REPORT ON TRANSPARENCY AND DISCLOSURE REQUIREMENTS

2018

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Introduction

This report contains information on strategy and risk profile of Credit Europe Bank (Romania) SA (the Bank), in accordance with the provisions of the Government Emergency Ordinance no. 99 / 2006 on credit institutions and capital adequacy, as amended and supplemented, of the National Bank of Romania (NBR) Regulation no. 5/2013 on prudential requirements for credit institutions with subsequent amendments and with the EU Regulation no. 575/2013 on prudential requirements for credit institutions and investment companies as amended and supplemented.

The purpose of this report is to respond to the regulations' requirements on ensuring an adequate transparency level, by public information regarding the capital and risk assessment process.
The report includes both information which can be found in *the consolidated Financial situations* for 2018, posted on the Credit Europe Bank (Romania) S.A website, at "*About us*" section, and additional information regarding the bank's objectives and policies of risk management.

For preparing the financial situations, Credit Europe Bank (Romania) S.A consolidates the bank's subsidiary, Credit Europe Ipotecar IFN S.A. , a company that provides credit services as mortgage and consumer loans to local individuals.
There is no difference between the consolidation perimeter in accounting purposes and prudential ones.

1. Management body and organizational structure

Credit Europe Bank (Romania) S.A. is a joint stock Romanian company, founded in 1993, managed under unitary system under the Companies' Law no 31 / 1990, as amended and supplemented and under the Emergency Ordinance no.99 / 2006, as amended and supplemented, with its headquarters in Bucharest, 6th district, 26Z Timisoara Blvd, Anchor Plaza building, registered at the Trade Register under no. J/40/18074/1993, sole registration number RO 4315966 and is part of Credit Europe Bank NV, an international group that provides financial services and operates in countries such as Romania, the Netherlands, Belgium, Germany, Switzerland, Malta, China, Russia, Ukraine, Arab Emirates.
The parent company Credit Europe Bank NV, headquartered in the Netherlands, Amsterdam, prepares consolidated annual financial statements available on the website www.crediteuropebank.com.
Information about shareholders' structure is presented on the website of Credit Europe Bank (Romania) S.A**: (**http://www.crediteurope.ro/en/about-us**).**

1.1 Management body

The management body of Credit Europe Bank (Romania) SA ensures the supervision function, exercised by the Board of Administrators and the management function, represented in the Bank by the Managing Board.
The management body of Credit Europe Bank (Romania) SA bonds to the values and principles regarding the governance arrangements of the activity established by the parent company. It also

considers the business objectives, the risk profile and the policies established by the management body of the parent institution.

In this regard, the management body of Credit Europe Bank (Romania) SA establishes its responsibilities on the line of the governance arrangements and assesses any decision or existing practice at group level to ensure that they do not cause violation of the regulatory provisions or of the prudential rules applicable at individual level on Romanian territory.

The management body also ensures that such decisions or practices do not affect the sound and prudent management of the Bank, its financial soundness and the legal interests of the Credit Europe Bank (Romania) SA stakeholders.

In this regard, the persons entrusted with the bank’s management responsibilities must meet the following minimum requirements:

- must have a good reputation and adequate experience to the extent and complexity of the Bank's activities and responsibilities entrusted to perform their activity according to the rules of prudent and sound banking practices;
- must have, collectively, appropriate qualifications and skills to be able to decide, in full awareness, all the aspects regarding the bank’s activity, on which they must decide according to their competencies;
- have not been deprived, by the supervisory authority, in the last 5 years, of the approval to exercise management responsibilities in a credit institution, a financial institution or an insurance / reinsurance company or other entity operating in the financial area or have not been replaced from the exercised function in such entities from attributable reasons;
- have not been prohibited by a court order or a decision of another authority or by a legal provision, to exercise management and / or leadership responsibilities in a financial institution or in an insurance / reinsurance company or in another entity performing in the financial area or to conduct an activity in one of the areas specific to such entities.

The **Board of Administrators (BOA)** is the management body of Credit Europe Bank (Romania) SA in its supervisory function and has full powers to act on behalf of the Bank for the achievement of its activity object and of the decisions issued by the General Meeting of Shareholders'.

The Board of Administrators approves the organizational structure of the Bank and is delegated to set the strategy, objectives and guidelines of the Bank, to oversee and monitor the management’s decision-making process, acting for this purpose in accordance with the Romanian law, with the internal regulations in force and with the Articles of Incorporation of the Bank.

The Board of Administrators meets whenever necessary, but, at least, 6 times a year.

The BOA structure is detailed below:

BOA Member	Position	Period
Faik Onur Umut	President	01.01-31.12.2018
Yakup Cil	Member	01.01-31.12.2018
Mehmet Gulesçi	Member	01.01-14.04.2018
Enver Murat Basbay	Member	01.01-31.12.2018
Wei Man Cheung	Member	01.01-16.07.2018
Deiters Frederik Bernard	Member	01.01-31.12.2018
Ilkorur Korkmaz	Member	01.01-31.12.2018

The structure of the Board of Administrators registered, in 2018, the following changes: the member mandate of Mrs Mehmet Gulesci expired on 14.04.2018, and Mr Scott Cheung was revoked from the member position, on 16.07.2018.
Throughout 2018, the Board of Administrators held 36 sessions.
For the validity of the decisions of the Board of Administrators it is necessary to have at least half of its members.

In 2018, every BOA meeting was attended by all its active members.
The Managing Board (MB) represents the senior management of the Bank and assures the Bank's current management activity under the delegation from and under the supervision of the Board of Administrators. The MB is responsible for implementing the strategy and policies applicable to the Bank and for organizing a rigorously designed business performance management framework in line with the banking legislation and regulations.

The members of the Managing board are nominated by the Bank’s Board of Administrators, according to the attributes granted to it by the Articles of Incorporation, as holders of the Bank's Directors, as defined by the Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy, with subsequent amendments and completions and by Law no. 31/1990, with subsequent amendments and completions.

The Bank's Managing Board meets, at least, once a month and whenever necessary.

