate credit risk will be less effective than expected. Residual risk affects exposures, which have real estate as collateral, the risk assessment being limited to the case of residential real estate collateral appraised before the last 12 months from the reporting date and before the last 36 months related to commercial real estate collateral.

The registered decrease of the value of these guarantees is tested in a way that starting from the date of their evaluation compared with the available market indexes for the residential and commercial real estate available on the market.

The amount and type of required collateral depends on a credit risk assessment of each client. In general, exposures should be covered by at least 100%. Collateral conditions regarding each facility are determined by the analysis of the creditworthiness, type, amount and maturity of the client's credit facilities. Depending on the assessment of the potential exposure, an adequate collateral is required. The value of the property must not significantly depend upon the credit quality of the borrower. In other words, the borrower's risk does not substantially depend on the performance of the underlying asset or property, but on the borrower's basic capacity to repay the debt from other sources and, consequently, the repayment of the facility must not financially depend on any cash flows generated by the underlying property serving as collateral.

The Bank gives priority to real estate mortgages, partial or full coverage of placements with deposits, debt securities issued by the Government (Government securities) and National Bank (Certificates of the National Bank of Moldova) guarantees issued by the State, commercial banks or other institutions or personal guarantees of individuals and legal entities. For real estate mortgage, the Bank always considers valuations of the assets carried out by approved independent certified appraisers, in order to minimize any potential risks as much as possible. The fair value of collateral for movable property is the market value, which results from appraisals/valuations reports, sale/-purchase contracts or data/information for the public. During the lifetime of the exposure, the Bank monitors movement of the collateral value: the commercial property is valued once a year, while the residential property has to be valued at least once every 3 years.

Hence, the estimated value of real estate and movable property for the purpose of monitoring the value of the collateral portfolio (fair value) is determined by applying special methodological and technological procedures. Thus, for standard objects, the mass evaluation procedure is applied, while for the specific objects the individual evaluation is used. For real unique guarantees, an external opinion on market value is required in the scope of annual monitoring purposes. Massive evaluation involves the application of methods and procedures for the statistical analysis of information regarding the factors that contribute to the formation of the market value of real estate.

As mentioned above, the Bank, in addition to residential and commercial real estate, also accepts as a secondary source of loan repayment such collateral as land, means of transport, machinery, equipment, livestock, agricultural products, vegetables, food and future goods (which are in production process, to be procured or imported into the country, harvest of future years, etc.).

The total value of the exposure that is covered by eligible financial guarantees or other eligible collateral as of 30.06.2021 sums up 182.69 million lei.

The total exposures before and after credit risk mitigation techniques have been applied as of 30.06.2021 are as follows:

<b>Element</b>	<b>Value of exposures</b>	<b>Exposure values resulting from the application of credit risk mitigation techniques</b>
<b>Standardised approach (SA)</b>	<b>4,791,488</b>	<b>4,724,569</b>
Central government or central banks	1,791,894	1,791,894
Regional government or local authorities	0	0
Public sector entities	0	0
Multilateral development banks	0	0
International organisations	0	0
Institutions	1,442	1,442
Investment entities	573,878	512,431
Retail	339,868	334,396
Exposures secured by mortgages on immovable property	1,031,673	1,031,673
Exposures in default	9,989	9,989
Higher-risk categories	0	0
Covered bonds	x	x
Institutions and corporates with a short-term credit assessment	461,738	461,738
Collective investment undertakings (CIU)	0	0
Equity	10	10

# Operational risk

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Operational risk is defined as the risk of losses due to inadequate or inappropriate internal processes, personnel or systems, or due to some external events, and it includes legal risk and ICT risk and excludes strategic and reputational risk.

Operational risk management is carried out in five stages: (i) identification, (ii) assessment, (iii) reporting, (iv) monitoring and (v) mitigation (reduction), which are achieved using the following tools:

Loss Data Collection (LDC) – identification and reporting of operational losses represent the responsibility of all the employees of the Bank. In order to strengthen the process of loss data collection, the Bank has implemented a specific procedure regarding the identification of operational loss events based on the information received from all Bank structures. The process owners, who identify the appropriate risk mitigation actions, analyze the events which generate losses. The identified operating losses are recorded in an electronic register.

Risk self-assessment (Self Diagnosis) – an annual exercise aimed at assessing the level of operational risk in Bank's processes, using scenario analysis, activity based on the assessment of opinions provided by the heads of the Bank's subdivisions. The scenario analysis represents the general self-assessment activity of the business environment of the Bank's subdivisions. Thus, the statements, assessments and opinions collected are used for monitoring specific risk areas by the responsible structures within the Bank.

In order to determine the capital requirement for operational risk, the Bank uses the basic indicator approach according to which the operational risk capital requirement is equal to 15% of the three-year average of the relevant indicator defined in accordance with NBM regulations.

The operational risk capital requirement as of 30.06.2021, calculated according to the basic indicator approach constitutes 28.14 million MDL.

As a measure to reduce the operational risk, the Bank signed for 2021 the BBB General Civil Liability Insurance Policy that covers various types of losses related to Bank's activity.



