REPORT ON TRANSPARENCY AND DISCLOSURE REQUIREMENTS

2020

CONTENT

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 processes.
The report includes both information which can be found in *the consolidated Financial Situations* for 2020, 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 loan services as mortgage and consumer loans to local individuals.

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 Government Emergency Ordinance no. 99 / 2006 on credit institutions and capital adequacy, as amended and supplemented, with its headquarters in Bucharest, 6th district, 26Z Timisoara Blvd, Anchor Plaza building, registered at the Trade Register under no. J40/18074/1993, sole registration number RO 4315966 and registered in the Banking Registry under no. RB-PJR-40-018/18.02.1999.
The Bank is part of Credit Europe Bank NV, an international group that provides financial services and operations, holding employees in 9 countries, namely: Romania, the Netherlands, Germany, Switzerland, Malta, Ukraine, Turkey, United Arab Emirates and China.

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, knowledge, skills and adequate experience to the nature, 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, skills and experience to be able to understand the Bank’s activities, including the main risks the Bank is exposed to and to be able to decide, in full awareness, on 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.

During 2020, the Board of Administrators consisted of 5 members. The Board of Administrators’ componence, in force on 31.12.2020 (without any changes in the year 2020) is detailed below:

BOA Member	Position	Period
Faik Onur Umut	President	01.01-31.12.2020
Yakup Cil	Member	01.01-31.12.2020

Enver Murat Basbay	Member	01.01-31.12.2020
Deiters Frederik Bernard	Member	01.01-31.12.2020
Ilkorur Korkmaz	Member	01.01-31.12.2020

During 2020, the Board of Administrators held 39 sessions.
For the validity of the decisions of the Board of Administrators it is necessary to have at least half of its members.
In 2020, 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, who are not members of the Board of Administrators hold the quality of Bank's Directors, according to the definition granted by the Government 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 2020 took place 32 meetings of the Managing Board until September. Starting with September, 2020 and until 21st of January, 2021 the Managing Board had no meeting due to the absence of the members.

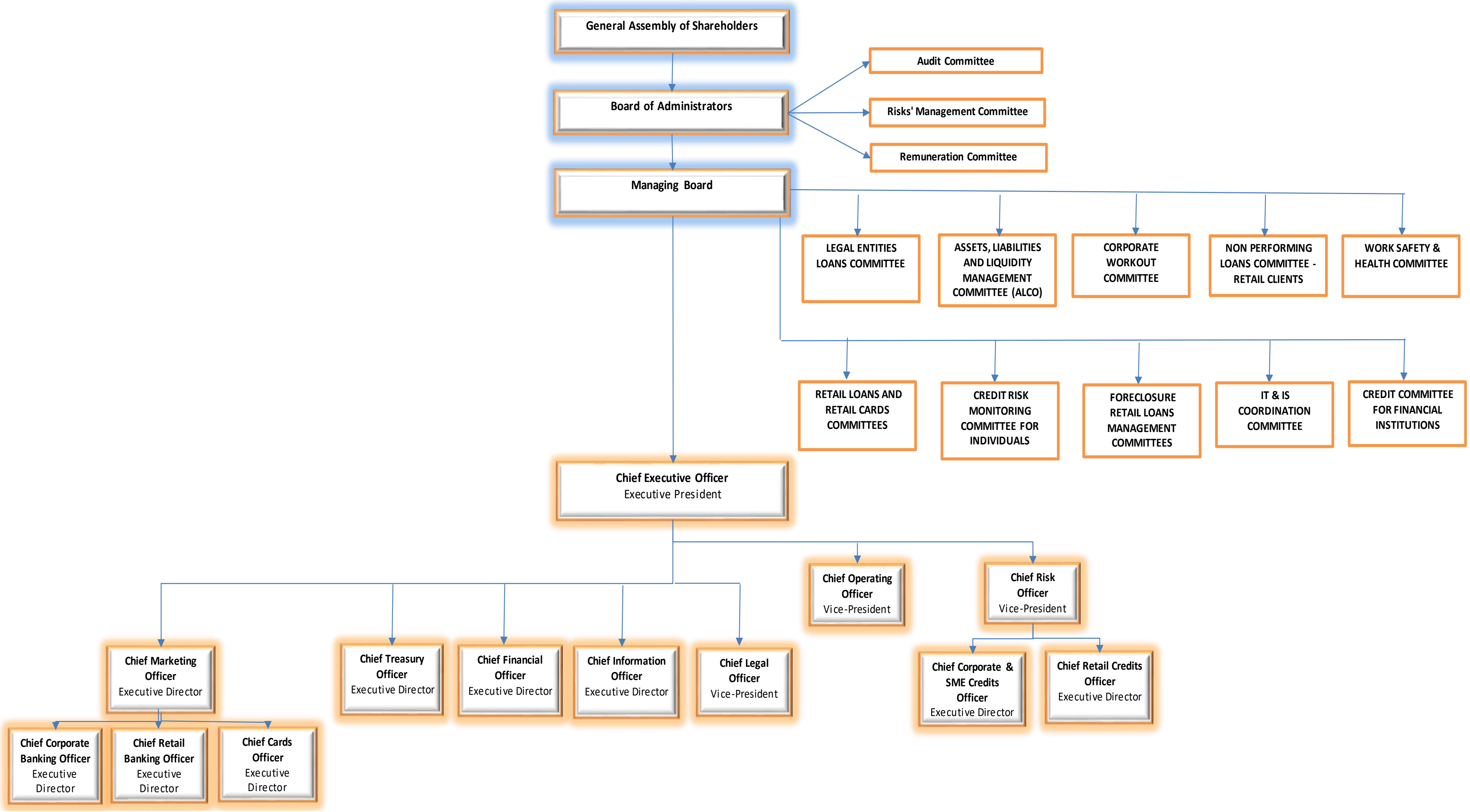
The Managing Board' s structure is detailed below:

MB Member	Position	Period
Yakup Cil	Executive President	01.01-31.12.2020
Sorin Dumitrescu	Vice-President	01.01-01.10.2020
Agim Mumtaz Malik	Vice-President	01.01-30.09.2020

During 2020, there were registered 2 changes in the structure of the Managing Board, considering the resignation of the mandate of Vice President by Mr. Agim Mumtaz Malik starting with 01.10.2020 and the resignation of the mandate of Vice President by Mr. Sorin Dumitrescu starting with 02.10.2020.
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 are the subject of the Bank's policies.

The organizational structure of Credit Europe Bank (Romania) SA ,according to the approval of the Board of Administrators, as of 24.11.2020, valid on 31.12.2020, is presented below:


General Assembly of Shareholders
Board of Administrators
Audit Committee
Risks' Management Committee
Remuneration Committee
Managing Board
LEGAL ENTITIES LOANS COMMITTEE
ASSETS, LIABILITIES AND LIQUIDITY MANAGEMENT COMMITTEE (ALCO)
CORPORATE WORKOUT COMMITTEE
NON PERFORMING LOANS COMMITTEE - RETAIL CLIENTS
WORK SAFETY & HEALTH COMMITTEE
RETAIL LOANS AND RETAIL CARDS COMMITTEES
CREDIT RISK MONITORING COMMITTEE FOR INDIVIDUALS
FORECLOSURE RETAIL LOANS MANAGEMENT COMMITTEES
IT & IS COORDINATION COMMITTEE
CREDIT COMMITTEE FOR FINANCIAL INSTITUTIONS
Chief Executive Officer Executive President
Chief Operating Officer Vice-President
Chief Risk Officer Vice-President
Chief Marketing Officer Executive Director
Chief Treasury Officer Executive Director
Chief Financial Officer Executive Director
Chief Information Officer Executive Director
Chief Legal Officer Vice-President
Chief Corporate & SME Credits Officer Executive Director
Chief Retail Credits Officer Executive Director
Chief Corporate Banking Officer Executive Director
Chief Retail Banking Officer Executive Director
Chief Cards Officer Executive Director

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 31.12.2020) consisted of 25 units: 21 branches, 1 agency and 3 working points, distributed as follows on the Romanian territory:

1.3 Bank's Committees

The Board of Administrators has the following advisory committees on 31.12.2020:

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 and has an advisory function.
The Audit Committee usually meets 4 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 31.12.2020, the Audit Committee had the following structure: President- Korkmaz Ilkorur; Members- Murat Basbay, 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", according to the National Bank of Romania regulations;
- ensures, on behalf of the Board of Administrators, the process of appointing, monitoring and assessment of the suitabilty and planning of the succession of the management body members and of the key functions owners.

On 31.12.2020, 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;
- informing the Board of Administrators regarding the significant issues and developments that could influence the Bank's risk profile;

- 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 4 times a year.
The Risks' Management Committee had the following structure on 31.12.2020: President- Onur Umut; Members- Frederik Bernard (Frits) Deiters, Ilkorur Korkmaz.