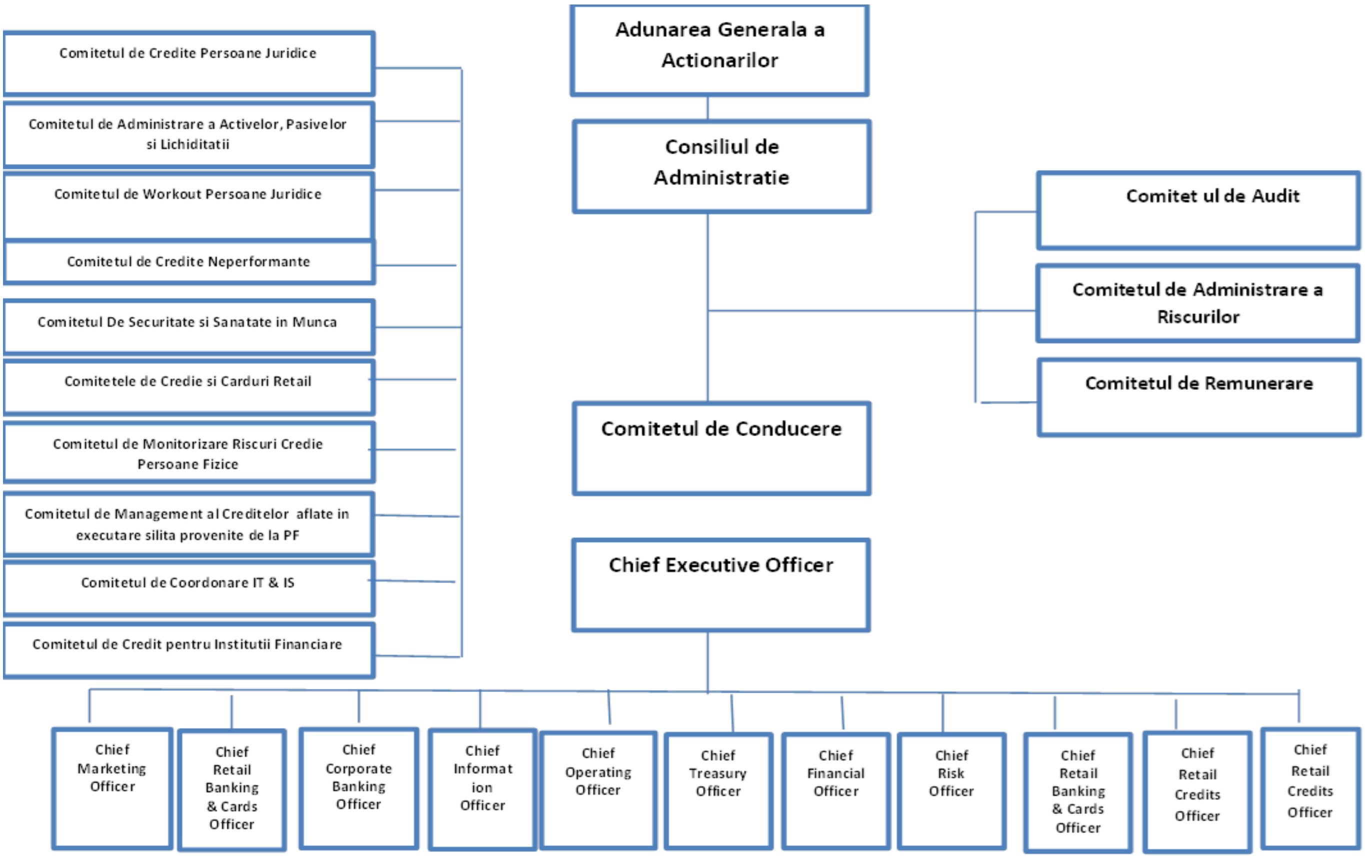
For the legal meeting of the MB , it is necessary half plus one of the total number of members of the Board. In 2018 took place 40 meetings of the Managing Board.

The Managing Board’ s structure and the participation of the members in its meetings ,in 2018, is detailed below:

MB Member	**Position**	**Period**	***Participation at MB meetings (during the position exercise)***
Yakup Cil	President	01.01-31.12.2017	98%
Sorin Dumitrescu	Vice president	01.01-31.12.2017	95%
Engin Alaybayoglu	Vice president	01.01-30.09.2018	88%

During 2018, there was a change in the structure of the Managing Board, which considered the mandate ceasing of the Vice president Engin Alaybayoglu, as of 01.10.2018.
The representatives of the main shareholder nominated in the Bank’s Board of Administrators and the members of the Managing Board hold prior approvals granted by the NBR for their positions. They have been registered at the Bucharest Trade Register and notified to the National Bank of Romania regarding their registration at the Trade Register.
Recruitment and selection of the members of the management body under their knowledge, skills, expertise and independence, objectives and targets, and the extent to which they achieved those objectives and targets is the subject of the Bank's shareholder policies.

The organizational structure of Credit Europe Bank (Romania) SA ,according to the approval of the Board of Administrators, as of 09.05..2018, valid on 31.12.2018, is the following:



1.2 Territorial network

Credit Europe Bank (Romania) S.A. has a territorial network of subordinate units, consisting of branches, agencies and other units without legal personality, which works under the approval of the Board of Administrators, by which are performed various banking activities for the Bank's clients, individuals and legal entities, according to the provisions of the Articles of Incorporation.

The territorial network of Credit Europe Bank (Romania) S.A. (on 31.12.2018) consisted of 54 units: 39 branches, 4 agencies and 11 working points, distributed as follows on the Romanian territory:

1.3 Bank’s Committees

The Board of Administrators has the following advisory committees on 31.12.2018:

The Audit Committee consists of non-executive members of the Board of Administrators, with voting rights. It reports directly to the Board of Administrators and conducts a continuous independent activity to the Bank's Managing Board and has an advisory function.
The Audit Committee usually meets 3 times a year or whenever necessary.

The Audit Committee has the following main objectives:

- assists the Bank’s Board of Administrators in achieving its duties;
- monitors the effectiveness of internal control, internal audit and risks management;
- monitors the implementation of accounting policies by the Bank;
- ensures the implementation and maintenance of applying the legal and regulatory provisions on prudential requirements for credit institutions.

On 31.12.2018, the Audit Committee had the following structure: President- Korkmaz Ilkorur; Members- Frederik Bernard (Frits) Deiters, Onur Umut.

The Remuneration Committee is a permanent committee, with the main purpose to issue competent and independent opinions on remuneration policies and practices and on the incentives created for the risk, capital and liquidity management and to ensure coherent implementation of the remuneration policies and practices within the Bank.

The President and the members of the Remuneration Committee are members of the Board of Administrators who do not have any executive position within the Bank.
The Remuneration Committee meets whenever deemed necessary, but at least three times a year, and have the following responsibilities:

- Analyses and issues suggestions on remuneration of “identified personnel”, which will be submitted to the Board of Administrators for approval, including the situations where the compensation has implications in terms of risk and Bank’s risk management and the Board of Administrators will have to consider the long-term interests of the shareholders, investors and of other stakeholders in the Bank, before taking the decision to approve those suggestions.
- Supervises the remuneration of the risks and compliance management.
- Issues competent and independent views on remuneration policies and practices and on the incentives created for managing the risk, capital and liquidity.
- Suggests recommendations to the Board of administrators on amendments to the remuneration policy for “identified personnel”.

On 31.12.2018, the Remuneration Committee had the following structure: President-Onur Umut; Members - Enver Murat Basbay, Korkmaz Ilkorur.

The Risks’ Management Committee performs a permanent activity, is directly subordinated to the Board of Administrators and has advisory function.

The Risks' Management Committee includes members of the Board of Administrators who do not exercise any executive function and who have the appropriate knowledge, skills and expertise to fully understand and monitor the strategy on Bank's risks management and the risk appetite of the Bank.

The main attributions of this committee are:

- advising the Board of Administrators on risk appetite and overall risk management strategy, current and future, of the Bank and assists this management body in overseeing the implementation of the strategy by the Managing Board;
- verifying, without prejudice to the tasks of the Remuneration Committee, if the incentives provided by the compensation system take into consideration the risks, capital, liquidity and the profits' calendar;
- establishing and proposing for approval of appropriate limits on exposure to risks, including for crisis conditions.