## Compliance with the countercyclical capital buffer requirement

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Concerning the requirement related to countercyclical capital buffer, taking into account the NBM decision to maintain the countercyclical buffer ratio for the relevant exposures located in Republic of Moldova at the 0% level, as well as the provisions of point 19 from NBM Regulation no.110/2018, the Bank maintains a capital requirement for the countercyclical shock absorber equal to zero.

## Equity stakes not included in the trading book

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In accordance with the internal regulations, the Bank is not allowed to hold a trading book.

At the same time, the risk associated with the equity not included in the trading book represents the risk of losses due to changes of the price' equity. The valuation includes shares (including equity shares) that are excluded from the trading book and, consequently, is not required the capital allocation for trading book, provided by NBM Regulation no. 109/2018.

Since the level of risk associated with the shares (participations) is very low, it does not have a relevant impact on the capital requirements mentioned above.

## Interest Rate Risk in the Banking Book (IRRBB)

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The Bank is exposed to the effect of fluctuations in the level of the main market interest rates in terms of financial position and cash flows. The interest rate may increase or decrease as a result of such changes and may result in losses in the event of unforeseen fluctuations. The Bank periodically monitors its exposure to fluctuations in interest rates and calculates the potential change in its economic value resulting from such fluctuations.

The table below highlights the percentage impact of a change of +200 basis points in the level of interest rates on the Bank's own funds as of 30.06.2021.

	'000 MDL
Own Funds	976,543
Absolute value	-41.471
% from Own Funds	4.25%

The control of the interest rate risk to which the Bank is exposed is performed by means of:

- ensuring the compliance with the limits stipulated in the internal regulations, namely those regarding the change in Bank's economic value as a result of the application of various shocks to the interest rates levels;
- setting internal limits (calculated as a percentage of own funds).

The monitoring of compliance of the exposure within the established limits represents a continuous process, the Bank's corporate bodies being informed about this through specific reports.

# Annex 1 Disclosure of the Bank's Own Funds, including prudential filters and deductions applied

Nr. d/o	Name of indicator	Value
<b>Core Tier 1 capital (CET 1): instruments and reserves</b>		
1.	Equity instruments and issue premium accounts	1,250,000,000
2.	Reported result	-211,399,924
3.	Other accumulated overall result items and other reserves	23,550,318
4.	Minority interests (amount that can be included in consolidated core tier 1 capital)	0
5.	Interim profits verified independently, after deducting any foreseeable bonds or dividends	0
6.	<b>Core Tier 1 capital (CET 1) before regulated adjustments</b>	1,062,150,394
<b>Core Tier 1 capital (CET 1): additional adjustments</b>		
7.	Additional value adjustments (negative value)	-53,311,055
8.	Intangible assets, excluding related tax liabilities (negative value)	-32,296,121
9.	Deferred tax assets based on future profitability, excluding those arising from temporary holdings (excluding tax liabilities) (negative value)	
10.	Reserves resulting from fair value measurement, representing gains or losses generated by cash flow hedges	
11.	Negative amounts resulting from the calculation of expected loss values	X
12.	Any increase in equity resulting from securitized assets (negative value)	X
13.	Gains or losses on the measurement of fair value of debt and arising from a change in the bank's credit risk	

Legal references	Instructions for completing the form
	<i>(this column represents instructions for banks and will not be included in the table to be made public)</i>
P.10 subp.1) of Regulation 109/2018	The capital instruments and the related issue premium accounts are reflected in accordance with p.10 subp.1) of Regulation 109/2018.
P.10 subp.3) of Regulation 109/2018	Reflects the result carried forward before all adjustments regulated in accordance with p.10 subp.3) of Regulation 109/2018 (before the inclusion of any net interim profits or losses).
P.10 subp.4) and 5) of Regulation 109/2018	Reflects the amount of other comprehensive income and other reserves in accordance with p.10 subp.4) and 5) of Regulation 109/2018.
Regulation 109/2018	Minority interests (the amount that can be included in the consolidated core tier 1 capital) are reflected in accordance with Regulation 109/2018.
P.13 of Regulation 109/2018.	Reflects the independently verified interim profits, after deducting any foreseeable obligations or dividends as provided in p.13 of Regulation 109/2018.
Sum of rows 1-5	The sum of rows 1-5 is reflected.
P.28 of Regulation 109/2018	Additional value adjustments are reflected in accordance with p.28 of Regulation 109/2018. (negative value)
P.30 subp.2) of Regulation 109/2018	Intangible assets are reflected, excluding the related tax obligations in accordance with p.30 subp.2) of Regulation 109/2018. (negative value)
P.40 of Regulation 109/2018, taking into account p.30 subp.3) and p. 38-43 of Regulation 109/2018	Deferred tax receivables based on future profitability are reflected, excluding those resulting from temporary holdings (without tax obligations when the conditions of p.40 of Regulation 109/2018 are met) in accordance with p.30 subp.3) and pp. 38-43 of Regulation 109/2018. (negative value)
P.26 subp.1) of Regulation 109/2018	The reserves resulting from the measurement at fair value are reflected, representing gains or losses generated by the hedges of cash flows in accordance with p.26 subp.1) of Regulation 109/2018.
P.26 subp.2) of Regulation 109/2018	Reflects the gains or losses recorded by the bank from the valuation at fair value of debts and resulting from the modification of its credit risk in accordance with p.26 subp.2) of Regulation 109/2018.