Within the Managing Board, on 31.12.2020, 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 administration:

- 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 President; Chief Risk Officer and Vice-President; Chief Corporate Banking Officer and Executive Director/Corporate Marketing Division Director; Chief Corporate and SME Credits Officer and Executive 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 Executive Director; 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 administration;
- 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 administration;

- issuing / replacing / changing the guarantees structure related to loans of the clients under workout administration.

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 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 Financial Officer and Executive Director; Human Resources Division Director; Committee Secretary; 4 Employees Representatives; Labour Medicine Doctor.

Retail Loans and Retail Cards Committees have as main attribution decisions on approval or rejection of the credit/card applications according to the approval competencies, considering the special situations existing for each credit/card request.

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

Credit Risk Monitoring Committee for Individuals 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 portfolio of current, overdue, non-standard or approved with derogation loans and the provisions' evolution.

The frequency of the committee meetings is set depending on the types of monitoring that occur on the agenda.

On 31.12.2020, the Credit Risk Monitoring Committee for Individuals had the following composition: Chief Risk Officer and Vice-President; Chief Marketing Officer and Executive Director; Chief Retail Credits Officer and Executive Director; Chief Retail Banking Officer and Executive Director; Chief Cards Officer and Executive Director; Head of the Retail Credits and Cards Division; Head of the Monitoring Division; Credit Administration Division Director; Risk Management Division Director.

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 31.12.2020, the following: Chief Risk Officer and Vice-President; Chief Marketing Officer and Executive Director; Chief Retail Credits Officer and Executive Director; Head of the Foreclosure Division; Head of the Collection Division; Head of the 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.
In case of the operations related to foreclosure retail loans guaranted by mortgage, except the payment agreements, the composition of the Committee was the following: Chief Executive Officer and Executive President; Chief Risk Officer and Vice-President; Chief Marketing Officer and Executive Director; Chief Retail Credits Officer and Executive Director; Head of the Foreclosure Division.
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) was composed of: Chief Retail Credits Officer and Executive Director; Head of the Foreclosure Division; Head of the Collection Division.

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;
- ensure open communication between IT Division, IS Division and other organizational structures within CEB RO in order to promote collaborative planning.

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 31.12.2020, the Credit Committee for Financial Institutions had the following composition: Chief Executive Officer and Executive President; Chief Risk Officer and Vice-President; Chief Treasury Officer and Executive Director; Chief Corporate and SME Credits Officer and Executive Director.

2. Statement on the adequacy of the risks management framework

In accordance with the transparency and disclosure requirements imposed by Regulation no. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, as subsequently amended, Credit Europe Bank (Romania) SA assures stakeholders that the Bank has a risks management system that achieves prompt risks identification to minimize risks exposure. The bank constantly improves this system and adaptes it to current market developments. The risks management systems implemented by the Bank are adequate in terms of its profile and strategy.
Risks management in Credit Europe Bank (Romania) SA is considered an essential condition for achieving long-term objectives. The main purpose of risks management is to maintain the stability of the bank and to respect the risk appetite established by the Board of Administrators. This includes minimizing material losses and events that could significantly affect the bank's reputation. In addition, the objective of risks management is to support the achievement of business objectives, with a continuous activity of modernization of the risks management infrastructure.
The significant risks to which the Bank is exposed are credit risk and associated risks, operational risk, liquidity risk, market risk and interest rate risk, reputational risk, compliance risk, strategic risk and risk associated with excessive leverage. The Bank's risks management policies are implemented to identify and analyze the risks faced by the Bank, to establish appropriate risk limits (including the caution limit) and controls, and to monitor the risks and their limits. Risks management policies and systems are periodically reviewed to reflect changes in the market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The risk appetite and tolerance approved by the Board of Administrators states that the Bank will maintain a higher level of capital adequacy than the SREP defined by the National Bank of Romania, including all necessary capital buffers and higher than the required rate according to ICAAP results. In addition, the objectives that the Bank wishes to meet in the event of a stress scenario have been defined. The business activity is carried out in order to fully comply with the local regulations and policies of Credit Europe Bank SA.