The Risks' Management Committee meets whenever necessary, but at least three times a year.
The Risks' Management Committee had the following structure on 31.12.2018: President- Ilkorur Korkmaz; Members- Frederik Bernard (Frits) Deiters, Onur Umut.

Within the Managing Board, on 31.12.2018, were organized and were functioning the following permanent operating committees:

Legal Entities Loans Committee is a permanent committee, which has the following main attributions regarding the legal entities clients under normal management:

- examines and decides on applications and proposals for granting loans or other customers' requests related to the lending activity within its competence limits;
- decides the loan terms for each applicant client, separately, following a better management of the involved risks;
- analyses the problematic loans and decides upon them, decides approval or rejection of beginning the foreclosure procedure for the problematic loans.

The Legal Entities Loans Committee meets whenever necessary, but at least twice a month and consists of: Chief Executive Officer and Executive Chairman; Chief Marketing Officer and Vice-President; Chief Corporate Banking Officer and Executive Director/Corporate Marketing Division Director; Chief Corporate and SME Credits Officer and Executive Director; Corporate Credit Division Director / SME Credits Division Director.
Assets, Liabilities and Liquidity Management Committee (ALCO) is a permanent committee, with main responsibility for overseeing the entire management function of the Bank's assets and liabilities.
The Committee's activity consists in adopting decisions related to the efficient management of the Bank's assets and liabilities, under maximum profitability and mitigating the risks.

ALCO meets whenever necessary but at least once a month and has the following structure: Chief Executive Officer and Executive President; Chief Marketing Officer and Vice-President; Chief Treasury Officer and Executive Director; Chief Financial Officer and Executive Director of the Bank.

Corporate Workout Committee is a permanent committee that has as main objective the analysis of non-performing loans from workout portfolio and adopting decisions regarding:

- loans' restructuring and other requests of the clients under workout management;
- restructuring conditions granted to each client;
- transfer to foreclosure, and its suspension;
- strategy regarding clients' assets under foreclosure or under insolvency procedure, for the clients being under workout management;
- issuing / replacing / changing the guarantees structure related to loans of the clients under workout management.

The Workout Committee meets whenever necessary and has the following structure: Chief Executive Officer and Executive President; Chief Risk Officer & Vice president; Chief Corporate and SME Credits Officer and Executive Director; Legal Entities Workout Division Director; Legal Entities Workout Division Specialist.

Work Safety & Health Committee is appointed by the Bank's Managing Board and has the following attributions:

- aims to achieve the prevention and protection plan, including the allocation of necessary resources for achieving its provisions and their effectiveness in terms of improving the working conditions;
- monitors how are applied and observed the legal regulations regarding work safety and health, the measures ordered by the labour inspector and by the health inspectors;
- analyses the way of fulfilling the duties that belong to the external service of prevention and protection, and maintaining, or if necessary, its replacement.

Work Safety & Health Committee meets at least once a quarter and whenever necessary and is composed of: Chief Executive Officer and Executive President; Chief Risk Officer and Vice-President; Chief Operating Officer and Executive Director; Human Resources Division Director; Secretary Committee; Employee Representatives; Labour Medicine Doctor.

Retail Loans and Retail Cards Approval Committees are appointed by the Bank's Managing Board and have as main attribution decisions on approval or rejection of the credit/card applications according to the approval competencies, considering the special situation/situations existing for each credit request.

These two Committees will meet whenever necessary and have the following structure: Chief Executive Officer and Executive President; Chief Marketing Officer and Vice-President; Chief Retail Credits Officer and Executive Director; Sales Channels Management Division Director; Head of Division – Retail Credits and Cards Division.

Credit Risk Monitoring Committee for Individuals is appointed by the Bank's Managing Board and ensures:

- identification of the factors that could impact the quality of the loans and credit cards portfolio for individuals, highlighting the involved risks, the implications and proposing actions to mitigate the identified, possible or already produced risks, when diagnosed;
- monitoring the loans portfolio and the provisions' evolution.

The frequency of the committee meetings is set depending on the types of monitoring that occur on the agenda.
On 31.12.2018, the Credit Risk Monitoring Committee for Retail Clients had the following composition: Chief Marketing Officer and Vice-President; Chief Retail Credits Officer and Executive Director; Director of Sales Channels Management Division; Head of Retail Credits and Cards Division; Head of the Monitoring Department; Director of Credit Administration Division; Director of Risk Management Division

Non Performing Loans (NPL) Committee – Retail Clients

Non Performing Loans (NPL) Committee – Retail Clients analyses and decides on the beginning of the legal procedures for the cases (loans granted to individuals) when the amicable recovery became uncertain or impossible.
The frequency of the meetings of the Committee is monthly and its structure was, on 31.12.2018, the following: Chief Marketing Officer and Vice-President; Chief Risk Officer and vice president; Chief Retail Credits Officer and bank Executive Director; Head of the Monitoring Department; Head of the Collection Department; Head of Retail Credits and Cards Division.

Foreclosure Retail Loans Management Committees have, as main responsibility, monitoring of the whole function of management of the real estate assets owned by the Bank and deriving from the execution of the guarantees related to the loans granted to individuals and management of the foreclosure loans granted to individuals.
Foreclosure Retail Loans Management Committees meet at least monthly or whenever necessary.

The Committee which decides on the foreclosure retail loans that are not collateralized by mortgage and for all the payment agreements proposed for all foreclosure retail exposures (collateralized/not collateralized) is composed of: Chief Retail Credits Officer and Chief Executive Officer of the Bank; Manager of the Assets Portfolio Management Division; Head of the Collection Department.

IT & IS Coordination Committee

Credit Europe Bank (Romania) S.A. established an IT & IS governance structure in order to promote and grant support in using the information technology in the bank's business processes. The IT & IS Coordination Committee is part of this structure, appointed by the Bank's Managing Board and ensures that the IT initiatives and projects are consistent with CEB Romania strategic objectives.

The purpose of this committee is to:

- provide strategic leadership by aligning the IT and IS strategic goals with the processes and strategic objectives of the Bank;
- prioritize IT & IS investment initiatives and to give final approval and recommendations on the continuation of IT & IS proposed projects;
- follow-up the status of the projects and to monitor the services levels.

IT & IS Coordination Committee meets whenever necessary, but at least three times a year and is composed of: Chief Executive Officer and Executive President; Chief Information Officer and Executive Director; Chief Risk Officer and Vice-President; Chief Financial Officer and Executive Director.

Credit Committee for Financial Institutions is subordinated to the Managing Board and meets whenever necessary.

The Credit Committee for Financial Institutions has the competency:

- to approve the limit proposals for financial institutions and sovereign limits depending on their external ratings;
- to decide on the decreasing and cancellation of the existing limits and to establish new exposure limits or their renewal according to its competencies.

On 31.12.201, the Credit Committee for Financial Institutions had the following composition: Chief Executive Officer and Executive President; Chief Treasury Officer and Executive Director; Chief Corporate and SME Credits Officer and Executive Director.

2. Capital management

The Bank’s policy is to maintain a strong capital base in order to preserve the trust of the investors, creditors, customers and of the market and to sustain future development of the Bank's activity.

The Bank recognizes the impact that the capital level has on the yield obtained by the shareholders and the need to maintain a balance between the high yields on the one hand and the advantages and security brought by a healthy capital position, on the other hand.

