VB classification: Public

victoriabank Grupul Banca Transilvania

Approved by
Board of Directors
Minutes no.191, as of 22.04.2024

Report

ON THE MANAGEMENT FRAMEWORK, OWN FUNDS AND CAPITAL REQUIREMENTS, CAPITAL BUFFERS

in accordance with the Regulation on disclosure requirements by banks, approved by the DEC of the NBM no. 158 of 09.07.2020,
Chapter VII

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In accordance with Chapter VII of the Regulation on disclosure requirements by banks, approved by DEC of the NBM, no.158 of 09.07.2020, we present the Report on the management framework, own funds and capital requirements, capital buffers of C.B. "Victoriabank" JSC as of 31.12.2023:

1. RISK MANAGEMENT OBJECTIVES AND POLICIES

RISK MANAGEMENT STRATEGIES AND PROCESSES

The C.B. "Victoriabank" JSC objective (hereinafter referred to as "the Bank") in terms of risk management is to integrate the average risk appetite assumed into the Bank's decision-making process by promoting an appropriate alignment of assumed risks, available capital and performance targets, while taking into account the tolerance of both financial and non-financial risks. In determining risk appetite and risk tolerance the Bank takes into account all significant risks to which it is exposed, due to the specific nature of its business and its strategic and operational objectives, with credit risk being predominantly influenced.

The Bank adopts a risk appetite in line with its risk management strategy, correlated with the business strategy, the Bank's own funds and its risk management expertise.

Overall risk appetite of C.B. "Victoriabank" JSC is established on an average, according to the risk appetite founded for each risk category, based on the principle of contamination:

Types of risk	**Established risk appetite**
Credit risk and concentration	Medium
Market risk	Medium-Low
Liquidity risk	Medium-Low
Interest rate risk from non-trading book activities	Low
Operational risk	Medium
Compliance risk	Medium-Low
Risk of excessive leverage	Low
Reputational risk	Low
Strategic risk	Low

C.B. "Victoriabank" JSC's risk management is an integral part of all decision-making and business processes, and in this regard, the Bank's governing bodies:

- Continuously assess the risks to which the Bank's business is or may be exposed, which may affect the achievement of its objectives, and take action on any changes in the conditions under which it operates.
- Ensures that there is an appropriate framework for managing the Bank's business, taking into account both internal factors (complexity of the organisational structure, nature of activities carried out, business model, level of staff turnover) and external factors (macroeconomic factors, legislative changes, changes related to the competitive environment in the banking sector, technological developments).
- Identify risks: Exposure to risks inherent in the business through day-to-day operations and transactions (including lending, money market operations and other specific activities) is identified and aggregated through the risk management infrastructure implemented within the Bank.
- Measure the risks: The bank carries out an assessment of the identified risks using specific models and calculation methods, such as a system of indicators and related limits, a methodology for assessing risk events that are likely to generate losses, a methodology for forecasting credit risk, etc.
- Monitor and control risks: Policies and procedures implemented for effective risk management have the ability to temper the risks inherent in the business. The Bank has implemented procedures to monitor and approve decision limits. These limits are monitored according to the specifics and conduct of operations.

- Report risks: For significant risk categories, the Bank has established regular and transparent reporting mechanisms so that management bodies and all relevant units are provided with timely reports, and are able to share relevant information on the identification, measurement or assessment and monitoring of risks.
- Calculate and assess internal capital and internal capital requirements: To assess the adequacy of internal capital to risks, the Bank identifies and assesses all significant risks to which it is or may be exposed. The Bank calculates and assesses internal capital and internal capital requirements on an ongoing basis to cover the Bank's business needs and related risks, including through stress testing.

The risk management framework includes internal regulations, risk limits and control mechanisms that ensure the identification, assessment, monitoring, mitigation and reporting of risks related to the Bank's activities at the aggregate level and, where appropriate, at the business line level (corporate clients, small and medium-sized enterprises, individuals and treasury activity).

CRISIS SIMULATIONS - A RISK MANAGEMENT TOOL

To effectively use crisis simulation as a risk management tool, the Bank applies the following principles:

- Using crisis simulation according to the nature, scale and complexity of its activities and the Bank's risk profile;
- Using crisis simulation as a diagnostic tool for understanding the risk profile and as an anticipatory tool in the Internal Capital Adequacy Assessment Process (ICAAP);
- The crisis simulation programme is an integral part of the risk management framework and internal capital adequacy assessment process;
- Determining all significant risks that may be subject to crisis simulation, taking into account the analysis of the nature and structure of the Bank's portfolios and the analysis of the environment in which it operates;
- Establishing the significant risk determinants to be used in crisis simulations based on the significant risks identified;
- Checking, at least annually, how well the crisis simulations (assumptions) match the risk appetite and environment in which the Bank operates;
- In the crisis testing process, historical scenarios or hypothetical scenarios will be considered, aiming to ensure that these simulations and scenarios used are in line with the risk appetite established by the Bank, have different degrees of severity and probability of materialization.

The main categories of risk to which the Bank is exposed to are: credit and concentration risk, market risk, liquidity risk, interest rate risk from non-trading book activities, operational risk (including information and communication technology risk), compliance risk, risk associated with excessive leverage, reputational risk, strategic risk.

a) Credit and liquidity risk management

The Bank is exposed to credit risk through its lending, trading and investment activities and its issuing of guarantees. Credit risk associated with trading and investment activities is mitigated by selecting those counterparties with strong credit ratings, monitoring their activity, using exposure limits and, where necessary, requiring collateral.

The risk appetite for credit risk established a priori is average, depending on the risk appetite established for each subcategory (by contamination), as follows:

- The risk appetite for credit risk and residual risk established a priori is medium;
- The risk appetite for liquidity risk established a priori is medium.

The credit risk profile as of 31.12.2023 is medium - high.

As of 31.12.2023, the Bank's non-performing loan ratio was 4.47%, which is constantly decreasing (8.80% as at 31.12.2022). The individual concentration index (Top 1000 groups) recorded a level of 0.58 points, which places the credit risk and liquidity profile on an average level. A further reduction in the non-performing loan ratio is one of the Bank's strategic objectives.

A significant part of the Bank's exposure to credit risk arises from lending to customers. In this case, the exposure is represented by the carrying amount of the assets in the statement of financial position. At the same time, the Bank is exposed to off-balance sheet credit risk through funding commitments and issuing guarantees.

In order to minimise risk, the Bank has developed procedures to assess clients prior to granting loans, to monitor their ability to repay principal and interest during the life of the loans and to set exposure limits.

In addition, the Bank has procedures in place to monitor risks at the level of the loan portfolio, has established concentration limits at the level of counterparties/concerted group of clients, products, business lines, economic sectors etc.

In order to secure the credit facilities granted to customers, the Bank holds guarantees in the form of deposits/cash assets, mortgages on real estate, pledges on tangible and intangible movable property, personal and financial guarantees etc.