14.	Assets of the defined benefit pension fund (negative value)	
15.	Direct and indirect holdings of the bank of core tier 1 capital instruments (negative value)	
16.	Direct, indirect and synthetic holdings of core tier 1 capital / capital instruments of financial sector entities, if these entities and the bank hold mutual holdings intended to artificially increase the bank's own funds (negative value)	
17.	Direct, indirect and synthetic holdings of the bank of core tier 1 capital instruments / equity of financial sector entities in which the bank does not hold a significant investment (significant investment - value above the 10% threshold and excluding eligible short positions) (negative value)	
18.	Direct, indirect and synthetic holdings of the bank of core tier 1 capital instruments / equity of financial sector entities in which the bank holds a significant investment (value above the 10% threshold and excluding eligible short positions) (negative value)	
19.	The value of the exposure related to the following elements, which qualifies for a risk weight of 1000%, when the bank opts for the deduction alternative. From which:	
20.	- securitization positions; (negative value)	X
21.	- incomplete transactions; (negative value)	
22.	Deferred tax receivables resulting from temporary holdings (value above the 10% threshold with deduction of tax obligations when the conditions from p.40 of Regulation 109/2018 are met) (negative value)	
23.	Value above the 15% threshold (negative value)	
24.	- of which: direct and indirect holdings of the bank of core tier 1 capital instruments / equity of financial sector entities in which the bank holds a significant investment	
25.	- of which: deferred tax assets arising from temporary differences	
26.	Losses for the current financial year (negative value)	

P.30 subp.4) and p.47-50 of Regulation 109/2018	Reflects the assets of the pension fund with determined benefits in accordance with the requirements p.30 subp.4) and p.47-50 of Regulation 109/2018. (negative value)
P.30 subp.5) and p.51 of Regulation 109/2018	Reflects the direct and indirect holdings of the bank of own instruments of core tier 1 capital as provided in p.30 subp.5) and p.51 of Regulation 109/2018. (negative value)
P.30 subp.6) and p.54 and 55 of Regulation 109/2018	The direct, indirect and synthetic holdings of core tier 1 capital / equity instruments of financial sector entities are reflected, if these entities and the bank have mutual participations meant to artificially increase the bank's own funds, as provided in p.30 subp.6) and p.54 and 55 of Regulation 109/2018. (negative value)
P.30 subp.7) and p.52, 53, 55 and p.56-61 of Regulation 109/2018	Reflects the direct, indirect and synthetic holdings of the bank of core tier 1 capital instruments / equity of financial sector entities in which the bank does not hold a significant investment (significant investment - value above the 10% threshold and excluding eligible short positions) as provided in p.30 subp.7) and p.52, 53, 55 and p.56-61 of Regulation 109/2018. (negative value)
P.30 subp.8) and p.52, 53, 55 and p.62-67 of Regulation 109/2018	Reflects the direct, indirect and synthetic holdings of the bank of core tier 1 capital instruments / equity of financial sector entities in which the bank holds a significant investment (significant investment - value above the 10% threshold and excluding eligible short positions) as provided in p.30 subp.8) and p.52, 53, 55 and p.62-67 of Regulation 109/2018. (negative value)
P.30 subp.10) of Regulation 109/2018	Reflects the value of the exposure, which qualifies for a risk weight of 1000%, when the bank opts for the deduction alternative, as provided in p.30 subp.10) of Regulation 109/2018.
P.30 subp.10) of Regulation 109/2018	The value of incomplete transactions is reflected in accordance with p.30 subp.10) of Regulation 109/2018 and p.10 of the Regulation on the treatment of settlement / delivery risk for banks, approved by the Decision of the Executive Committee of the National Bank of Moldova no.115 of 24.05.2018. (negative value)
P.30 subp.3), p. 38-43 and p.63 subp.1) of Regulation 109/2018	Reflects the deferred tax receivables resulting from temporary holdings (value above the 10% threshold with the deduction of tax obligations when the conditions from p.40 of Regulation 109/2018 are met) in accordance with p.30 subp.3), p. 38-43 and p.63 subp.1) of Regulation 109/2018. (negative value)
P.63 of Regulation 109/2018	The value above the 15% threshold is reflected in accordance with p.63 of Regulation 109/2018. (negative value)
P.30 subp.8) and p.63 subp.2) of Regulation 109/2018	From the value reported in line 21 the value of the direct and indirect holdings of the bank of core tier 1 equity instruments / equity of financial sector entities in which the bank holds a significant investment, as provided in p.30 subp.8 ) and p.63 subp.2) of Regulation 109/2018.
P.30 subp.3), p. 38-43 and p.63 subp.1) of Regulation 109/2018	From the value reported in line 21 the value of deferred tax receivables resulting from temporary differences, as provided in p.30 subp.3), p.38-43 and p.63 subp.1) of Regulation 109/2018.
P.30, subp.1) of Regulation 109/2018	Reflects the amount of losses for the current financial year in accordance with p.30, subp.1) of Regulation 109/2018. (negative value)