In order to determine the minimum capital requirements for 2018, Credit Europe Bank (Romania) SA applies the provisions of EU Regulation no. 575/2013 on prudential requirements for credit institutions and investment companies.

Credit Europe Bank (Romania) S.A. calculates regulatory capital requirements for credit risk, market risk (currency) and operational risk.

In order to comply with the capital requirements provided by the National Bank of Romania regulations, the Bank must record a capital adequacy ratio at least equal to the TSCR rate.

Credit Europe Bank (Romania) S.A. has complied with capital requirements imposed by the regulator throughout 2018.

The Bank's equity amounting RON 608.166 thousands includes the paid authorized capital amounting RON 557.611 thousands and the indexation effect amounting RON 50.555 thousands, according to IAS 29 - Financial Reporting in Hyperinflationary Economies.

The bank's capital is divided into 2 categories:

- Tier 1 funds, which include authorized capital, capital premiums, reported result, legal, statutory and other reserves and other adjustments required by regulations related to items that are included in the regulatory capital class, but are treated differently than the capital adequacy calculation.
- Tier 2 funds including subordinated loans, other long-term debts and other adjustments required by regulations.

The Bank's capital adequacy situation at December 31st 2018 was the following:

Thousand lei

	31-Dec-2018
Tier 1 own capital	
Registered capital	608.166
Reported result	100.961
Deductions for intangible assets	(11.816)
Other adjustments	44.145
Equity interest held in related companies with financial character	(13.084)
Total Tier 1 own capital	**728.372**
Tier 2 own capital	
Other transitional adjustments for own funds - Tier 2 level	-
Total Tier 2 own capital	-
Total Capital	**728.372**
Capital requirements Pillar I	
Capital requirements for credit risk	196.253
Capital requirements for market risk	3.061
Capital requirements for operational risk	42.098
Total Capital requirements Pillar I	**241.413**
Total Capital requirements Pillar I+II	**322.868**
Capital indicators	
Solvability indicator (Pillar I)	24.14%
Capital internal indicator (Pillar I+II)	18.05%
Leverage indicator effect	13.998%

The capital assignment was performed as follows:

a) **Credit risk:** until December 31st, 2007, the Bank calculated the capital requirements in accordance with the requirements of Basel I. As of 2008, Basel II requirements related to capital assignment are required for the Romanian banking system, the Bank opting for credit risk - standard model
b) **Currency risk:** capital assignment for currency capital is calculated under the standard pattern, in the context of implementing Basel II requirements agreement.
c) **Operational risk:** as of 2008, the Bank calculates the capital requirement for operational risk under the basic indicator pattern, in the context of implementing Basel II requirements agreement.

On 31.12.2018, the bank's annual turnover was of RON 266.2 thousands and the return on assets was of 1.2%. At consolidated level, the annual turnover was of RON 269.1 thousands.

3. Remuneration policy and practices

The objective of the Remuneration Policy of Credit Europe Bank (Romania) S.A. is in line with the Remuneration Policy of CEB NV: to focus them on improving the performance of CEB and, consequently, enhancing the value of Group CEB N.V., to motivate and retain current Staff and to be able to attract other highly qualified Staff to join the Group, when required, while promoting a sound and effective risk management and not encouraging risk-taking that exceeds the level of tolerated risk of CEB.

Decision - making process used for determination of the remuneration policy

The key elements of the governance structure for the fixing, execution and evaluation of the Bank's remuneration policy are the Board of Administrators and the Managing Board. Thus, the Board of administrators reviews and approves the principles of the remuneration policy and is responsible for overseeing the implementation thereof by the Managing Board.

Thereto, the Board of Administrators will test, on a regular basis, the general principles of the remuneration policy and it will make sure that at least once per year the compliance to the rules and procedures under the remuneration policy is reviewed by the internal control functions.

The Board of Administrators has the ultimate authority to review and approve variable remuneration and severance proposals for Identified Staff. The remuneration of the other employees is determined and implemented by the Human Resources Commission.

As a general principle, CEB's Group Remuneration Policy authorizes the Board of Administrators to adjust the variable remuneration of employees, if continuation on the same level would have an unfair and unintended effect.

Moreover, the Board of Administrators has the right to reclaim the variable component of remuneration granted to employees, if it turns out that such a variable was based on inaccurate data.

When establishing and applying the total remuneration policies for categories of staff whose professional activities have a material impact on the risk profile of the Bank, the following principles will be followed:

- remuneration policies and practices of Credit Europe Bank (Romania) S.A. correspond to the culture of the Bank, the long term business strategy and objectives, values and long-term interests of the Bank as well as its control environment and incorporates measures to avoid conflicts of interest, as described in Bank's internal regulations (Code of Conduct and Policy of Conflicts of Interests);
- where remuneration is performance related, the total amount of the remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned, as well as of the overall results of the Bank and when assessing individual performance, financial and non-financial criteria are taken into account; other non-financial factors should also be considered such as skills acquired, personal development, compliance with the Bank's systems and controls, commitment to the business strategies and its major policies and contribution to the performance of the team;
- the performance assessment is set in a multi-year framework in order to ensure that the assessment process is based on longer-term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the underlying business cycle of the Bank and its business risks;
- fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy, on variable remuneration components, including the possibility not to grant any variable remuneration at all.

As an **overall principle**, total amount of variable remuneration that the Bank is going to pay may not restrict the Bank's possibilities to reinforce its regulatory capital, its solvency ratio, and/or its own funds.

It is not allowed to grant guaranteed variable remuneration; guaranteed variable remuneration may occur exceptionally only when hiring new staff and is limited to the first year of employment.
Variable remuneration granted in a given year may not exceed 100% of the annual fixed remuneration of any employee.

Variable remuneration awarded to Identified Staff member will be for maximum 60% unconditional and for minimum 40% deferred over a period of three years. If in a given year an Identified Staff member is awarded a total variable remuneration of more than EUR 300.000 - gross (or equivalent), 40% will be unconditional and 60% deferred.

The Bank has established a **Long Term Incentive Plan** (the Plan) which sets for the rules and conditions for the establishment, grant, vesting and retention with respect to the Phantom Shares that will be granted to Identified Staff that receive (un)conditional variable remuneration. The Plan is in line with the rule that at least 50% of (un)conditional variable remuneration is granted in the form of financial instruments.

The purpose of the Plan is:

1. to establish a long-term incentive plan, in order to maintain competitiveness in the banking industry,
2. to support the growth, development and financial success of the Group by providing additional incentives to some CEB employees who have been or will be given responsibility for the management of the business affairs of the Group, and
3. to comply with the NBR regulations on Sound Remuneration, which stipulates that:

   - 40% of the granted variable remuneration to an Identified Staff member will be deferred and that the other 60% will be granted unconditionally and
   - at least 50% of the variable remuneration (whether deferred or unconditional) to Identified Staff should consist of shares of the Group or financial instruments whose value is determined / derived from the value of the shares.