The Board of Directors has assigned responsibility for credit risk management to the Executive Committee, and Credit Committees. The Bank also has risk management departments (Credit Monitoring Division, Credit Risk Assessment (Underwriting) Division, Collateral Assessment Division, Risk Management Division) which report to the governing bodies and are responsible for:

a) Analysis, assessment and monitoring of specific risks in the lending business;
b) Risk analysis on large credit portfolios/exposures;
c) Monitoring compliance with internal regulations specific to the lending activity;
d) Develop proposals to reduce specific risks in order to maintain sound lending standards;
e) Monitoring loans granted, based on the client's financial performance, type of loan, nature of collateral and debt service, according to internal lending rules;
f) Granting/modifying branch-related lending powers based on selected quality/performance indicators according to specific internal policies;
g) Regular review of acceptable risk levels;
h) Identify, monitor and control credit risk at the level of the Bank's branches;
i) Risk analysis on new loan products/changes to loan products, with recommendations to the subdivisions concerned;
j) Regular analysis and reporting to the governing bodies on the evolution of the risks to which the Bank is exposed;
k) Develop methodology for early detection of actual or potential increases in credit risk (early warning signals);
l) Mechanisms for classifying assets and contingent liabilities, and the necessary reservation of calculated means relating to allowances for losses on assets and contingent liabilities;
m) Establish a system for identifying and managing non-performing exposures;
n) Develop systematically and consistently applied processes to establish appropriate loss adjustments in accordance with applicable credit risk accounting regulations;
o) Carrying out crisis simulations with scenarios adapted to the Bank's individual activities and market developments, analysing their results and issuing recommendations.

The methodologies used to assess credit risk and determine the level of expected credit loss (ECL) adjustments according to the type of exposure focus in particular on:

1. including a robust process designed to enhance the Bank's ability to identify the level, nature and determinants of credit risk at the time of initial recognition of the credit exposure and to ensure that subsequent changes in credit risk can be identified and quantified;
2. including criteria that take due account of the impact of forward-looking information, including macroeconomic factors;

3. including a process for assessing the appropriateness of the significant inputs and assumptions associated with the chosen method for determining the ECL;
4. considering relevant internal and external factors that may affect ECL estimates;
5. involving a process for assessing the overall adequacy of loss adjustments in accordance with relevant accounting regulations, including a periodic review of ECL models.

The Bank performs crisis simulations to assess potential loan impairment losses due to changes in credit quality (Probability of Default) and to assess potential losses due to deterioration in the borrowers' repayment capacity. The simulations are based on historical annual loan contract migrations at the level of risk stages, risk groups, with these historical data adjusted according to the Bank's scenarios to incorporate the assumption of stressed conditions.

Credit risk management is achieved by:

a) Organising a system of rules and procedures in the field, capable of creating the regulatory framework that applied in the lending process allows to avoid or minimise the triggering of risks;
b) Developing/improving credit risk management framework (strategy, policies, rules on credit risk management);
c) Continuous improvement of credit approval/granting activity;
d) Maintaining an adequate process for the administration, control and monitoring of loans;
e) Within the Bank's organisational structure there are subdivisions and committees with a role in credit risk supervision and management.

b) Market risk management

Market risk is defined as the risk of incurring losses on on-balance sheet and off-balance sheet positions due to adverse market movements in the prices of financial instruments held for trading, interest rates and foreign exchange rates.

The main purpose of market risk management is to establish the main elements related to market risk management, in order to achieve the expected return on the trading portfolio, under appropriate management, consciously assumed and adapted to market conditions and the Bank's development, and not least in the context of the current regulatory framework.

For accounting purposes, the Bank measures the trading portfolio at fair value through other comprehensive income. The Bank measures the fair value of financial instruments based on quoted prices in active markets for identical financial assets on a mark-to-market basis.

The objective of valuation techniques is to determine the fair value that reflects the price that would be obtained in an arm's length transaction for the financial instrument at the date of the financial statements.

Foreign exchange risk management as a component of market risk is carried out according to the following principles:

a) Combining prudential requirements with profitability requirements in foreign exchange risk management;
b) Establish a set of limits for foreign exchange risk, commensurate with the size and complexity of the Bank's business, its operations and the Bank's risk appetite;
c) Establish methodologies used for stress testing purposes based on information related to the Bank's operations and market risk appetite to determine the influence of foreign exchange rates (depreciation/appreciation) on the Bank's income and own funds.

In order to ensure proper management of interest rate risk and price risk as part of market risk, the following principles are applied:

a) Establishing the types of instruments and activities permitted for the Bank to manage its position risk exposures, taking into account the types of investments, quality and quantity acceptable on each type of investment;

b) Establishing a set of limits for interest rate and price risk, commensurate with the size and complexity of the Bank's business, and the Bank's risk appetite;
c) Ensuring information systems under which the bank's market risk issues are reported in a timely manner to the management bodies and specialised committees;
d) Establishing methodologies used for stress testing purposes based on information related to the Bank's operations and market risk appetite to determine the influence of hypothetical interest rate fluctuations (change in yields) on the Bank's income and own funds.

The market risk profile as at 31.12.2023 is low, therefore the Bank is within its assumed risk appetite.

c) Liquidity and funding risk management

Liquidity risk is the current or future risk of loss of profits and capital caused by the Bank's inability to meet its obligations as they fall due.

Liquidity risk has two main components: difficulties in raising funds at the relevant maturities needed to refinance current assets or the inability to convert an asset into cash at an amount close to its fair value within a reasonable period of time.

The aim of liquidity risk management is to achieve expected returns on assets by exploiting temporary excess liquidity and efficiently allocating resources attracted from clients, in the context of appropriate management, the current legislative framework and established objectives.

The Bank has access to diversified sources of funding. Funds are attracted through a range of instruments such as customer or partner bank deposits, interbank market loans (NBM, commercial banks), loans from financial institutions etc.

Access to a variety of funding sources improves the flexibility of fundraising, limits dependence on one type of funding and one type of partner, and leads to an overall decrease in the costs of fundraising. The Bank seeks to maintain a balance between continuity and flexibility of fundraising by raising debt with different maturities and in different currencies. In liquidity management, the Bank applies a number of principles relating to the quality, maturity, diversity and riskiness of assets, while setting carefully monitored limit sets to ensure compliance with the principles and desired returns.

The Bank's Asset and Liability Committee (ALCO) is responsible for regularly reviewing liquidity indicators and establishing corrective measures for balance sheet structures to eliminate deviations deemed unacceptable from a liquidity risk management perspective.

The liquidity risk appetite established a priori is medium-low, due to the appropriate structural correlation of the Bank's assets and liabilities and the mix of instruments to exploit temporary liquidity surpluses.

Other cause of the liquidity risk appetite established as medium-low is the share of stable resources attracted from clients in total resources and consciously drawn and adapted to market conditions, but also the development of the Bank on a sound basis in the context of the current legislative framework, aiming to combine prudential requirements with profitability requirements.