The capital allocation process shows that the Bank has a strong capitalization, being adequate to cover risk exposures related to the next 3 years of the business plan and for unexpected losses from stress testing scenarios, total and level 1 equity rates exceeding by far the minimum limits imposed.
The bank has adequate levels of liquidity to meet its obligations (requests for withdrawal of depositors, use of credit facilities), to meet its operational needs and other cash needs under normal conditions, as well as in unforeseen situations that require additional funds.
In order to manage liquidity risk in normal and crisis conditions, the Bank has developed policies, strategies and rules, has implemented models to assess its liquidity positions, has monitored liquidity rates and compliance with pre-established minimum limits.

The Bank's strategic objectives are consistent with its mission and corporate values, set in realistic terms and appropriate to its commercial nature, risk profile, scale and complexity of operations.
The strategic objectives of Credit Europe Bank (Romania) SA reflect the Bank's aspirations in terms of growth and profitability, efficiency and competitive advantage in the environment in which it operates.

Thus, during the year 2020, the Bank complied with the risk appetite, fulfilling the strategic objectives of framing the own funds rate within the one imposed by the National Bank of Romania, registering a level of 29.47% (minimum 13.92%), a hedging indicator of the liquidity requirement (LCR) of 202.12% (minimum 130%), a net stable financing indicator (NSFR) of 137.22% (minimum 110%) and a leverage rate of 14.87% (minimum 6.5%).

Also, the risk profile for 31.12.2020 was limited, below the proposed “fair” level, all the significant risks identified being compliant with the levels of the predetermined risk profiles.

Credit Europe Bank (Romania) SA undertakes to provide interested parties with clear and direct information on the financial statements, capital structure, risk-based approach related to capital management and remuneration arrangements during the financial statements prepared in accordance with international financial reporting standards adopted by the European Union and the report on transparency and public disclosure requirements.

3. 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 2020, 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 (currency) risk 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 2020.

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 2020 was the following:

Thousand RON

	31-Dec-2020
Tier 1 own capital	
Registered capital	608,166
Reported result	156,252
Deductions for intangible assets	(9,288)
Other adjustments	60,424
Equity interest held in related companies with financial character	(13,084)
Total Tier 1 own capital	**802,470**
Tier 2 own capital	
Other transitional adjustments for own funds - Tier 2 level	-
Total Tier 2 own capital	-
Total Capital	**802,470**
Capital requirements Pillar I	
Capital requirements for credit risk	176,875
Capital requirements for market risk	5,523
Capital requirements for operational risk	35,436
Total Capital requirements Pillar I	**217,834**
Total Capital requirements Pillar I+II	**338,723**
Capital indicators	
Solvability indicator (Pillar I)	29.47%
Capital internal indicator (Pillar I+II)	18.95%
Leverage indicator effect	15.72%

The capital assignment was performed as follows:

a) **Credit risk:** the Bank applies the standardized model to determine the capital requirement for credit risk.

b) **Currency risk:** assigning capital for currency risk is determined based on the standardized model, in the context of implementing Basel II requirements agreement.
c) **Operational risk:** the Bank calculates the capital requirement for operational risk under the basic indicator pattern, in the context of implementing Basel II requirements agreement.

On 31.12.2020, the bank's annual turnover was of RON 248.96 millions and the return on assets rate was of -0.3%. At consolidated level, the annual turnover was of RON 249.86 millions.

Capital conservation buffer

In 2020, in accordance with the NBR Order no. 12/2015, the Bank applied a capital conservation buffer at the level of 2.5% of the total value of the risk exposure calculated in accordance with art. 92 paragraph (3) of Regulation (EU) no. 575/2013.

Systemic risk buffer

In accordance with the NBR Order no. 8/2018 regarding the additional capital requirements consisting of the systemic risk buffer applicable starting with January 1st, 2019, Credit Europe Bank (Romania) SA applied a capital buffer for systemic risk at the level of 1% from the total value of the risk exposure calculated in accordance with art. 92 paragraph (3) of Regulation (EU) no. 575/2013.

Countercyclical capital buffer

According to the NBR Order no. 12/2015, starting with January 1st, 2016, the rate of the countercyclical capital buffer for credit institutions that hold credit exposures in Romania is 0% of the total value of the risk exposure provided at art. 92 paragraph (3) of Regulation (EU) no. 575/2013, thus the Bank applied for 2020 a capital countercyclical buffer located at the level of 0% of the total value of the risk exposure.

Buffer related to „Other Systemic Importance Institutions (O-SII)

The Bank has not been identified by the National Bank of Romania as a systemic importance institution (O-SII) and therefore no O-SII buffer is applied to it.

In conclusion, for 2020, the Bank constituted a total buffer in amount of 3.5% of the total value of its risk exposure.