In accordance with the NBR regulation on Sound Remuneration, any variable remuneration to an Identified Staff member, whether deferred or unconditional, consists in at least 50% of financial instruments (like shares, options, Phantom Shares). Accordingly, this Plan sets forth that the Identified persons shall receive 50% of their unconditional and deferred variable remuneration (if applicable) in the form of Phantom Shares under the conditions of this Plan. If an Identified Staff member refuses to receive Phantom Shares, (s)he is not entitled to the cash value of the offered package of Phantom Shares.

The deferred part of the variable remuneration of an Identified Staff member, i.e. 40% of the variable remuneration in any given year, shall be subject to a 3 year deferral period: 1/3 will be paid out one (1) year after the award date, 1/3 in the second year and 1/3 in the third year. Please note that this 'pay out' will be (also) subject to the 50/50 rule of cash and Phantom Shares.
Further, it must be noted that the Phantom Shares that vest in accordance with the chart laid down in this Plan must be retained for at least one (1) year. This means that the acquired Phantom Shares can be paid only at one (1) year as of the date of the entry into force.

Variable remuneration may not be paid out to or through a special purpose vehicle or via other methods that undermine a sound remuneration policy – and monitoring. Furthermore, Identified Staff may not apply hedge strategies or foreign currency structures to protect their remuneration interests; they are required to undertake not to use personal hedging strategies or remuneration - and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

Performance shall be evaluated on pre-determined and assessable criteria ('objectives') and shall comprise both financial and non-financial elements. Non-financial elements shall make up at least 50% of the assessment of the Identified Staff member.

Financial performance shall be reviewed in the context of the Group's and/or Bank's financial stability and own funds requirements as well as the long-term interests of the shareholders and other stakeholders within the Bank.

Financial performance shall be evaluated under the divisional/departmental profitability, calculated on financial criteria such as Net Income (i.e. expenses and funding charged to the respective profit centers). Additionally, the department's attribution/claim to the risk profile of the Group and/or Bank will also be taken into account in determining financial performance. The assessment of individual financial performance shall be adjusted to allow for estimated risks and capital costs.
The appraisals for Identified Staff members in control functions must take into account their independent 'countervailing' function compared to Identified Staff members in commercial positions.

The payment of variable remuneration is subject to the following **malus** and **clawback** arrangements:

1. Variable remuneration granted but not yet vested, in whole or in part, will be reduced or lapse (malus) or variable remuneration already vested/paid will be recovered (clawback), in whole or in part, if the Board of Administrators considers that one or more of the following conditions are fulfilled:

- The Identified Staff member did not meet the established norms on competence and appropriate behaviour;
- The Identified Staff member is responsible for behaviour leading to deterioration of the Group's position;
- Evidence of misconduct or serious error by an Identified Staff member (i.e. in case of a negative reassessment by the regulator; a breach of disciplinary laws for bankers, codes of conduct and other internal rules, especially concerning risks);
- Any regulatory sanctions where the conduct of the Identified Staff member contributed to the sanction;
- In case any variable remuneration paid (in the previous 2 years) to Identified Staff was based on inaccurate (financial) data.

2. Variable remuneration granted but not yet vested, in whole or in part, will be reduced or lapse (malus) if the Board of administrators considers that one or more of the following conditions are fulfilled:

- If the Bank or the business unit in which the Identified Staff member works suffers a significant downturn in its financial performance (i.e. an ROAE < 2%) or when the financial results are negative;
- If the Bank or the business unit in which the Identified Staff member works suffers a significant failure of risk management;
- Significant increases in the Group's, the Bank's or business unit's economic or regulatory capital base; or
- If there are significant changes in the Group's or the Bank's overall financial situation.

3. Variable remuneration granted and not paid out to Identified Staff shall be immediately forfeited and nullified, and the clawback clause applies in case of immediate cessation of the activity due to serious negligence or inappropriate behaviour of the person.

4. Additionally, for Identified Staff, the rule applies that variable remuneration awards, not yet vested, shall be forfeited and nullified if at the date of pay out, when Identified Staff has an average 'performance score' over 3 previous (and consecutive) years of less than 2.5, out of a scoring range between 0 ('poor') and 5 ('excellent').

The table below shows the aggregate quantitative information, on consolidated level, regarding the remuneration, split by areas of activity:

	BOA members	MB members	Investments banking services	Retail banking services	Assets' management	Corporate positions	Independent control positions
No of personnel members	**0**	**4**	**0**	**0**	**0**	**0**	**0**
The total number of employees in full-time equivalent	**0**	**0**	**574**	**125**	**4**	**142**	**38**
Total remuneration (in EUR)	**0**	**770.190**	**8.977.875**	**2.248.024**	**74.314**	**3.839.672**	**1.012.709**

Below are presented aggregated quantitative information on remuneration, at consolidated level, for the members of the management and of the personnel, whose actions have a material impact on the risk profile of the institution, indicating the following elements:

- amounts relating to remuneration for the financial year, split into fixed and variable remuneration, and number of beneficiaries;
- amounts and forms of variable remuneration, split into cash, shares, tools related to shares and other types of shares.

	BOA members	MB members	Investment banking services	Retail banking services	Assets' management	Corporate positions	Independent control positions
No of personnel members	0	2	0	0	0	0	0
Number of the members of the *identified personnel*, in full time equivalent	0	0	6	2	0	5	3
Number of the members of the identified personnel that take positions within the superior management	0	0	0	0	0	0	0
The total fix remuneration (in EUR), of which:	0	636.391	641.628	171.379	0	709.321	119.091
- cash	0	636.391	641.628	171.379	0	709.321	119.091

- actions and instruments related to actions	0	0	0	0	0	0	0
- other types of instruments	0	0	0	0	0	0	0
The total variable remuneration (in EUR), of which:	0	59.492	0	0	0	0	0
- cash	0	59.492	0	0	0	0	0
- actions and instruments related to actions	0	0	0	0	0	0	0
- other types of instruments	0	0	0	0	0	0	0
Art. 450, par. (1), letter. (h), item. (iii) of EU Reg. no. 575/2013 - The total amount of deferred variable remuneration due and unpaid, granted during the previous years and not paid in year N (in EUR)	0	167.047	108.387	0	0	125.040	0

4. Diversity and Inclusion Policy

In order to promote diversity and inclusion in the workplace as engines for innovation, business growth and more balanced decisions, the Bank has developed a Diversity and Inclusion Policy by which aims to use a diverse workforce and an inclusive environment that observes and supports all the employees and contributes to the improvement of the business performance.

To this end, the Bank offers equal opportunities in recruitment, professional development, promotion, training and rewards for all employees.

In terms of diversity, Bank staff may include, among other things, men and women of different ethnic backgrounds, races, cultures, religions, ages, education, social backgrounds, etc. Also, the diverse composition of the governing body in terms of age, knowledge and expertise make it possible to make balanced decisions.

It is the Bank’s aim to become more in line with the statutory targets for male and female members of the Managing Body, by appointing female members when new appointments or replacement of current members occur.

5. Internal Control Framework

The Internal Control Framework (ICF) of Credit Europe Bank (Romania) SA was created in accordance with the regulatory framework, in order to implement a control mechanism suitable for the correct identification, measure and reporting of the risks the Bank is facing and to ensure the compliance with the internal regulations or with the local requirements.