In determining the types of instruments used by the Treasury to exploit temporary liquidity excesses, the fundamental principles are: to hold a diversified portfolio of investments establishing minimum and/or maximum acceptable levels for significant categories of investments, paying particular attention to assets that are liquid, easily liquidated or qualify as eligible assets for collateral, without significantly affecting the initial investment return, i.e. their profitability.

In order to manage liquidity risk soundly, the Bank constantly seeks to attract liquidity through treasury operations, capital markets etc., taking into account various factors such as the issuer's rating, the maturity and size of the issue, the markets on which it is traded.

Operational liquidity management is carried out on several intraday horizons, on a daily basis and over longer periods of time, through a liquidity management policy that includes asset management in terms of the composition of liabilities, liquidity management for the main currencies, definition of liquidity indicators monitored on a daily basis, assessment of future cash flows and mismatches between them and of counterbalancing capacity, so as to ensure all settlements/payments undertaken by the Bank, on its own behalf or on behalf of customers, in national or foreign currency, on account or in cash within internal, legal, binding limits.

The Bank also holds a liquidity reserve mainly consisting of cash, government securities free of collateral and the minimum reserve requirement surplus to cover additional liquidity needs that may arise over a short period of time under stress conditions.

As at 31.12.2023, the Bank had comfortable levels of liquidity ratios, demonstrating a strong position. In order to monitor currency matching, the Bank calculates key liquidity risk indicators in all significant currencies representing at least 5% of the balance sheet total.

In order to ensure effective liquidity risk management, the Bank applies the following principles with regard to the quality, maturity, diversity and risk level of the Bank's assets and liabilities:

a) Combining prudential requirements with profitability requirements in liquidity risk management;
b) Management of liquidity risk by the Bank for all assets and liabilities in local and foreign currency, on and off the balance sheet, taking into account all complementary risks;
c) Analysis of the volatility of the funds attracted, which is also dependent on the structure of the Bank's clientele, including analysis of its behavioural characteristics;
d) Establish and monitor indicators in the area of liquidity risk management, in addition to the prudential liquidity indicators, which provide information on the possibility of a deterioration or actual deterioration in the Bank's ability to meet current and projected liquidity and funding needs.

The Bank conducts crisis simulations for liquidity risk, which include stress scenarios with different probabilities and severities, taking into account the specific situations of the Bank and the market, on the basis of which the Bank's vulnerabilities related to its liquidity position are analysed, potential negative effects and ways to avoid/resolve them are determined.

The liquidity risk profile as at 31.12.2023 is medium-low, therefore the Bank is within its assumed risk appetite.

d) Management of interest rate risk from non-trading book activities (IRRBB)

Interest rate risk is the current or future risk exposure to earnings and capital losses due to adverse changes in interest rates.

The main sources of interest rate risk are imperfect correlations between the maturity date (for fixed interest rates) or the maturity discount date (for floating interest rates) of interest-bearing assets and liabilities, adverse movements in the yield rate curve (non-parallel shift in the interest rate performance of interest-bearing assets and liabilities).

Interest-bearing assets and liabilities management activities are carried out in the context of the Bank's exposure to interest rate fluctuations. Interest rate risk is managed mainly by monitoring the GAP (mismatches), the potential change in economic value due to changes in interest rate levels and through a system of internally approved limits and indicators.

Interest rate risk is managed in a way that ensures a favourable and stable interest margin over time and that the Bank's profitability and capital value do not change significantly as a result of unexpected changes in interest rates depending on the cash-flow characteristics of the Bank's assets and liabilities. In this regard, ALCO performs a number of duties and responsibilities in the areas of asset and liability management, interest rate risk management and other related risks and areas.

The risk appetite for interest rate risk from activities outside the trading book established a priori is low. The risk profile as at 31.12.2023 is low, therefore the Bank is within its assumed risk appetite.

In order to measure the vulnerability of the economic value of capital and net interest income to adverse changes in interest rates, the Bank conducts crisis simulations with varying degrees of severity and probability of materialisation.

e) Operational risk management

Operational risk is the current or future risk of damage to profits and capital resulting from inadequate or failed internal processes or systems and/or from the actions of external persons or events.

The objectives of C.B. "Victoriabank" JSC regarding operational risk management are to ensure the mitigation of the effects of operational risk events that are encountered in the Bank's activity, to keep at a low level the losses from operational risk incidents and the share of these losses in the Bank's own funds, as well as to insure against those categories of risks that are not under the Bank's control.

In order to identify, assess, monitor and mitigate operational banking risk, the Bank:

- ➢ assesses operational risk exposures on an ongoing basis, based on historical data, but also on an event-by-event basis, by managing the operational risk events database;
- ➢ evaluate new products, processes and services as well as significant changes to existing ones to determine the associated risk levels and their elimination/mitigation measures at accepted levels;
- ➢ with regard to information technology (ICT) risks, has mechanisms and controls in place to ensure that all risks are identified, analysed, measured, monitored, managed, reported and kept within risk appetite.

In order to reduce the risks inherent in the operational activities of C.B. "Victoriabank" JSC, a general framework for the management of these risks has been developed in accordance with the established business objectives, the assumed risk appetite, as well as with the rules and regulations in force at national and international level, a framework composed of policies, procedures on operational risk management that are part of corporate governance.

C.B. "Victoriabank" JSC's strategy, which is harmonised with that of the Banca Transilvania Group, for reducing exposure to operational risk is based mainly on:

- ➢ permanent compliance of internal regulations with legal acts and adaptation to market conditions;
- ➢ staff training;
- ➢ effectiveness of internal control systems (organisation and operation);
- ➢ implementing IT developments and strengthening the Bank's security systems;
- ➢ the use of complementary means of risk mitigation: risk insurance policies, outsourcing of activities;
- ➢ implementation of measures to limit, reduce the effects of identified operational risk incidents, such as: standardisation of current activity, automation of as many processes as possible with continuously monitored checkpoints;
- ➢ the use of recommendations and conclusions resulting from operational risk controls;
- ➢ updating continuity plans, evaluating and testing them regularly, especially for those systems that support critical business processes for the Bank;
- ➢ assessment of products, processes and systems to determine what is significant in terms of inherent operational risk.

The Bank applies policies and processes for the assessment and management of operational risk exposure, including ICT risks, covering also events with low frequency and potentially major negative impact.

The Risk Management Division monitors the implementation of the strategy and methodology for the identification, measurement, monitoring, control and mitigation of operational risk and ensures that the Executive Committee is kept informed of issues, significant developments of an operational risk nature and proposes risk mitigation measures.

The risk profile as at 31.12.2023 is low, therefore the Bank is within the assumed average risk appetite.

The Bank conducts regular (annual) crisis simulations by designing scenarios based on exceptional but plausible events in order to test the Bank's ability to cope with a crisis situation.

f) Compliance risk management

In accordance with the provisions of the NBM Regulation on the framework for the management of banks' activities no. 322 of 20.12.2018, CB "Victoriabank" JSC has ensured the creation and effective functioning of the compliance function, for which it has approved a sustainable, permanent and effective compliance risk management framework.