4. 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 N.V.: 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 determining the remuneration policy

The key elements of the governance structure for fixing, execution and evaluation of the remuneration management are as follows: the Board of Administrators and the Managing Board. Thus, the Board of Administrations 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 arrange 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 remuneration and severance proposals initiated by the Remuneration Committee in respect to the 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 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, 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 regarding the management of Conflicts of Interests);
- where remuneration is performance related, the total amount of 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 (i.e. equity, profit after tax, budget realization, return on average equity, net interest margin, Tier 1 Ratio), and non-financial criteria (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) are taken into account;
- the assessment of the performance 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;
- a member of the Identified Staff ie eligible for variable remuneration over last year’s performance if he was appraised higher than the middle evaluation scale (i.e. 3) on all business

objectives established for that performance year and received maximum rating (i.e. 5) for at least one of these business objectives;
- 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 ration, 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, respectively 50% of the fixed component established for the members of internal control functions.
Regarding the components granted in 2020, around 19% of the employees (which are not part of the identified staff) received variable remuneration too, and 84% from these received a variable remuneration up to 15% of their fixed remuneration granted for the same period. There were no situations where the above-mentioned ceillings were exceeded.

When the granting conditions are fulfilled, variable remuneration awarded on performance criteria to an 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 (or equivalent) - gross, 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, based on the performance 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:
- to establish a long-term incentive plan, in order to maintain competitiveness in the banking industry,
- to support the growth, development and financial success of the Bank 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 Bank, and
- to comply with the NBR regulations on Remuneration, which stipulates that:
  - 40% of the awarded 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 Bank or financial instruments whose value is determined / derived from the value of the shares.

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

The deferred part of the variable remuneration to 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. It must be noted that (also) this 'pay out' will be 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 scheme laid down in this Plan must be retained for at least one (1) year. This means that vested Phantom Shares may only be presented for cash one (1) year after the vesting date.

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. The performance criteria for variable remuneration of a member of the control function are for at least 70% based on position-specific, qualitative objectives and include no criteria that are based on the results of the business unit supervised by the particular person in his/her control function.

Financial performance shall be reviewed in the context of the Bank's financial stability and own funds requirements as well as the long-term interests of the shareholders and other stakeholders.
Financial performance shall be evaluated on the basis of 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 fitting 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 Supervisory Board 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 awarded and not paid out to Identified Staff shall be immediately forfeited and nullified, and were applicable subject to clawback, in case of termination of the (employment) agreement for urgent cause (‘bad leaver’).

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 remuneration (EUR, brut), on consolidated basis, 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	3	0	0	0	0	0
The total number of employees in full-time equivalent	0	0	412	103	4	136	26
Total remuneration (in EUR)	0	655,425	7,567,227	1,897,461	88,586	3,818,257	760,062

Below are presented aggregated quantitative information on remuneration (EUR, brut), on consolidated basis, 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	1	0	0	0	0	0
Number of the members of the *identified personnel*, in full time equivalent	0	0	6	2	0	5	4
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	556,061	639,302	172,652	0	658,968	195,077
-Cash	0	556,061	639,302	172,652	0	658,968	195,077
-Actions and tools related to actions	0	0	0	0	0	0	0
-Other types of tools	0	0	0	0	0	0	0
The total variable remuneration (in EUR), of which:	0	18,217	0	0	0	0	0
-Cash	0	18,217	0	0	0	0	0
-Actions and tools related to actions	0	0	0	0	0	0	0
-Other types of tools	0	0	0	0	0	0	0
Art. 450, par. (1), lit. (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	62,890	33,680	0	0	56,174	0

To be noted that there were no situations where an individual remuneration reached 1 million euro or more within the fiscal year 2020.

5. Diversity and Inclusion Policy

In order to promote diversity and inclusion in the workplace as drivers for innovation, business growth and more balanced decisions, the Bank has developed a Diversity and Inclusion Policy through which aims to use a diverse workforce and an inclusive environment that respects and supports all employees and contributes to improving business performance.
In this regard, the Bank offers equal opportunities in recruitment, professional development, promotion, training and rewards for all employees.

Differences in educational background, previous experiences, gender, age, physical ability and professional knowledge enable us to respond to a multitude of challenges of the modern society, in many different ways.