The ICF relies on the organization and functioning of the risks management, compliance and internal audit functions and on the following interdependent processes:

- Management of the supervision and culture of control;
- Identification of significant risks, evaluation and their monitoring;
- Activities' control and segregation of duties;
- Information and communication;
- Monitoring activities and correction of deficiencies.

The ICF is structured on 3 levels:

- the first level of controls is implemented so as to ensure that the transactions are properly carried out. Controls are made by the risk taking entities and are incorporated into specific procedures. The responsibility to carry out controls is delegated to each internal structure.
- the second level of controls is exercised by the Risk Management and Compliance functions.
- the third level of controls is carried out by the Internal Audit Function, which regularly evaluates and verifies the completeness, functionality and adequacy level of the ICF.

The functions of the ICF are independent of each other, in terms of organization and toward the business lines they monitor and control them and ensure carrying out effective and efficient operations, adequate risks control, prudent conduct of the activity, credibility of the reported financial and non-financial information and compliance with legal and regulatory framework, monitoring requirements and Bank's rules and internal decisions.

The Risk Management Function is performed within the Bank by the Risk Management Division and is subordinated to the Bank's executive leader with Chief Risk Officer Responsibilities.
The Risk Management Function substantiates the strategy and the policies regarding the bank's significant risks management, ensures the periodic monitoring of the bank's effective risk profile in relation with the strategic objectives of the Bank and with the tolerance / appetite to risk.

The Risks Management Division is actively involved in:

- drafting and reviewing the risks management strategy and in the decision-making process on significant risks management;
- analysing transactions with affiliates;
- identifying risks arising from the complexity of the Bank's legal entities;
- assessment of significant changes;
- risks' internal measurement and assessment;
- risks' monitoring;
- aspects related to unapproved exposures.

The Compliance function was created for the proper management of compliance risk and to ensure that the activities of the Bank comply with the legal and regulatory framework, with the internal regulations and with the management requirements.

Within the Bank, the compliance function is performed by the Compliance Division; however, certain activities are undertaken by other organizational structures, as well (such as the Legal, Human Resources, and Antifraud Divisions).

The Compliance Division is an operative structure of monitoring and control, independent of other structures within the Bank, directly subordinated to the executive manager of the Bank with Chief Risk Officer responsibilities - coordinator of Bank’s internal control related framework.

The Compliance Division ensures the identification, evaluation and prevention of compliance risk associated with the activities performed by the bank in its responsibility area and periodically or whenever necessary informs the Chief Risk Officer, the Managing Board and the Board of Administrators regarding the possible violations of the compliance policies and on any other aspects regarding the compliance risk.

The Compliance Division assists the Managing Board in ensuring an organizational culture on risk compliance, issues opinions and makes recommendations as a result of the verifications, monitoring, analysis and evaluations carried out in its area of responsibility and / or at the request of the Chief Risk Officer, of the Managing Board and of the Board of Administrators or of other structures of the bank regarding the aspects that include: (1) compliance risks, (2) review of the internal regulations of the Bank, where they no longer meet the requirements of the legal and regulatory framework in force and / or there are generating aspects of major risks for the Bank and (3) new procedures and products of the Bank in terms of the regulatory framework in force.

The Internal Audit function is an independent control function, in charge with the examination and assessment of the organizational arrangements and of the mechanisms related to the internal control framework within the Bank.

Within the bank, this function is performed by the Internal Audit division which operates under the supervision of the Audit Committee and is subordinated to the Board of Administrators, reporting directly to these structures and to the executive leader of the bank with Chief Risk Officer responsibilities.

The main objectives of the internal audit aim ensuring an independent evaluation on:

- all the activities of the Bank and ensures their compliance with the Bank’s policies and procedures;
- adequacy of policies, regulations, internal regulations of the Bank at the legal and regulatory framework, as well as these have been met;
- the quality and efficiency of the management processes of the Bank;
- the efficiency and effectiveness of the framework related to the internal control, to the process of risks management and to the assessment methodologies of the significant risk in order to improve them.

Please note that, within the Bank, operates a distinctive structure of control (the **Antifraud Division**) that manages the antifraud activity, conducts and maintains monitoring procedures for the Bank’s protection against frauds, subordinated to the Bank's executive manager with responsibilities of Chief Risk Officer.

6. Transactions with related parties

In 2018, during its normal activity course, the Bank conducted a series of financial transactions with related parties. These transactions were concluded on commercial terms and conditions and at market prices.

The entities are considered to be related, at least, in situations where one party has the ability to control the other or to exercise a significant influence over the other party in making financial or operating decisions.

The Bank has conducted transactions with related parties (members of Credit Europe Bank NV and of the bank's management) are summarized in the table below.

Thousands RON

	31.12.2018
Assets	
Cash and current accounts at central banks	-
Financial assets at the right values by the profit account and financial loss	-
Loans and advances granted to the banks	59.431
Loans and advances granted to the clients	38.945
Other assets	1
Total	**98.377**
Debts	
Deposits from banks	2.737
Deposits from customers	38.469
Financial liabilities at fair value through profit and loss account	-
Loans from banks and other financial institutions	-
Other debts	55
Total	**41.261**
Extra balance	
Commitments of granting the loans	-
Letters of bank guarantee	3.248
Total	**3.248**
Incomes	
Incomes from interests	1.643
Incomes from fees	10.693
Net incomes/(expenses) from trading	9
Other operational incomes	634
Total	**12.979**
Expenses	
Expenses with the interests	(92)
Expenses with fees	(4.079)
Other operational expenses	(8.257)
Total	**(12.428)**

More details about the nature, extension, purpose, and economic substance of the transactions performed in 2018 by the Bank with the parties can be found in the Consolidated financial situations -2018 posted on Credit Europe Bank (Romania) S.A website, at "*About us*" section.

7. Encumbered assets

In accordance with article 443 from EU Regulation no. 575/2013 (CRR), and with CERS Recommendation/2012/2 of the European Committee for Systemic Risk from December 20, 2012 on credit institutions funding and especially Recommendation D – Market transparency related to encumbered assets, this report mentions the level of the encumbered assets compliant with the instructions of the European Banking Authority Guide for publishing encumbered and unencumbered assets – EBA/GL/2014/03 from June 27, 2014.

Reporting requirements should measure all forms of encumbered assets, including encumbrance tasks contingent, because this is of vital importance, posing a significant risk to the institutions' liquidity and solvency profile, especially for institutions with significant levels of encumbered assets.

An asset must be considered as being an encumbered asset if this was pledged or is the subject of a collateral agreement, for collateral coverage (collateralization), or of improvement of the credit quality of any transaction on or off the balance sheet, from which it can not be withdrawn freely (for example, when it is a guarantee for the purpose of financing).

On December 31, 2018, the only source of encumbrance is represented by government securities issued by the Ministry of Public Finance in Romania, being constituted as a pledge in favour of the National Bank of Romania aiming to guarantee the compensation activity in accordance with the legislation in force, as well as own equities instruments (shares).

On December 31, 2018, the accounting value of the encumbered debt securities was of 40,000,000 lei and of own equities instruments of 19.4 million lei.

8. Risk Management

In conducting all its activities, the Bank must ensure that all the assumed risks are identified and appropriately managed. This is achieved through the full integration of risk management in daily activities, through strategic planning and business development in accordance with the appetite to assumed risk.