Thus, the compliance function, synergistically embedded in the Bank's internal control system, assisted the management bodies in identifying, assessing, monitoring and reporting compliance risk, associated with the activities carried out by the Bank, on the compliance of the activity with the provisions of the regulatory framework, its own rules and standards and the Code of Conduct. Through the involvement and support of the compliance function, the possible impact of any changes in the legal and regulatory framework on the Bank's activities was continuously assessed.

The Bank has adopted a unified approach to compliance risk management as part of the overall risk management strategy within the Bank.

Ensuring effective compliance risk management is achieved by:

- setting exposure limits and monitoring indicators, stipulated in the Bank's internal regulations, which reflect, in an operational manner, internal processes/products exposed to compliance risk;
- effective management of the area related to the prevention and combating of money laundering and terrorist financing/international financing, including by establishing know-your-customer mechanisms, monitoring transactions, ensuring a risk-based approach to the Bank's customers;
- ensuring internal control activities and measures related to the management of conflicts of interest;
- ensuring compliance of internal regulations with the requirements of national legislation and the Bank's internal regulatory framework, in compliance with BT Financial Group standards and requirements;
- raising employee awareness through training on compliance risk events so that the effect of compliance risk can be managed;
- developing and streamlining compliance risk management processes, including by optimising and digitising the activities of the compliance function;
- regular internal auditing of the compliance function's activities, ensuring control over the implementation of legislative requirements;
- implementing processes to streamline the management of conflict of interest requirements.

The Bank applies the principle of a risk-based approach to compliance risk, ensuring in particular the continuous monitoring of risk indicators, identification and analysis of causes that may lead to compliance risk events. Furthermore, in order to prevent and/or mitigate compliance risk related to the Bank's activities, the Bank has identified and regulated continuous risk control measures.

The compliance function shall ensure reporting on the activities carried out both individually (for medium and high compliance risk events) and cumulatively (as part of the regular reporting of the function's activities), presenting the results of the assessment of the effectiveness of risk prevention and/or mitigation measures.

Compliance risk is managed within C.B. "Victoriabank" JSC by the Compliance Division. The risk profile as at 31.12.2023 is medium-low, therefore the Bank is within its assumed risk appetite.

g) Managing the risk associated with excessive leverage

The objective of C.B. "Victoriabank" JSC regarding the management of excessive leverage risk is to balance the structure of the Bank's assets and liabilities in order to achieve the expected profitability indicators under controlled risk conditions, ensuring both the continuity of the Bank's activity on a sound basis and protecting the interests of shareholders and customers.

Quantitative methods of assessment and mitigation are used for the risk of excessive leverage.

The leverage risk management framework is based on the following principles:
a) Protection of financial stability: the Bank controls risk to limit the impact of potential adverse events on capital and earnings;
b) Limiting excessive risk-taking: the Bank's risk appetite must be consistent with its financial resources;
c) Ensure a sound and sustainable capital and funding base;
d) Portfolio diversification to avoid concentration risks;
e) Limiting concentrations and volatility of income sources.

The concept of 'leverage' means the relative size of an institution's assets, off-balance sheet obligations and contingent obligations to pay, deliver a benefit or provide collateral, including obligations arising from funding received, commitments entered into, derivative financial instruments or repo agreements, except for obligations that can only be discharged during the liquidation of an institution, in relation to that institution's own funds.

Risk appetite associated with excessive leverage in C.B. "Victoriabank" JSC established a priori is low. The risk profile as at 31.12.2023 is low, therefore the Bank is within its assumed risk appetite.

h) Reputational risk management

Reputational risk is the current or future risk of damage to profits and capital or liquidity resulting from the adverse perception of the Bank's image by counterparties, shareholders, investors or supervisors.

The purpose of monitoring and managing reputational risk is to minimise potential losses, maintain a positive business reputation with customers and third parties, as well as with shareholders and financial market participants in order to ensure consistency with the Bank's strategy and values.

Reputational risk management is achieved by: taking steps to attract the best partners, both in terms of clients and suppliers; recruiting and retaining the best employees; minimising litigation; rigorously regulating activity; preventing crisis situations; and constantly strengthening the Bank's credibility and the confidence of shareholders; communicating continuously and openly with stakeholders (shareholders, media, clients, partners, employees, authorities, etc.).

The risk profile as at 31.12.2023 is low, based on the continued confidence of customers and business partners in the integrity of the Bank and its economic and financial position, therefore the Bank is within its assumed risk appetite.

i) Strategic risk management

Strategic risk is the current or future risk of damage to profits and capital caused by changes in the business environment or unfavourable business decisions, inadequate implementation of decisions or failure to respond to changes in the business environment.

In the Bank's view, ongoing monitoring and compliance with the principles in place ensures sound strategic risk management, creates the prerequisites for the Bank's future development on a sound basis under the expected profitability conditions.

The general principles applied to ensure sound strategic risk management are:
a) regular reassessment of the Bank's strategy/business plan;
b) drawing up plans for the introduction of new business lines, the addition of new products and services, the expansion of existing services and the strengthening of infrastructure;

c) Conducting a competitive analysis reflecting the identification of strategic risk factors such as: the threat of market entry of new competitors, the threat of substitute products (card payments replacing cash payments; e-channel operations replacing bank counter operations), the continuous evolution of strategic risk factors during the life cycle of products and services;
d) establishing robust internal control mechanisms at the strategic level of corporate governance, covering all aspects and processes of strategic decision-making;
e) setting a set of limits for the key strategic risk indicators that are commensurate with the size and complexity of the Bank's business and the Bank's risk appetite.

In the Bank's view, ongoing monitoring and compliance with the principles in place ensures sound strategic risk management, creates the prerequisites for the Bank's future development on a sound basis under the expected profitability conditions.

The risk profile as at 31.12.2023 is low, therefore the Bank is within its assumed risk appetite.

STRUCTURE AND ORGANISATION OF THE RISK MANAGEMENT FUNCTION

Risk management function in C.B. "Victoriabank" JSC is independent from the operational functions, being a central component within the Bank. It ensures that risks are properly identified, measured, monitored and reported.

The Risk Management function, led by the Vice-president CRO (Chief Risk Officer), plays an important role in the Bank, ensuring that the Bank has effective risk management processes in place by engaging:

a) in the development and annual review of strategies and in the decision-making process (together with operational units and governing bodies);
b) developing risk assessment and risk management frameworks and risk measurement systems;
c) implementation of appropriate policies and processes for assessing significant risks;
d) measuring, assessing and monitoring risks, tracking significant changes;
e) analysing trends and recognising new or emerging risks arising from changing market and macroeconomic circumstances and conditions;
f) monitoring the implementation of legislative requirements in internal risk management regulations;
g) independent assessment and analysis of credit risk associated with credit exposures to individual and corporate clients;
h) developing the methodology on the calculation and management of exposure limits for treasury and commercial operations relationships between C.B . "Victoriabank" JSC with other banks;
i) monitoring the quality of the credit portfolio by analysing Early Warning Signals for corporate borrowers, identifying and controlling exposures with the potential to become problematic;
j) the process of evaluating and monitoring collateral for loans granted in accordance with the legislation in force and the Bank's internal procedures, etc.