27.	Predictable taxes on core tier 1 capital items (negative value)	
28.	Eligible deductions from additional tier 1 capital (AT 1) that exceed the bank's additional tier 1 capital (negative value)	
29.	<b>Total regulated adjustments to core tier 1 capital (CET 1)</b>	-85,607,176
30.	<b>Core tier 1 capital (CET 1)</b>	976,543,218
<b>Additional tier 1 capital (AT 1): instruments</b>		
31.	Equity instruments and related issue premium accounts	
32.	- of which: classified as equity in accordance with the applicable accounting standards	
33.	- of which: classified as debt in accordance with applicable accounting standards	
34.	Eligible core tier 1 capital included in additional consolidated tier 1 capital (including minority interests not included in row 4) issued by subsidiaries and held by third parties	
35.	<b>Additional tier 1 capital (AT1) before regulatory adjustments</b>	
<b>Additional Tier 1 capital (AT1): regulatory adjustments</b>		
36.	Direct and indirect holdings of the bank of own instruments of additional tier 1 capital of (negative value)	
37.	Direct, indirect and synthetic holdings of additional tier 1 capital of financial sector entities, if these entities and the institution hold mutual holdings intended to artificially increase the institution's own funds (negative value)	
38.	Direct, indirect and synthetic holdings of additional tier 1 capital of financial sector entities in which the bank does not have a significant investment (value above the 10% threshold and excluding eligible short positions) (negative value)	
39.	Direct, indirect and synthetic holdings of the institution of additional tier 1 equity instruments of financial sector entities in which the institution holds a significant investment (excluding eligible short positions) (negative value)	

P.30, subp.11) of Regulation 109/2018	The amount of any tax on core tier 1 capital items that is foreseeable at the time of its calculation is reflected, unless the bank adjusts the amount of core tier 1 capital items accordingly, to the extent that such taxes reduce the amount up to which these items can be allocated to cover risks or losses, in accordance with p.30, sub.11) of Regulation 109/2018. (negative value)
P.30, subp.9) of Regulation 109/2018	Reflects the amount of eligible deductions from the bank's additional tier 1 capital (AT 1), which exceed the additional tier 1 capital, as provided in p.30, subp.9) of Regulation 109/2018. (negative value)
The sum of rows 7-19, row 22 and the sum of rows 26-28	Total regulated adjustments of core tier 1 capital (CET 1), calculated as the sum of rows 7-19, row 22 and the sum of rows 26-28.
The amount of row 6 minus the amount of row 29	Core tier 1 capital (CET 1) - is calculated as the amount of row 6 minus the amount of row 29.
P.68 -70 of Regulation 109/2018	The capital instruments and the related issue premium accounts are reflected in accordance with p.68 -70 of Regulation 109/2018.
Value in line 30 classified as equity in accordance with applicable accounting standards.	The amount in row 30 classified as equity is reflected in accordance with applicable accounting standards.
The amount in row 34 is classified as debt in accordance with applicable accounting standards.	The amount in row 34 classified as debt is reflected in accordance with applicable accounting standards.
Regulation 109/2018	Reflects eligible core tier 1 capital included in additional consolidated tier 1 capital (including minority interests not included in row 4) issued by subsidiaries and held by third parties, as provided for in Regulation 109/2018.
Sum of rows 31 and 34	Sum of rows 31 and 34.
P. 70 subp.2), p.87 subp.1) and p.88 of Regulation 109/2018	The direct and indirect holdings of the bank of own instruments of additional tier 1 capital are reflected, as described in p. 70 subp.2), p.87 subp.1) and p.88 of Regulation 109/2018. (negative value)
P. 70 subp.3) and p. 89 of Regulation 109/2018	Direct, indirect and synthetic holdings of additional tier 1 equity instruments of financial sector entities are reflected, if these entities and the institution hold mutual holdings intended to artificially increase the institution's own funds (negative value), as provided in p. 70 subp.3) and p. 89 of Regulation 109/2018. (negative value)
P. 70 subp.3), p. 90 and p.91-95 of Regulation 109/2018	Reflects the direct, indirect and synthetic holdings of additional tier 1 equity instruments of financial sector entities in which the bank does not have a significant investment (value above the 10% threshold and excluding eligible short positions), as provided in p 70 subp.3), p.90 and p.91-95 of Regulation 109/2018 (negative value)
P. 70 subp.3), p. 90 and p.91-95 of Regulation 109/2018	Reflects the institution's direct, indirect and synthetic holdings of additional tier 1 equity instruments of financial sector entities in which the institution holds a significant investment (excluding eligible short positions), as set out in p. 70 subp.3) , p. 90 and p.91-95 of Regulation 109/2018.