Diversity in the workplace is reflected in the multitude of educational and professional environments of our staff. Therefore, we encourage the attraction and recruitment of external staff coming not only from the banking sector, but also from other industries, provided that their skills and knowledge correspond to the internal requirements.
At the level of the management body, a diverse composition from educational and professional point of view contributes in improving risk supervision and decision-making in terms of strategies and risk-taking by facilitating a wider range of opinions, perspectives, experience, perception and values, thus reducing the phenomenon of "group thinking" and, ultimately, improving good corporate governance.

Enabling a culture of inclusion, helps us maintain a positive work environment that values individual similarities and differences, so that all can reach their potential and maximize their contributions to the success of our Bank. At personal level, it also makes employees feel comfortable being themselves irrespective of who they are, what they believe or where they come from.

At the management body level we aim at promoting a diverse pool of members engaging thus a broad set of qualities and competences. By doing so, we achieve a variety of views and experiences and contribute at facilitating independent opinions and sound decision-making within the management body.
With a diverse workforce, the collective sum of the individual differences, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities, and talent that employees invest in their work, represent a significant part of the organisational culture. At the same time, we promote equal opportunities, with policies in place to ensure that discrimination is not tolerated.

The Bank has initiated a series of measures to promote diversity, such as:

- empowering employees in understanding and practicing the principles of diversity and inclusion whenever they interact with colleagues or clients, to help them integrate such healthy behaviors into their private lives;
- educating managers to act as ambassadors for diversity and inclusion;

- ensuring that all Bank locations are accessible to persons with disabilities;
- periodically informing the members of the management bodies and the employees regarding the tendencies, practices and achievements of diversity and inclusion.

6. Policy regarding the nomination, monitoring and succession planning of the Management Body and Key-Executives

The policy for selection, monitoring and succession planning of Management Body members and key-executives within Credit Europe Bank (Romania) SA sets the general framework regarding their selection, monitoring and succession planning and ensures that the members of the management body and the key-executives have the adequate ethics, knowledge, skills and professional experience to fulfil their responsibilities, based on the following principles:

Regarding the **selection, appointment and monitoring of the adequacy**:

- All members of the management body must have a good reputation, honesty, integrity and independent thinking, regardless of the size of the credit institution, its internal organization and the nature, scope and complexity of its activities, as well as the tasks and responsibilities of that position, including membership in the committees of the management body (if applicable);
- All persons holding key positions must have a good reputation, honesty and integrity, regardless of the size of the credit institution, its internal organization and the nature, scope and complexity of its activities, as well as the tasks and responsibilities of that position;
- The management body has to have an adequate number of members, including the independent members of the management body in its supervisory function, as well as an adequate constituency, taking into consideration the attributions and responsibilities of the body, in the supervisory function and in the management function;
- Diversity will be also considered when recruiting new members for the management body;
- It is the Bank's responsibility to assess the suitability of each and every member of the management body, on the occasion of the appointment as a member of the management body, before the appointment in the respective position and to do the suitability re-assessment of the management body, according to the legal provisions;
- In case there are no changes in the structure of the management body, the reassessment will be carried out at least once a year, in accordance with the legal provisions in force;
- The members of the management body in its management function should be able to **efficiently** guide Bank’s activity, to be able, at a collective level, to take adequate decisions, having in view the activity management framework, the business model, the risk appetite, the strategy and the markets the Bank operates in;
- The members of the management body in its supervisory function must have, at a collective level, the capacity to constructively discuss the decisions and to monitor, effectively, the decisions taken by the senior management;
- Assessing the adequacy of the members of the management body will also take into account the fact that the management body must have, at all times, at a collective level, adequate knowledge, skills and experience in order to understand the Bank's activities, including the main risks related to these activities.

Regarding **succession planning**:

- The succession approach is development-oriented rather than simply replacement-oriented. Succession becomes, for people with key positions and their possible successors, a proactive vehicle that is reflected in the progress of talent and opportunities;
- The role of succession planning is to monitor the succession process, to enable the Bank to ensure that the right people will hold key positions at the right time and that the points to be developed are identified in a timely manner and the progress is constantly monitored;
- The assessment of the activity and knowledge of possible successors, as well as their development plan in the areas that the superior considers necessary to improve are discussed and agreed by the person holding a key position (as the employee's superior) and his possible successor, within the annual performance management process;
- The Bank adopts, within the succession planning of the persons holding key positions, the general values of fairness, accessibility and transparency. In this context, it is important for the Bank to ensure that the evaluation of the candidates is done objectively and without favoritism, the appointments being based on criteria of individual performance, knowledge and skills relevant to the role.
- In case of vacancy of a key position, if the superiors of that position decide to appoint successors by internal recruitment (if they consider it appropriate), they will choose from the persons identified as possible successors, in accordance with this policy; otherwise they may decide to recruit from outside the Bank, taking into account the evaluation and selection criteria of possible successors.