The risk management function is provided within C.B. "Victoriabank" JSC by the following subdivisions under the CRO (Chief Risk Officer):

- Risk Management Division;
- Credit Risk Assessment Division (Underwriting);
- Loans Monitoring Division;
- Division for the Evaluation of Guarantees;
- Information Security Division.

The Board of Directors (BoD) of the Bank has overall responsibility for establishing and monitoring the overall risk management framework. The BoD monitors the compliance of the Bank's risk policies and strategies, and the adequacy of the overall risk management framework in relation to the risks to which the Bank is exposed and the capital required to cover them.

For risk management purposes, the BoD has a specialised committee reporting directly to the Board, the Risk Management Committee (RMC). The RMC is a permanent, independent, advisory committee that provides competent and independent opinions on the Bank's risk management policies and practices, internal capital adequacy, risk appetite and exercises the powers mandated by the AC in this business segment.

The executive body of the Bank is the Executive Committee (ExCo) which organises, directs and is responsible for the day-to-day business, efficiently and prudently manages the business of the Bank in a manner consistent with the Bank's strategy and management framework approved by the Board.

THE SCOPE OF COVERAGE AND TYPE OF REPORTING AND RISK MEASUREMENT SYSTEMS

To identify and measure risks, C.B. "Victoriabank" JSC has developed anticipatory (forward-looking, such as crisis simulations) and retrospective (backward-looking, such as regular risk management reports) tools.

The Bank shall establish and maintain systems and controls sufficient to provide prudent and reliable estimates of the risks to which the Bank is exposed.

For significant risk categories, the Bank has established regular and transparent reporting mechanisms so that management and all relevant units benefit from timely reporting and can share relevant information on risk identification, measurement, evaluation and monitoring.

The Board of Directors (BoD) and the Risk Management Committee (RMC) shall determine the nature, volume, format and frequency of the risk information to be received.

STATEMENT APPROVED BY THE BANK'S BOARD ON THE ADEQUACY OF THE BANK'S RISK MANAGEMENT FRAMEWORK

It is hereby confirmed that the existing risk management systems within C.B. "Victoriabank" JSC are adequate, taking into account the Bank's profile and strategy.

Reporting on disclosure requirements was prepared in accordance with the Regulation on disclosure requirements by banks, approved by the DEC of the NBM no. 158 of 09.07.2020 and the Instruction on disclosure of information on the activity of the C.B. "Victoriabank" JSC

THE RISK STATEMENT, APPROVED BY THE BANK'S BOARD, BRIEFLY DESCRIBING THE BANK'S OVERALL RISK PROFILE ASSOCIATED WITH THE BUSINESS STRATEGY

In the 2023 Annual Report C.B. "Victoriabank" JSC, which also includes the BoD Report, published on the Bank's website, there is information on the Bank's overall risk profile associated with the business strategy, including key indicators and data, to provide external stakeholders with a comprehensive overview of how the Bank manages its risks, including how the Bank's risk profile interacts with the risk tolerance set by the governing bodies.

2. MANAGEMENT FRAMEWORK

The governing body of the Bank is the Board of Directors and the Executive Committee of the Bank. The members of the Board of Directors and the Executive Committee are responsible for compliance with the legislation in force by the Bank and for fulfilling all the requirements of the Law no. 202/ 2017 and the normative acts issued for its application, in accordance with their duties set forth in the Bank's Statute.

The Board of Directors is composed of seven members elected by the AGM by cumulative vote for a period of four years, with the possibility of re-election for a further term.

During 2023, the Board of Directors of the Bank was composed as follows:

Member of the Board of Directors	Position held in the Bank	Number of positions in other entities
Turcan Victor	Chairman of the Board of Directors of the Bank	-
Igor Spoiala	Member of the Board of Directors of the Bank	-
Moisă Tiberiu	Member of the Board of Directors of the Bank	1. Banca Transilvania S.A. - General Deputy Manager, MidCorporate & IMM; 2. Transilvania Executive Education Association - President of the Board of Directors; 3. Clujul Are Suflet - President; 4. BT Club (Clubul Întreprinzătorului Român) - Chairman; 5. BT Microfinance - Chairman of the Board of Directors; 6. BT Leasing - Chairman of the Board of Directors; 7. BT Asset Management SAI - Member of the Board of Directors.
Sabaz Mehmet Murat	Member of the Board of Directors of the Bank	-
Grasse Thomas	Member of the Board of Directors of the Bank	1. Banca Transilvania S.A. - member of the Board of Directors; 2. Specta-Group - member of the Advisory Board;
Franklin Peter	Member of the Board of Directors of the Bank	-
Mancinskis Maris	Member of the Board of Directors of the Bank	1.CleanR Group - member of the Board of Directors; 2.Agrolats Holding - Vice-Chairman of the Board of Directors; 3.Vairo Pension Asset Management - founder.

Member of the Executive Committee	Position held in the Bank	Number of functions
Pleşuvescu Bogdan*	President of Executive Committee	-
Levon Khanikyan	President Executive Committee	1. American Chamber of Commerce, Republic of Moldova - member.
Donica Vasile	Member of Executive Committee	-
Serban Sorin	Member of Executive Committee	1. CFA Romania (local professional association of CFA Institute) - member.
Corniciuc Vitalie	Member of Executive Committee	1. Asociația Contabililor și Auditorilor Certificați (ACCA) - member;
Maloș Elena-Ionela	Member of Executive Committee	1. Asociația Investitorilor din România în Republica Moldova - member of the Coordinating Council;

*From 12 January 2023, Levon Khanikyan is the President of the Management Committee.

Policy for the selection of members of the governing body, their knowledge, qualifications and actual experience

The Nomination Committee is a body reporting to the Board of Directors, created for the purpose of providing competent and independent opinions on policies and practices for the selection, nomination and assessment of the individual suitability of candidates and of the governing body as a whole in accordance with the Policy for the Appointment of Members of the Governing Bodies and Holding Key Positions Persons approved by the Board of Directors on 30.06.2022.

To this end, the Nomination Committee shall carry out its work in accordance with the following steps:
- Identification and individual assessment of candidates;
- Initial collective assessment of the governing body;
- Submission of candidates for election/appointment as appropriate to the position of member of the governing body and obtaining approval by the NBM;
- Reassessment (Continuous assessment) of individual and collective members of the governing body.

The following principles underlie the processes for identifying and evaluating members of the governing body and for ensuring prudent and fair management, but are not limited to:
- Independent thinking;
- Ensuring diversity;
- Expertise, competence, professional experience appropriate to the nature, extent and complexity of the work;
- Avoiding conflicts of interest;
- Reputation;
- Time allocated.

The members of the governing body are evaluated annually at the collective level by the Nomination Committee set up within the Bank's Board of Directors, taking into account the NBM's regulations and internal rules in this field.