40.	Eligible deductions from tier 2 capital in excess of the bank's tier 2 capital (negative value)	
41.	<b>Regulatory adjustments to additional tier 1 capital (AT1)</b>	
42.	<b>Additional tier 1 capital (AT1)</b>	
43.	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	976,543,218
<b>Tier 2 capital (T2): instruments and provisions</b>		
44.	Equity instruments and related issue premium accounts	
45.	Eligible equity instruments included in consolidated tier 2 capital (including minority interests not included in row 4) issued by subsidiaries and held by third parties	
46.	Credit risk adjustments	
47.	<b>Tier 2 (T2) capital before regulated adjustments</b>	
<b>Tier 2 capital (T2): regulatory adjustments</b>		
48.	Direct and indirect holdings of a bank of own funds of tier 2 capital and subordinated loans (negative value)	
49.	Tier 2 equity holdings and subordinated loans of financial sector entities, if these entities and the bank hold mutual holdings intended to artificially increase the bank's own funds (negative value)	
50.	Direct and indirect holdings of tier 2 equity instruments and subordinated loans of financial sector entities in which the bank does not have a significant investment (value above the 10% threshold and excluding eligible short positions) (negative value)	
51.	Direct and indirect holdings of the bank of tier 2 equity and subordinated loans of financial sector entities in which the bank holds a significant investment (excluding eligible short positions) (negative value)	
52.	<b>Total regulatory adjustments to tier 2 capital (T2)</b>	
53.	<b>Tier 2 capital (T2)</b>	
54.	<b>Total capital (TC = T1 + T2)</b>	976,543,218
55.	<b>Total risk weighted assets</b>	2,130,285,954
<b>Installments and amortizations of own funds</b>		

P. 87 subp.5) of Regulation 109/2018	Eligible deductions from tier 2 capital in excess of the bank's tier 2 capital are reflected, as provided in p. 87 subp.5) of Regulation 109/2018.
The sum of rows 36 - 40	The sum of rows 36 – 40.
The amount of row 35 minus the amount of row 41	The amount of row 35 minus the amount of row 41.
Sum of rows 30 and 42	Sum of rows 30 and 42.
P. 96-97 of Regulation 109/2018	Reflects capital instruments and related issue premium accounts, as provided in pp. 96-97 of Regulation 109/2018.
Regulation 109/2018	Reflects eligible capital instruments included in consolidated tier 2 capital (including minority interests not included in row 4) issued by subsidiaries and held by third parties, as provided for in Regulation 109/2018.
P.96 subp.3) of Regulation 109/2018	Adjustments for credit risk will be reflected in accordance with p.96 subp.3) of Regulation 109/2018.
Sum of rows 44, 45 and 46	Sum of rows 44, 45 and 46.
P. 97, subp.2, letter a), p.100 subp.1) and p. 102 of Regulation 109/2018	Reflects the direct and indirect holdings of a bank of own funds of tier 2 capital and subordinated loans, as provided in p. 97, subp.2, let. a), p.100 subp.1) and p. 102 of Regulation 109/2018. (negative value)
P.100 subp.2) and p. 103 of Regulation 109/2018	The holdings of tier 2 equity instruments and subordinated loans of financial sector entities are reflected, if these entities and the bank hold mutual participations meant to artificially increase the bank's own funds, as provided in p.100 subp. 2) and p. 103 of Regulation 109/2018. (negative value)
P.100 subp.3) and p. 104 of Regulation 109/2018	Reflects the direct and indirect holdings of Tier 2 equity instruments and subordinated loans of financial sector entities in which the bank does not have a significant investment (value above the 10% threshold and excluding eligible short positions), as set out in p .100 subp.3) and p. 104 of Regulation 109/2018. (Negative value)
P.100 subp.4), p. 104 and p.126-129 of Regulation 109/2018	Reflects the direct and indirect holdings of the bank of tier 2 equity and subordinated loans of financial sector entities in which the bank holds a significant investment (excluding eligible short positions), as provided in p.100 subp.4), pp. 104 and pp. 126-129 of Regulation 109/2018. (negative value)
Sum of rows 48-51	Sum of rows 48-51.
The amount of row 47 minus the amount of row 52	The amount of row 47 minus the amount of row 52.
Sum of rows 43 and 53	Sum of rows 43 and 53.
Risk weighted assets of the reporting group	Risk weighted assets of the reporting group.