In accordance with the applicable banking regulations and in relation to the role of the function concerned, the following adequacy criteria will be assessed (mandatory to be met simultaneously):

- good reputation;
- sufficient knowledge, skills and experience to exercise the responsibilities related to the function concerned;
- the ability to exercise their responsibilities with honesty, integrity and independent thinking, to effectively evaluate and discuss senior management decisions, as well as other relevant management decisions, as appropriate, and to effectively supervise and monitor the decision-making process;
- the ability to allocate enough time to perform their duties.

The Board of Administrators is responsible for the process of appointing, monitoring and assessing the adequacy and for planning the succession for the management body and the persons holding key positions.
The Board of Administrators also monitors the performance of the Managing Board in relation to the performance standards.

7. 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 and 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, assessment 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 Division 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 risk tolerance / appetite.

The Risk Management Division is actively involved in:

- drafting and reviewing the risks management strategies 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 structure;
- assessment of significant changes;
- risks’ internal measurement and assessment;
- risks’ monitoring.

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: Legal Division, Human

Resources Division, Antifraud Division, Internal Norms and Organizational Structure Division, Financial Markets Division, DPO – Data Protection Officer).

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.

The Compliance Division ensures the identification, monitoring, assessment and prevention of the 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 assessments performed 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/products/services 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, namely the **Antifraud Division**, that manages the antifraud activity, conducts and maintains monitoring procedures for the Bank’s protection against frauds, being subordinated to the Bank's executive manager with responsibilities of Chief Risk Officer.

8. Transactions with related parties

In 2020, 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 group and of the bank's management) that are summarized in the table below.

Thousands RON

	31.12.2020	31.12.2019
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	259	195,510
Loans and advances granted to the clients	13,779	27,045
Other assets	-	-
Total	**14,038**	**222,555**
Debts		
Deposits from banks	49,457	1,205
Deposits from customers	10,291	2,997
Financial liabilities at fair value through profit and loss account	-	-
Loans from banks and other financial institutions	-	-
Other debts	96	-
Total	**59,844**	**4,202**
Extra balance		
Commitments of granting the loans	-	-
Letters of bank guarantee	3,926	4,211
Total	**3,926**	**4,211**
Incomes		
Incomes from interests	1,248	1,874
Incomes from fees	6,643	7,572
Net incomes/(expenses) from trading	10	22
Other operational incomes	286	551
Total	**8,187**	**10,019**
Expenses		
Expenses with the interests	(212)	(331)
Expenses with fees	(3,405)	(3,666)
Other operational expenses	(2,973)	(3,872)
Total	**(6,590)**	**(7,869)**

More details about the nature, extension, purpose and economic substance of the transactions performed by the Bank during 2020 with the related parties can be found in the Consolidated financial situations -2020 posted on Credit Europe Bank (Romania) S.A website, at "*About us*" section.

9. 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 31st, 2020, 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 31st, 2020, the accounting value of the encumbered debt securities was of RON 520 millions.

10. Risks 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 risks 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 risks 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);
- setting targets for individual risk profiles;
- establishing alert and risk limits in the bank's risk numeric profile;
- permanent monitoring of key risk indicators and limits and risk alert, of targets set for individual risk profiles, 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, of targeted risk profiles, 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 Business Continuity Plan.

The risks that were identified in 2020 as being significant for the Bank are the following:
- Credit risk and related risks
- Interest rate risk
- Currency risk
- Liquidity risk
- Operational risk and related risks
- Compliance risk
- Strategic risk
- Reputational risk
- The risk related to the excessive use of levers effect

10.1. Credit risk and related risks

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 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.

10.2. 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 National Bank of Romania on the potential changes of the economic value using the standardized methodology.
Details in this regard can be found in the Consolidated financial statements 2020, posted on Credit Europe Bank (Romania) S.A website, at "*About Us*" section.

10.3. Foreign currency risk

The Bank is exposed to currency risk by the foreign currency transactions in counterparty with 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 (ALCO) 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.

10.4. 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 rate calculated as ratio between effective liquidity and the liquidity required for each range of maturity, the liquidity immediate rate calculated as the share of bank deposits and government securities, lien free in attracted and borrowed sources, as well as based on the liquidity coverage rate (LCR) which are reported to the National Bank of Romania.
As a central element of maintaining an adequate liquidity, Credit Europe Bank (Romania) SA is focusing including on the direction of ensuring an adequate liquidity flow 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 rates.