In addition, the individual and collective reassessment shall be carried out when the person is appointed or elected for a new term or in one of the following cases:
- when there are concerns about the suitability, individually or collectively, of the members of the governing body;
- in the event of an event with a significant impact on the reputation of a member of the governing body on the image of the Bank;
- whether the members of the governing body comply with the Policy on the Management of Conflict of Interest within the C.B. "Victoriabank" JSC on conflict of interest;
- in any other situation which may significantly affect the suitability of the members of the governing body.

Following re-assessments by the Nomination Committee in 2023, it was found that, collectively, the Bank's governing bodies (Board of Directors and Executive Committee) in its current composition meet the adequacy requirements.

The members of the Board of Directors and the Executive Committee have considerable experience in the financial sector and, overall, have a high level of competence. They demonstrate an appropriate structure of expertise, which ensures the possibility of diversified debates and efficient decision-making.

Calculating the average for each module, a "High" rating was obtained for all of them, which confirms the adequacy of the collective management body. In the re-assessment process, no weaknesses or critical situations were identified. The Bank found that more attention needs to be paid to areas that were rated medium-high in order to improve them.

In order to achieve sustainable and balanced development, the Bank's selection process takes into account the imperative requirement that the governing bodies collectively have adequate knowledge, skills and experience to be able to understand the Bank's activities, including their main risks, and to make fully informed judgements on all matters on which they are required to decide in accordance with their competencies.

The Bank sees increased diversity at management level as a key element in supporting the achievement of its strategic objectives. In the process of selecting candidates to fill vacancies on the governing bodies, the Bank takes into account the criteria for succession of members, which entails establishing succession planning measures according to action principles and workflows for the identification and validation of potential candidates for the governing bodies that aim to ensure a transparent and fair process for identifying and validating members of the governing bodies, in compliance with the provisions of the legislative framework in force.

In assessing the compatibility of a member of the management body, it will be taken into account, on the one hand, the knowledge and skills acquired as a result of theoretical training and practical experience and, on the other hand, the role and responsibilities specific to the post in question and the knowledge required to perform it.

In this context, the assessment is carried out taking into account the criteria set out below, as a whole, as well as considerations related to the division of responsibilities.

- Possession of theoretical experience - the assessment will take into account the level and profile of studies and whether they are related to banking and financial services or other relevant fields - studies in areas such as banking and finance, economics, law, administration, accounting, auditing, information technology (IT), European integration (e.g. European institutions, cooperation mechanisms and funds), internal/external schooling and relevant training and further training courses (e.g. MBA, ACCA etc.).
- Possession of sufficient professional experience - an analysis of practical experience in previously held positions will be considered, taking into account:
    - the nature of the management positions held and their hierarchical level;
    - seniority in these positions;
    - the nature and complexity of the work carried out during the period of holding the post, including the organisational structure;
    - the sphere of competences, decision-making power and responsibilities;
    - the technical knowledge acquired in those functions in relation to the business of a credit institution and an understanding of the risks to which credit institutions are exposed;
    - number of subordinates.

Diversity policy for the selection of members of the governing body, objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved.

The Bank recognises and supports increased diversity in its management body in order to achieve sustainable and balanced development in support of its strategic objectives and to enhance the quality of its performance.

The Bank stresses that, while the diversity and variety of experiences and views represented in the governing body should always be taken into account, a candidate should not be elected, nor excluded, wholly or partly, on the grounds of race, colour, gender, national origin or sexual orientation.

In selecting a candidate, the Nomination Committee evaluates, as a priority, the skills, national and international experience or cultural profile that would complement the existing management body, recognizing that the Bank's activities and operations are diverse and national in nature with global impact.

Reflecting the global nature of banking, members of the Bank's governing bodies may be both citizens of the Republic of Moldova and citizens resident in other countries. Most members of the governing body come from domestic and international banking backgrounds.

The current members of the Bank's governing body have held senior management positions in various organisations or within the Banca Transilvania Group, demonstrating their ability to exercise leadership functions related to top management positions.

Preferably, members of the governing body should have experience in prestigious international institutions where they have developed skills and experience in business strategy and development, innovation, operations, brand management, finance, compliance, decision making and risk management.

These skills, as well as the experience gained, must be involved in managing the issues faced by an international company in the current environment, providing oversight of these areas in the Bank and therefore assessing Victoriabank's performance.

All members of the governing body must also have significant experience in corporate governance and oversight of complex affairs through their status as executive directors, directors, trustees or other relevant positions in other large institutions.

All of these skills and experiences are relevant to the Bank's current strategies as well as to fostering the Bank's development, enabling members of the governing body to provide diverse development perspectives, valuable advice and critical views on new business opportunities, product launches, addressing new markets, solutions to problems facing the Bank as well as the banking system both locally and regionally.

C.B. "Victoriabank" JSC also encourages the presence of female members in the management body in order to ensure balance and high performance of the company. However, the Bank believes that the appointment of a member to the governing body cannot be made solely on the basis of gender, as such practices lead to discrediting its competence and independence.

Risk Management Committee meetings

Risk Management Committee (RMC) of C.B. "Victoriabank" JSC is an advisory, permanent and independent committee that issues competent and independent opinions on risk management policies and practices, risk capital adequacy, risk appetite of the Bank and that exercises the powers mandated by the Board of Directors on this business segment.

The main objective of the Committee is to assist the Board of Directors in fulfilling its duties in the risk management process and to maintain best corporate governance practices.

The Committee is composed of 3 members, elected by the Board of Directors from among their number, who have appropriate knowledge, skills and experience to fully understand and monitor the Bank's risk management strategy and risk appetite.

During its meetings in 2023, the Risk Management Committee monitored compliance with key risk indicators and set risk limits for credit, market, liquidity, operational and strategic risks reported by the Chief Risk Officer (CRO). The Committee also ensured compliance with NBM regulations and recommendations related to risk management and compliance functions within the Bank.

In 2023, the Risk Management Committee held 14 meetings, of which 3 were in attendance, 10 - by videoconference and one extraordinary meeting by correspondence.

Flow of risk information to management bodies

The Bank has established regular and transparent reporting mechanisms for each risk category so that management can benefit from timely, accurate, concise, understandable reports and exchange relevant information on risk identification, measurement, evaluation and monitoring.

The Board of Directors and the Risk Management Committee shall determine the nature, volume, format and frequency of the risk information to be received.

It is the responsibility of the Risk Management Division to regularly monitor that the Bank's activity is within approved risk limits, so that the risks arising from the Bank's activity take into account the risk appetite that the Bank has assumed.

In the case of indicators at Executive Committee (ExCo) and Risk Management Committee (RMC) level, depending on the risk materialised, the deviation is reported to the relevant committee (ALCO in the case of treasury limits, Executive Committee - in the case of lending and other risk limits) at the meeting immediately following the identification of the deviation.

In the case of deviations/exceedances of the limits set for the indicators determining the Bank's risk appetite, monitoring of these exceedances is carried out by the ALCO/ExCo and reported (weekly/monthly - as appropriate) together with the action taken to the BoD/RMC at the meeting of the month following the month in which the exceedance was detected.