56.	Core tier 1 capital (as a percentage of total risk exposure)	45.84%
57.	Tier 1 capital (as a percentage of total risk exposure)	45.84%
58.	Total capital (as a percentage of total risk exposure)	45.84%
59.	Bank-specific buffer requirement (basic tier 1 capital requirement in accordance with p.130 subp. 1) plus capital conservation buffer and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important buffer expressed as a percentage of the value of the risk exposure)	9.0%
60.	- of which: capital conservation buffer requirement	2.5%
61.	- of which: countercyclical shock absorber requirement	
62.	- of which: systemic shock absorber requirement	1.0%
63.	- of which: shock absorber for systemically important institutions (O-SII)	
64.	Core tier 1 capital available to meet buffer requirements (as a percentage of the value of the risk exposure)	
<b>Amounts below deduction thresholds (before risk weighting)</b>		
65.	Direct and indirect capital holdings of financial sector entities in which the bank does not hold a significant investment (value below the 10% threshold and excluding eligible short positions)	
66.	Direct and indirect holdings of the bank of core tier 1 equity instruments of financial sector entities in which the bank holds a significant investment (value below the 10% threshold and excluding eligible short positions)	
67.	Deferred tax assets resulting from temporary differences (value below the 10% threshold, excluding related tax obligations when the conditions on p.40 of Regulation 109/2018 are met)	
<b>Applicable ceilings for the inclusion of provisions in Tier 2 capital</b>		
68.	Credit risk adjustments included in tier 2 capital, taking into account exposures subject to the standardized approach (before the ceiling is applied)	
69.	Ceiling on the inclusion of credit risk adjustments in tier 2 capital under the standardized approach	

P.131 subp.1) of Regulation 109/2018	Reflects the core tier 1 capital (as a percentage of the total value of the risk exposure), calculated as row 30 divided by row 55 (as a percentage) in accordance with p.131 subp.1) of Regulation 109/2018.
P.131 subp.2) of Regulation 109/2018	Reflects tier 1 capital (as a percentage of the total value of the risk exposure), calculated as line 43 divided by line 55 (as a percentage) in accordance with p.131 subp.2) of Regulation 109/2018.
P.131 subp.3) of Regulation 109/2018	Reflects total capital (as a percentage of the total value of the risk exposure), calculated as row 54 divided by row 55 (as a percentage) in accordance with p.131 subp.3) of Regulation 109/2018.
P.16-26, p.53-69, p.66-86 of Regulation 110/2018	Reflects the bank-specific buffer requirement (core tier 1 capital requirement in accordance with p.130 subp. 1) of Regulation 109/2018 plus the capital conservation buffer and countercyclical buffer requirements, plus the systemic risk buffer, plus the amortization of systemically important institutions expressed as a percentage of the value of the risk exposure). Is calculated as 5.5%, plus 2.5%, plus the countercyclical shock absorber requirement calculated in accordance with points 16-26 of Regulation 110/2018, plus the systemic shock absorber requirement (as applicable) calculated in accordance with p.66 -86 of Regulation 110/2018, plus the shock absorber of systemically important companies (shock absorber O-SII) calculated in accordance with p.53-69 of Regulation 110/2018.
	The value in row 59 (expressed as a percentage of risk-weighted assets) of the capital buffer is reflected (2.5% to be indicated).
	The value in row 59 (expressed as a percentage of risk-weighted assets) relating to the countercyclical buffer is reflected.
	The value in row 59 (expressed as a percentage of risk weighted assets) of the system depreciation is reflected.
	The value in row 59 (expressed as a percentage of risk-weighted assets) of the O-SII buffer is reflected.
	Reflects the core tier 1 capital available to meet the buffer requirements (as a percentage of the value of the risk exposure). Calculated as the bank's core tier 1 capital minus all core tier 1 capital items used to meet the bank's tier 1 capital requirements and total capital requirements.
P.30 subp. 7), p.55-61 p.90-95, p.100 subp.3) and p.104-109 of Regulation 109/2018	Reflects the direct and indirect capital holdings of entities in the financial sector in which the bank does not hold a significant investment (value below the 10% threshold and excluding eligible short positions) in accordance with p.30 subp. 7), p.55-61 p.90-95, p.100 subp.3) and p.104-109 of Regulation 109/2018.
P.30 subp. 8), p.55 and p.63-67 of Regulation 109/2018	Reflects the direct and indirect holdings of the bank of core tier 1 equity instruments of financial sector entities in which the bank holds a significant investment (value below the 10% threshold and excluding eligible short positions) in accordance with p.30 subp. 8), p.55 and p.63-67 of Regulation 109/2018.
P.30 subp. 3), p.38-43, p.63 - 67 of Regulation 109/2018	Deferred tax receivables resulting from temporary differences (value below the 10% threshold, excluding the related tax obligations when the conditions from p.40 of Regulation 109/2018 are met) are reflected in accordance with p.30 subp. 3), p.38-43, p.63 - 67 of Regulation 109/2018.
P.96 subp.3) of Regulation 109/2018	The adjustments for credit risk included in tier 2 capital are reflected, taking into account the exposures that are subject to the standardized approach (before the ceiling is applied) in accordance with p.96 subp.3) of Regulation 109/2018.
P.96 subp.3) of Regulation 109/2018	The ceiling for including credit risk adjustments in tier 2 capital is reflected according to the standardized approach in accordance with p.96 subp.3) of Regulation 109/2018.