The Bank establishes the following objectives regarding the liquidity:

- Diversifying the funding structure on the short, medium and long term.
- Maintaining an 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 some 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 rate for 2020:

Thousands RON

LCR				
	31.03.2020	**30.06.2020**	**30.09.2020**	**31.12.2020**
LIQUIDITY RESERVE	882,535	909,272	969,360	1,181,406
TOTAL NET CASH OUTFLOW	553,297	506,627	525,661	584,513
Liquidity Coverage Rate (%) - LCR	159.50%	179.48%	184.41%	202.12%

10.5. 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 from the area of 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;

- risk control by assessing the efficiency of processes, operational flows, techniques and tools used, including for preventing, identifying and recovering the damages caused by fraud-events.

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.

10.6. Compliance risk

The Compliance risk represents the current or future risk of negatively affecting the profits, own funds or liquidity which may lead to significant financial losses or which may damage the Bank's reputation as a result of a breach or non-compliance with the legal and regulatory framework, agreements, best practices or ethical standards applicable to its activities.

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

10.7. 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 assessment reports that monitor the achievement of strategic plans (achieved vs. planned), namely of the strategic indicators;
- the results of any independent assessment or audit on strategic risk.

10.8. 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 on its 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, mitigating / controlling the 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 the Compliance Division (centralizing and monitoring clients' complaints, received through any communication channel).

10.9. 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 service, 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.

11. Business continuity management framework

Credit Europe Bank (Romania) S.A. implemented a business continuity management process in order to maximize its capacity to conduct business activities, to provide payment services continuously and to limit losses in case of serious business interruption, by properly applying provisions of the NBR Regulation no. 5/2013 on prudential requirements for credit institutions, with subsequent amendments and completions and respectively of art. 50-52 of the NBR Regulation no. 2/2020 regarding the security measures related to the operational and security risks and the reporting requirements related to the payment services, with the subsequent modifications and completions.

In this regard, CEB RO has implemented a comprehensive business continuity management system, which includes various internal rules (policies, procedures, plans), roles and responsibilities clearly allocated within the organization and technical measures to support the resumption of operations in case major disruption or disaster. The bank's commitment to business continuity is outlined in the Business Continuity Policy, which is supported by the General Business Continuity Framework, documentation on the bank's business impact analysis and risks assessment, and the Business Continuity Plan, detailed business continuity plans of activity and disaster recovery at the level of bank entities and IT procedures for recovering critical and important resources.

The Crisis Management Structure in CEB RO has a strategic level and two levels of coordination to manage financial and non-financial crises.The Business Continuity Management Team (CEB RO BMT), which includes members of the Bank's Managing Board, acts at the strategic level of the Management Team for Unforeseen Events (CEB RO BEMT) and of the Assets, Liabilities and Liquidity Management Committee (ALCO) by coordinating and making decisions. BEMT manages non-financial crises and ALCO manages financial crisis situations.

BEMT is responsible for establishing and supervising the activities related to business continuity for business processes / departments and the operational execution of the Business Continuity Plan (CEB RO BCP). The BC Coordinator and the DR Coordinator are responsible for establishing the Business Continuity and Disaster Recovery activities, respectively, in accordance with the related plan and guidelines. The Business Resumption Teams are responsible for the operation of the Business Resumption Plans, respectively the Crisis Communication Plan together with the other business resumption teams and with the BEMT team. The CEB RO BCP structure has a total of 29 Business Resumption Teams, which have the responsibility to resume the assigned activities in case of emergency.
CEB RO has arranged alternative locations for IT systems, staff and coordinators. These alternative locations are made available whenever BCP is activated and systems or personnel need to be relocated.

The capacity for business continuity cannot be considered reliable until it has been properly exercised. Thus, the Information Security Division together with the IT Division conducted during 2020 two major tests aimed critical resources and important resources of the bank and a test of business resumption plans with the following objective - to ensure that the designated staff is informed and able to fulfill in due time the responsibilities and procedures described in their business resumption plans.

In order to ensure that the Information Security Strategy and associated norms (policies, standards, guidelines and procedures) are properly communicated and understood by the bank's staff, CEB RO has initiated an Information Security Awareness Program. Business continuity courses are part of this program and were provided to bank staff through the e-Learning platform.