The monitoring of risk indicators and their compliance with the limits/attainment set according to the risk strategy is formalised in the Risk Monitoring, Control and Management Report, prepared by the Risk Management Division and presented monthly to the Executive Committee and periodically, at least quarterly, to the Board of Directors and/or the Risk Management Committee.

3. REMUNERATION POLICY AND PRACTICES

GENERAL OBJECTIVES

Victoriabank's main objectives in the area of remuneration are to respect the principle of fairness and performance orientation by assessing and rewarding employees on the basis of results, taking into account the business and risk strategy, corporate culture and values, the Bank's medium and long-term strategic development objectives and the measures used to avoid conflicts of interest, without encouraging excessive risk-taking and with the promotion of sustainable and efficient risk management.

The Bank's remuneration system consists of the policy, processes and practical measures, integrated within the bank and aimed at remunerating the bank's staff in accordance with their functions, contribution, skills and market cost.

During 2023, 7 meetings of the Remuneration Committee were held, after which remuneration-related topics were approved at 3 meetings of the Board of Directors of C.B. Victoriabank JSC.

GENERAL PRINCIPLES ON REMUNERATION

The aim of the remuneration policy is to encourage employee performance (both individual and collective) and to recognise and value the contribution of each employee to the bank's results.

The principles of the Remuneration Policy cover both the fixed and variable components of the remuneration of all staff. The evaluation criteria relate to both individual and collective performance, specifically for a sufficient period of time to indicate real performance, not only in terms of measurable financial criteria but also in terms of qualitative criteria, including knowledge of the business area, managerial skills, efficiency and general professional attitude, level of commitment and compliance with the Bank's policies.

CORRELATION BETWEEN TOTAL REMUNERATION AND PERFORMANCE

C.B. „Victoriabank" JSC remuneration system covers two types of remuneration granted, Fixed Remuneration, established according to the level of responsibility assumed, which constitutes a relevant part of the Total Remuneration and Variable Remuneration, which is based on the design of incentives adapted to the long-term interests of the C.B. "Victoriabank" JSC Total Remuneration includes all types of remuneration, fixed and variable.

Remuneration is fixed when the conditions for its award and its value:

i. are based on predetermined criteria,
ii. are non-discretionary, reflecting the level of professional experience,
iii. are transparent about the individual value given to the individual staff member,
iv. are permanent, i.e. they are maintained for a period related to the specific role and organisational responsibilities,
v. are non-revocable, the permanent value is only changed by collective bargaining or renegotiation,

vi. may not be reduced, suspended or cancelled by the Bank,
vii. are not dependent on performance.

The fixed salary is the basic salary primarily reflecting relevant professional experience and organisational responsibility as set out in the job description.

Remuneration is variable when it does not meet the above conditions for classification as fixed remuneration.

Variable remuneration is any remuneration that is not fixed and is awarded for the achievement of objectives and is dependent on both the achievement of the Bank's objectives and the achievement of individual staff objectives, as well as on the assessment of financial and non-financial performance criteria.

The variable part shall be granted in accordance with the following principles:

- **Proportional principle**: the annual variable component may not exceed 100% of the fixed component of the total annual remuneration;
- **Managerial performance principle**: when measuring the performance of indicators by managerial position for the purpose of determining remuneration, both individual managerial aspects and the objectives of the unit and the bank are taken into account;
- **Compliance principle**: compliance with risk management regulations so that remuneration does not limit the Bank's ability to strengthen its capital base and can be sustained in line with the institution's financial situation;
- **Multi-annual principle**: performance assessment is carried out within a multi-annual framework to ensure that the assessment process is based on long-term performance and that the actual payment of the performance-based remuneration components is spread over a period that takes into account the bank's business cycle and the risks specific to its activity.

The remuneration package within the bank includes:

fixed remuneration - salary, holiday bonus, meal vouchers.

variable remuneration - annual performance bonus, monthly and quarterly bonuses and social benefits.

Variable pay may be awarded annually, quarterly and monthly depending on the employee's performance, the subdivision in which he/she works and the bank's overall results. The Bank applies the principle that the variable component shall not exceed 100% of the fixed component of the total annual remuneration for each employee.

The remuneration budget is set annually as part of the full planning process per bank. C.B. "Victoriabank" JSC regularly updates and improves its internal rules and standards to promote best practices in staff remuneration.

C.B. „Victoriabank" JSC own policy is subordonated to the principles of the Banca Transilvania Financial Group's Remuneration Policy. Any changes and derogations from the policy are under the competence of the Board of Directors of Victoriabank and comply with the provisions of the Remuneration Policy of Banca Transilvania Financial Group.

CRITERIA USED FOR PERFORMANCE MEASUREMENT, VESTING AND RISK ADJUSTMENT

These relate to:

- Maintaining a level of solvency (calculated by reference to internal capital) in accordance with the internal capital adequacy process for the year for which the assessment is made;
- Maintaining optimal liquidity, keeping the value of the indicators within the assumed risk appetite for the year for which the valuation is made (for the base part) and/or for the previous year (for the deferred part);
- The fitting of the Bank's overall risk profile with the risk appetite assumed in the year for which the assessment is made (for the base portion) and/or for the previous year (for the deferred portion).

PRINCIPLES ON REMUNERATION OF CONTROL FUNCTIONS

Remuneration of Heads of Compliance Division in the risk management, compliance and audit functions is approved by the Board of Directors on the proposal of the Remuneration Committee.

Remuneration of independent control functions is predominantly fixed. Where variable remuneration is granted, it is based on compliance with the principles of the remuneration policy, without its level being linked to the Bank's budgetary objectives or the performance of the activities that the control function monitors and controls, but to the achievement of the objectives of that function (individual KPIs).

PRINCIPLES FOR REMUNERATION OF IDENTIFIED STAFF

From the point of view of remuneration, persons whose professional activities have a significant impact on the risk profile have been referred to as "Identified Staff" and their identification is carried out in accordance with the provisions of the NBM regulations and Regulation 604/2014 of the European Commission.

The "Identified Staff" list is reviewed annually or whenever a new position is created which, according to the qualitative and/or quantitative criteria set out in the European Commission Regulation 604/2014 and/or NBM regulations, has a significant impact on the bank's risk profile.

PRINCIPLES FOR THE REMUNERATION OF BOARD MEMBERS

The members of the Board of Directors receive only a fixed cash remuneration.

The level of the fixed remuneration of the members of the Board of Directors is established by the Regulation on the remuneration of the members of the Board of Directors approved by the General Meeting of Shareholders and endorsed by the Remuneration and Nomination Committee of Banca Transilvania. The remuneration of the members of the Board of Directors is guaranteed to be granted to them without conditions or decreases/increases in the level of remuneration as a direct result of the performance achieved by the directors individually or by the bank in a given period.