## Annex 2 Form on the main characteristics of own funds instruments

Nr	Caracteristicile principale ale instrumentelor de fonduri proprii Main characteristics of own funds instruments	Valoarea / Raspuns Value / Answer
1.	Emitent / Issuer	BC "EXIMBANK" SA
2.	Identificator unic / Unique identifier	MD14EXIM1000
3.	Legislație aplicabilă instrumentului / Applicable legislation to the instrument	Regulamentul nr. 109 din 24.05.2018 cu privire la fondurile proprii ale băncilor și cerințele de capital / NBM Regulation no. 109/2018
<b>Reglementare</b>		
4.	Tratamentul fondurilor proprii reglementate / Treatment of the own funds	Fonduri proprii de nivel 1 de bază / CET Tier 1
5.	Eligibil la nivel individual/consolidat/ individual și consolidat / Eligible at individual / consolidated / individual and consolidated level	Individual
6.	Tip de instrument / Type of instrument	instrumente de capital / equity instruments
7.	Valoarea recunoscută în cadrul capitalului reglementat (monedă în milioane, la cea mai recentă dată de raportare) / Recognized value within regulatory capital (MDL mil. at the most recent reporting date)	976,543,218
8.	Valoarea nominală a instrumentului / Nominal value of the instrument	1,000
9.	Preț de emisiune / Issue price	1,000
10.	Preț de răscumpărare / Redemption price	N/A
11.	Clasificare contabilă / Accounting classification	Capitalul acționarilor / Share capital
12.	Data inițială a emiterii / Initial date of issue	7/8/2000
13.	Perpetuu sau cu durată determinate / Perpetual or definite duration	perpetuu
14.	Scadența inițială / Maturity	N/A
15.	Opțiune de cumpărare de către emitent sub rezerva aprobării prealabile din partea BNM / Option to redemption by the issuer after prior approval by the NBM	Nu / No
16.	Data facultativă a exercitării opțiunii de cumpărare, datele exercitării opțiunilor de cumpărare condiționale și valoarea de răscumpărare / Optional date of call option, date of conditional call options and redemption value	N/A
17.	Date subsecvente ale exercitării opțiunii de cumpărare, după caz / Subsequent dates of the call option, if exist	N/A
<b>Cupoane/dividende</b>		
18.	Dividend/cupon fix sau variabil / Fixed or variable dividend / coupon	variabil
19.	Rata cuponului și orice indice aferent / Coupon rate and any related index	N/A
20.	Existența unui mecanism de tip „dividend stopper” (de interdicție de plată a dividendelor) / Existence of a "dividend stopper" mechanism (interdiction on payment of dividends)	nu
21.	Caracter pe deplin discreționar, parțial discreționar sau obligatoriu (în privința calendarului) / Fully discretionary, partly discretionary or mandatory (related timing)	Fully discretionary
22.	Caracter pe deplin discreționar, parțial discreționar sau obligatoriu (în privința cuantumului) / Fully discretionary, partly discretionary or mandatory (related amount)	Fully discretionary
23.	Existența unui step-up sau a altui stimulente de răscumpărare / Existence of a step-up or other redemption stimulus	Nu / No
24.	Necumulativ sau cumulative / Non-cumulative or cumulative	Necumulative / non-cumulative
25.	Convertibil sau neconvertibil / Convertible or non-convertible	Neconvertibil / non-convertible
26.	Dacă este convertibil – factorul (factorii) care declanșează conversia / If convertible - the factor (s) that triggers the conversion	N/A
27.	Dacă este convertibil – integral sau parțial / If convertible – full or partially	N/A
28.	Dacă este convertibil – rata de conversie / If convertible – conversion rate	N/A
29.	Dacă este convertibil – conversie obligatorie sau opțională / If convertible – optional or mandatory	N/A
30.	Dacă este convertibil, se va specifica tipul de instrument în care poate fi convertit / If convertible - specify the type of instrument to which it can be converted	N/A
31.	Dacă este convertibil, se va specifica emitentul instrumentului în care este convertit / If convertible - specify the issuer of the instrument to which it can be converted	N/A
32.	Caracteristici de reducere a valorii contabile / Characteristics of reduction of the book value	Nu / No
33.	În cazul unei reduceri a valorii contabile, factorul (factorii) care o declanșează / In the event of a reduction of the book value, the factor (s) that trigger the reduction	N/A
34.	În cazul unei reduceri a valorii contabile, integrale sau parțiale / In the event of a reduction of the book value, full or partially	N/A

35.	În cazul unei reduceri a valorii contabile, permanentă sau temporară / In the event of a reduction of the book value, permanent or temporary	N/A
36.	În cazul unei reduceri temporare a valorii contabile, descrierea mecanismului de majorare a valorii contabile / In case of a temporary reduction of the book value, the description of the mechanism of increase the book value	N/A
37.	Poziția în ierarhia de subordonare în caz de lichidare (se va specifica tipul de instrument de nivelul imediat superior) / Position in the subordination hierarchy in case of liquidation (specify the type of instrument of the next higher level)	N/A