The risks are managed through a continuous process of identification, measure, monitoring and mitigation, depending on the risk limits and on the implemented controls.
In order to manage the risks that might affect the activity and financial performance, the Bank takes the necessary measures to identify the sources of risk for assessing and monitoring its exposures, establish market risk limits, liquidity risk monitoring limits etc.

The management framework defines methodological aspects of limits development, roles and responsibilities and the used processes and tools. The significant risks are identified and assessed for the entire bank at all organizational levels, for all the transactions and banking activities.

In the process of risk management, the Bank has established a set of strategic objectives:

- the bank's management body aims the implementation and development of an integrated risks management process and the development of a culture regarding the risks management that allows the identification, measurement, monitoring, reporting and control of all the risks identified in the Bank.
- the bank's management structure aims the report between the risk and the profit, both throughout the activity and for each significant activity in terms of ensuring activity continuity under a sound and prudent base.
- the bank's management structure follows the active involvement of the risks management function in the early stages of new product development and initiation of transactions in new markets supporting a close collaboration with the business lines.
- the bank's management structure aims the development of a control adequate system and/or mitigation of assumed risks.

To develop a risk management culture regarding the risks management and increasing the awareness level within the organization on the principles of risks management and of the related processes, the Bank permanently seeks:

- to implement consistent strategies, policies and procedures;
- to promote risks management within the Bank (training in the distance learning programs) (training and e-Learning), assistance and knowledge transfer, support the bank's entities in developing their own risk management tools);
- to provide risk information to relevant persons from the Bank;
- to communicate the implemented principles and processes in the entire organization.

In order to achieve adequate control of assumed risks, Credit Europe Bank (Romania) SA establishes an integrated set of procedures, processes, tools, measures and conditions of compliance and / or eligibility, such as the following, but without limiting to these:

- establishing processes and procedures for conducting daily activity and for controlling and mitigating the significant risks;
- establishing counterparties, types of accepted collaterals and distribution channels (in the strategies, policies and specific internal regulations);
- establishing alert and risk limits in the bank's risk numeric profile;
- permanent monitoring of risk indicators and limits and risk alert to identify the exceeding, and the action ways and measures if significant risks reach the alarm thresholds, depending on the nature of risk indicators, of the set limits, of the nature of the indicators (seasonal or permanent) and of the length of time in which they are outweighed by the monitored indicators, the Bank circulates and / or escalates risk information relevant to appropriate decision levels in order to establish appropriate ways and / or measures, such corrective decisions, changing the alert limits, maintaining level of monitoring at the same level,

monitoring increasing, establish an action plan, further investigation of the aspect or other measures deemed appropriate to the specific situation the Bank is facing;

- improving internal control and/or self-control mechanisms ensuring the segregation of duties;
- reducing and / or transferring risks through (as appropriate):

  - policies, processes and risks management procedures development, establishing and periodically reviewing the authority limits, avoiding the risk concentrations and permanent improvement of the control mechanisms;
  - a request for guarantees, especially actual eligible (funded protection of the loan) and / or personal (unfunded credit protection assumed by a third eligible party), and monitoring and control of the residual risk related to them;
  - risks insurance.
- establishing management mechanisms of the market risks, namely interest instalment and foreign currency risks;
- conducting crisis scenarios for the evaluation of the impact on certain risks, such as the liquidity, currency, interest instalment, related to risks mitigation techniques risks etc;
- ensuring the business continuity under the conditions established in the Procedure of activity continuity and post crisis recovery management.

The risks that were identified in 2018 as being significant for the bank are the following:

- Credit risk and related risks
- Interest instalment risk
- Currency risk
- Liquidity risk
- Operational risk
- Compliance risk
- Strategic risk
- Reputational risk
- The risk related to the excessive use of levers effect

8.1 Credit risk and related effects

The Credit risk is the existing or future risk of negatively affecting the profits and capital due to non-accomplishment by the debtor of the contractual obligations or his failure in accomplishing the established stipulations.
The action lines followed by the Bank in terms of credit risk management include the following:

- Formalizing credit policies by consultation between the entities involved in the lending process regarding the collateral requirements, assessment, classification and risk reporting and compliance with the statutory and regulatory requirements;
- Establishing the authorization structure for the approval and renewal of credit facilities, the authorization limits being allocated on levels of the credit committee, proportionally with the loan value;

- Limiting the exposure concentration on counterparties, geographical areas and industries and on issuer, credit classification categories, market and country liquidity;
- Verification of compliance with the established exposure limits - including those for specific industries (economic areas) and products;
- Periodical reporting on the quality of the portfolio submitted to the Board of Administrators that allow taking the appropriate corrective measures, as applicable;

To create added value for the Bank through strategic development goals in terms of assuming a controllable risk level, the Bank has built strategies and policies in accordance with the Group's overall strategy and other plans, perspectives, procedures and relevant rules. The level of risk is pursued by continuously monitoring of the concentration and quality of the credit portfolio of the clients.

Credit Europe Bank (Romania) S.A. monitors that the portfolio product structure and the maturity of the products granted to legal entities to be linked with the financing destination, with the financial performance and with the counterparty quality, with the type of collaterals and with the outlook regarding the economic area in which activates.
The Bank thus aims, by the specialized functions, to actively promote all the categories and types of loans regulated by its own rules, considering both the lending need and the eligibility of the counterparties.
Regarding the collaterals' recovery, the Bank adopts decisions of recovery and constant management of the recovered goods. The fair value of the assets classified as being held for sale by the Bank is set by an external and independent professional appraiser, licensed ANEVAR. The fair value of the assets classified as held for sale is considered to be Level 3 of the fair value ranking.

8.2 Interest rate risk

The Bank faces the interest rate risk mainly as a result of exposure to adverse changes in the market interest rate.

Besides the classification of assets and liabilities on maturity bands depending on the sensitivity to the interest rates and setting limits for the net position, the management of the interest rate risk is supplemented by monitoring the sensitivity of the financial assets and liabilities of the Bank to various standard and non-standard scenarios of changing the interest rate.

Thus, the Bank has elaborated and uses its own methodology for calculating its economic value potential changes due to changing interest rates levels. The Bank monthly calculates the change of its economic value as a result of implementing certain sudden changes in the interest rates - standard shocks – of a size established by the NBR. The standard shock is of 200 base points in both directions (increase / decrease), regardless of the currency.

The Bank calculates and reports quarterly to individual level and half yearly to consolidated level to the NBR on the potential changes of the economic value using the standardized methodology.
Details can be found in the consolidated financial statements 2018, posted on Credit Europe Bank (Romania) S.A website, at "*About Us*" section.

8.3 Foreign currency risk

The Bank is exposed to currency risk by the foreign currency transactions in counterparty with the RON. The Bank manages its exposure to exchange rates movements by altering the ratio of assets and liabilities.

Transactions and foreign currency position of the bank are managed according to the strategy adopted in the Assets, Liabilities and Liquidity Management Committee meetings. The Dealers from the Financial Markets Trading Department conclude transactions in accordance with the limits assigned by the Board of Administrators of Credit Europe Bank (Romania) SA. The bank's assets and liabilities price fluctuations may affect the profitability and thus, the bank's own funds. Therefore, for each new investment or new incurred risk, the Financial Markets Division has defined "stop-loss" limits.