## Annex 3 Information on the amount of risk-weighted asset (RWA) as at 30.06.2021

Nr. d/o	Indicators	Amount of risk-weighted assets (RWA)		Minimum capital requirements
		Financial quarter	Previous financial quarter	Financial quarter
1	<b>Credit risk</b> (excluding counterparty credit risk)	1,750,204,904	1,727,769,477	175,020,490
2	Out of which: standardized approach	1,750,204,904	1,727,769,477	175,020,490
3	Out of which: Basic IRB Approach (FIRB)	X	X	X
4	Out of which: Advanced IRB Approach (AIRB)	X	X	X
5	Out of which: Equity from the IRB approach according to the simple risk weighted approach or AMI	X	X	X
6	<b>Counterparty credit risk</b>			
7	Out of which: Marking Method			
8	Out of which: Initial Exposure Method			
9	Out of which: Standardized Method			
10	Out of which: Internal Model Method (MMI)	X	X	X
11	Out of which: the amount of the risk exposure for contributions to the CPC Guarantee Fund	X	X	X
12	Out of which: Credit Rating Adjustment (CVA)			
13	Settlement risk			
14	Securitization exposures in the banking book (by ceiling)	X	X	X
15	Out of which: IRB approach	X	X	X
16	Out of which: IRB Regulated Formula Method (SFA)	X	X	X
17	Out of which: Internal Evaluation Approach (IAA)	X	X	X
18	Out of which: standardized approach			
19	<b>Market risk</b>	98,710,820	80,177,500	9,871,082
20	Out of which: standardized approach	98,710,820	80,177,500	9,871,082
21	Out of which: AMI	X	X	X
22	<b>Operational risk</b>	281,370,230	274,558,140	28,137,023
23	Out of which: basic approach	281,370,230	274,558,140	28,137,023
24	Out of which: standardized approach			
25	Out of which: Advanced Evaluation Approach	X	X	X
26	Values below the deduction thresholds (which are subject to a 250% risk weight) after applying the 250% risk weight.			
27	<b>Total</b>	2,130,285,954	2,082,505,117	213,028,595

## Annex 4 Risk Appetite Framework Statement within JSCB "EXIMBANK"

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The activity of JSCB "EXIMBANK" is being managed with the aim of execution of the business strategy. The calibration of the business strategy of JSCB "EXIMBANK" is performed within the parameters established following the process by which the risk appetite of JSCB "EXIMBANK" is determined. The overall risk appetite framework is calibrated on an annual basis and envisages the establishment of maximum risk tolerance limits. These risk tolerance limits are set according to the economic and social environment in which JSCB "EXIMBANK" carries out its activity as well as the degree to which the objectives have been met in the past, in order to achieve the objectives, set by the business strategy.

All decisions, whether operational or strategic, with an impact on the activity performed by JSCB "EXIMBANK" necessary at the level of all structures is subordinated to the risk tolerance limits established in the overall risk appetite framework ensuring the continuity of Bank's activity.

In order to ensure the Bank's business continuity, the risk tolerance limits established within the risk appetite framework are communicated to the operative (relevant) structures and transposed into multiple systems used in carrying out the Bank's activity, so as to ensure permanent monitoring of exposures on different sectors of activity, types of products used, counterparties, currencies, creditworthiness, etc.

The key indicators that show the way risks are managed within the Bank as of 30.06.2021 are as follows:

Capital Adequacy:

Total own funds	976,543,218 lei
Risk Weighted Assets	2,130,285,954 lei
Total own funds ratio	45.84%

Liquidity:

Principle I of liquidity (long-term liquidity)	0.79
Principle II of liquidity (short-term liquidity)	57.02
Principle II of liquidity (short-term liquidity):	
up to 1 month	2.32
1-3 months	113.66
3-6 months	55.64
6-12 months	50.74
over 12 months	14.94
Liquidity Coverage Ratio	864.53%

**Chairman of the Board of Directors of JSCB "EXIMBANK",**

**Massimo Lanza**

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## **Annex 5 Statement of the management body regarding the adequacy of the risk management framework within JSCB "EXIMBANK"**

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Hereby, the corporate body of JSCB "EXIMBANK" guarantees the adequacy of the existing systems used for risk management in the activity carried out by JSCB "EXIMBANK". The existing risk management systems are appropriate to the risk profile and strategy adopted by JSCB "EXIMBANK".

The corporate body guarantees the compliance of calibration of risk management systems with the National Bank of Moldova legislation in force such as the Regulation on banking activity management framework no.322 from 20.12.2018.

**Chairman of the Board of Directors of JSCB"EXIMBANK",**

**Massimo Lanza**

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**MENTION**

The undersigned **Marco Santini, General Manager of JSCB "EXIMBANK"** hereby certifies that the publications provided under Chapter VII of the NBM Regulation no. 158/2020 have been prepared in accordance with the internal control processes of JSCB "EXIMBANK", as well as with the requirements of Chapter VII of the NBM Regulation no. 158/2020.

**General Manager of JSCB"EXIMBANK",  
Marco Santini**

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**MENTION**

The undersigned **Chairperson of the Board of Directors of JSCB "EXIMBANK"** hereby certifies that the publications provided under Chapter VII of the NBM Regulation no. 158/2020 have been prepared in accordance with the internal control processes of JSCB "EXIMBANK", as well as with the requirements of Chapter VII of the NBM Regulation no. 158/2020.

**Chairman of the Board of Directors of JSCB"EXIMBANK",  
Massimo Lanza**

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