8.4 Liquidity risk

The liquidity risk is generated by the management policy of the attracted resources and of the assets positions. This includes both the risk that the Bank may encounter difficulties in getting the necessary funds for assets' refinancing at the related maturities and the risk coming from the inability to liquidate an asset at a reasonable value, within an adequate period.

In order to satisfy its obligations to its counterparties on the dates when they become due (at contractual terms) or in outrun (on request), maintaining an appropriate liquidity is a central element of the business activity of Credit Europe Bank (Romania) S.A.

Credit Europe Bank (Romania) S.A. manages the liquidity in order to ensure the business continuity under both normal conditions and under conditions of liquidity crisis.

The Bank has access to diversified funding sources. The funds are raised through a wide range of tools, including deposits, loans and authorized capital. This enhances the fundraise flexibility, limits the dependence to one financing type and leads to an overall decrease of the costs generated by fundraising.

The Bank tries to maintain a balance between continuity and funds flexibility by contracting debts with different maturities. The Bank continuously evaluates the liquidity risk, by identifying and monitoring the changes in financing and diversifying the funding base.

The Bank manages the liquidity risk both under the indicators and limits set by the NBR and under the indicators and internal limits. The main indicators monitored by the Bank in managing the liquidity risk are: the liquidity ratio calculated as ratio between effective liquidity and the liquidity required for each range of maturity and the liquidity immediate ratio calculated as the share of bank deposits and government securities, lien free in attracted and borrowed sources. Both indicators are regulated by NBR.

As a central element of maintaining an adequate liquidity, Credit Europe Bank (Romania) is focusing including towards ensuring a liquidity flow adequate to its business by adjusting the dynamics of the size and structure of its assets and liabilities, of the maturity and repricing ranges for these, as well as of the practiced interest rate.

The Bank establishes the following objectives regarding the liquidity:

- Diversifying the funding structure on the short, medium and long term.
- Maintaining the active presence on the relevant markets and linking closely with the funding providers.
- Ability to obtain urgent financing from each funding source.
- The existence of formal financing alternative plans.
- Active management of the intraday liquidity positions and of the risks related to paying, in time, the payment / reimbursement obligations.
- Existence of processes for identifying, measuring, monitoring and controlling the liquidity positions.
- Monitoring the liquidity risk through a number of early warning indicators.

In addition to the information on liquidity risk management, the following table shows information on liquidity coverage ratio for 2018:

RON

	TOTAL ADJUSTABLE VALUE			
	31.03.2018	**30.06.2018**	**30.09.2018**	**31.12.2018**
LIQUIDITY RESERVE	1,160,496,292	1,389,434,297	1,407,044,346	1,333,550,869
TOTAL NET CASH OUTFLOW	554,593,128	547,548,097	453,205,676	454,306,819
Liquidity Coverage Ratio (%) - LCR	210.16%	258.08%	317.06%	419.38%

8.5 Operational risk

To increase the degree of completeness in identifying, assessing and circulating operational risk information, and in managing and controlling operational risks while carrying out the goals of strategic management of the operational risks, the Bank considers all types of events generating risk stipulated by the law.

In order to capture a broad spectrum of events, such as operational risks (ensuring the completeness) the Bank has developed and uses a various set of tools and processes for managing the operational risks:

- permanently monitoring the risks through Key Risk Indicators, statistics and measures conducted centralized or local by each line of business or organizational entity;
- establishment of alert limits for the evolution of above mentioned indicators, statistics and measures;
- collection of operational risk events in a common database within the bank that should facilitate the operational risks' analysis, the analysis and improvement of the processes and identification of any concentrations of operational exposures at the level of organizational entities/products/processes and activities of the bank;
- increase of the bank's personnel knowledge level regarding the risks management activity, especially regarding the operational risk, to increase the capacity of identification, monitoring, action, reporting and management of operational risk;
- correlation (reconciliation) and verification of operational risk data obtained from multiple sources within the bank.

Also, in order to increase the risk awareness among the bank's personnel, aiming a better identification, assessment, monitoring and control of the operational risks at all levels, the Bank conducts continuous training programs for the management and the staff from the Bank's branches and HO departments.

8.6 Compliance risk

The Compliance risk represents the current or future risk of impairment of profits and capital that may result in fines, damages and / or termination of contracts or that may affect the bank's reputation as a result of breaches or non-compliance with the legal and regulatory framework, recommended practices or ethical standards.

The compliance risk is identified, assessed, and monitored in accordance with the compliance policy rules and procedures (Compliance Risk Assessment Policy, Compliance Risk Assessment Guide, Compliance Risk Management Procedure) and within the risk assessment process. In the risk assessment process, the compliance risk is considered significant.

8.7 Strategic risk

The strategic risk represents the current or future risk of negative impact on profits and capital due to changes in business environment or unfavourable business decisions, inappropriate implementation of decisions or lack of reaction to changes in the business environment.

The Strategic Risk Management Framework includes all systems, processes and control mechanisms adopted by the Bank to assess, monitor, control and report the strategic risk.

The Risk Management Division manages the strategic risk under the following documents and / or processes:

- management recommendations;
- internal and external regulatory framework;
- strategies, strategic objectives, strategic policies and plans;
- information on the economic environment;

- relevant information on how the implementation of strategic decisions of the Bank's management has been implemented;
- information and / or performance evaluation reports that monitor the achievement of strategic plans (achieved vs. planned), namely of the strategic indicators;
- the results of any independent evaluation or audit on strategic risk.

8.8 Reputational risk

The reputational risk is the current or future risk of negatively affecting profits and capital due to unfavourable perception of the bank's image by clients, counterparties, shareholders, investors or supervisors.
In order to avoid the loss of the estimated profits as a result of the lack of public confidence in Credit Europe Bank (Romania) SA and in its subsidiary, the Bank pays attention to the perception that the public has over it, on its staff, on the products, on the quality of its services and image.
Specific responsibilities for reputational risk management are assigned to:

- the Public Relations and Communication Division (monitoring and promoting the bank's image)
- the Risk Management Division (monitoring reputation risk indicators and developing tools for identifying, managing, monitoring diminishing / controlling reputational risk);
- the Human Resources, Internal Audit and Compliance Divisions (where applicable, establish and monitor the codes of ethics and conduct for the bank staff)
- the Legal Division and Complaints Centralization and Assessment Department within the Compliance Division (centralizing and monitoring clients' complaints, received through any communication channel).

8.9 The risk related to the excessive use of leverage effect

The risk associated with excessive use of leverage effect is the risk resulting from an institution's vulnerability to a leverage effect or a contingent leverage effect that may require unplanned business plan correction, including the sale of assets in an emergency, which could lead to losses or revaluations of the remaining assets.

"Leverage" means the relative size of an institution's assets, of the off-balance liabilities and of the contingent liabilities to pay, provide a performance, or to offer real collaterals, including the liabilities arising from the received funding, underwriting commitments, derivative financial instruments, or repo agreements, except for liabilities that can be executed only during the liquidation of an institution, in relation to the institution's own funds.

To monitor the risk associated with excessive use of leverage, will be pursued the framing in the risk profile.