PRINCIPLES FOR THE REMUNERATION OF MEMBERS OF THE BANK'S MANAGEMENT COMMITTEE

The remuneration policy of the Executive Committee Members is appropriate to the size and organisation of the Bank and the nature, scope and complexity of the business activities.

Through the application of the remuneration policy, the Bank aims to retain and develop an executive management body with the highest professional level, qualities that generate added value for the Bank, motivate and encourage its own staff so as to optimise individual and collective work performance, strengthen a culture based on the objective assessment of each individual's contribution and reward performance, ensuring consistency between remuneration and the Bank's business strategy, risk policy, values and long-term objectives.

The remuneration of the members of the Bank's Executive Committee is determined and supervised by the Bank's Board of Directors and approved by the Remuneration and Nomination Committee of Banca Transilvania.

QUANTITATIVE INFORMATION

Aggregate quantitative information on remuneration, broken down by area of activity, paid in 2023

Categories	Number of beneficiaries	Total remuneration (gross MDL)	Fixed remuneration (gross MDL)	Variable remuneration (gross MDL)
Retail banking	380	97,890,378	83,386,587	14,503,791
Corporate functions	386	117,633,520	103,235,914	14,397,607
Independent control functions	62	21,052,851	18,776,315	2,276,536
All other areas of activity	513	70,103,029	57,963,464	12,139,565
Total	**1,341**	**306,679,778**	**263,362,280**	**43,317,499**

Aggregate quantitative information on remuneration of identified staff paid in 2023

Categories	Number of beneficiaries	Total remuneration (gross MDL)	Fixed remuneration (gross MDL)	Variable remuneration (gross MDL)
Staff holding key positions	8	6,018,274	4,790,219	1,228,055
Staff with a total remuneration that places them in the same remuneration category as members of the executive body and staff holding key positions;	57	49,564,189	42,787,822	6,776,367

Aggregate quantitative information on remuneration paid during 2023 to members of the Board of Directors and Management Committee

Categories	Total remuneration (gross MDL)
Members of the governing body in its supervisory function	9,636,647
Members of the governing body in its governing function	18,864,680

Aggregate quantitative information on the number of persons who during 2023 received remuneration amounting to the equivalent of MDL 1 million or more.

Categories	Number of beneficiaries
1 000 000 - 1 500 000	26
1 500 000 - 2 000 000	1
2 000 000 - 2 500 000	1
3 000 000 - 3 500 000	2
4 000 000 - 4 500 000	1
6 000 000 - 7 000 000	1

Aggregate quantitative information on welcome payments granted in 2023

Categories	Number of beneficiaries	Total amount paid (gross thousand MDL)
Welcome payments	4	1,147

Aggregate quantitative information on compensation payments, granted in 2023, the amount of 128 thousand lei, being the largest payment granted to a single person.

Categories	Number of beneficiaries	Total amount paid (gross thousand MDL)
Compensation payments	12	528

DEFERRED COMPENSATION

The Bank has established a Shadow Shares Plan ("SSP"), under which the Bank's management may exercise its right and option to receive a number of synthetic shares as part of its variable compensation.

Conditions for the entry into rights of free synthetic shares:
- Compliance with performance and prudential indicators for the reference year;
- Meeting eligibility and/or individual performance criteria, according to the remuneration policy and rules in force for the year for which the award is made;
- Employee status at the time of entitlement and at the time of exercise of the entitlement.

Contractual period of shares to be granted through the SSP:
- Release starting at the earliest on 1 June of the following year;
- Deferral period for identified staff -3- 5 years, with applicable restrictions as per internal regulations in force.

As at 31 December 2023, the Bank has increased the amount of MDL 2,530 thousand for SSP expected to be exercised in 2024. The amount includes fees and contributions related to the payments.

4. SCOPE OF REQUIREMENTS IN THE CONTEXT OF PRUDENTIAL CONSOLIDATION

The requirements in the context of **prudential consolidation** are not applicable to C.B. "Victoriabank JSC.

5. OWN FUNDS

Own funds requirements

The Bank's own funds, in accordance with the legal regulations in force on capital requirements, consist of core tier 1 own funds.

The Bank's Core Tier I own funds comprise share capital, share premium, retained earnings, accumulated other comprehensive income, other reserves and deductions as required by the legislation in force (Regulation 109/2018).

FORM ON THE MAIN FEATURES OF OWN FUNDS INSTRUMENTS

1.	Issuer	C.B. "Victoriabank" JSC
2.	Unique identifier	ISIN: MD14VCTB1004, are admitted for trading on the regulated market of the Stock Exchange of Moldova
3.	Legislation applicable to the instrument	NBM Regulation on banks' own funds and capital requirements no.109 of 24.05.2018 Law on the activity of banks no.202/06.10.2017

1.	***Regulation***	
4.	Treatment of regulated own funds	Core Tier 1 own funds
5.	Eligible at individual/consolidated/individual and consolidated level	Individual
6.	Type of instrument	Registered ordinary shares issued by C.B. "Victoriabank" JSC (according to item 10, sub.1 of Regulation no.109 of 24.05.2018)
7.	Amount recognised in regulatory capital (currency in millions, at latest reporting date)	250.00 MDL
8.	Nominal value of the instrument (in million lei)	250.00 MDL (10 lei per share)
9.	Issue price (in million lei)	260.25 MDL (share issues in 1997 and 1999 were at 15 lei/share)
10.	Repurchase price (in million lei)	250.00 MDL
11.	Accounting classification	Shareholders' capital
12.	Initial date of issue	December 1991
13.	Perpetual or fixed-term	Perpetual
14.	Initial due date	No due date
15.	Call option by the issuer subject to prior approval by the NBM	nu
16.	Optional call exercise date, conditional call exercise dates and redemption value	n/a
17.	Subsequent dates of the exercise of the call option, if applicable	n/a
2.	***Coupons/dividends***	
18.	Fixed or variable dividend/coupon	Variable dividend
19.	Coupon rate and any related index	n/a
20.	The existence of a dividend stopper mechanism	nu
21.	Fully discretionary, partially discretionary or binding (in terms of timing)	n/a
22.	Fully discretionary, partially discretionary or mandatory (as to amount)	n/a
23.	Existence of a step-up or other redemption incentive	n/a
24.	Non-cumulative or cumulative	not cumulative
25.	Convertible or non-convertible	unconvertible
26.	If convertible - the factor(s) triggering conversion	n/a
27.	Whether convertible - in whole or in part	n/a
28.	If convertible - conversion rate	n/a

29.	If convertible - mandatory or optional conversion	n/a
30.	If convertible, specify the type of instrument into which it can be converted	n/a
31.	If convertible, specify the issuer of the instrument into which it is converted	n/a
32.	Book value reduction features	nu
33.	In the case of a write-down, the triggering factor(s)	n/a
34.	In the event of a write-down of all or part of the book value	n/a
35.	In the event of a permanent or temporary reduction in the book value	n/a
36.	In the case of a temporary reduction in the carrying amount, a description of the mechanism for increasing the carrying amount	n/a
37.	Position in the subordination hierarchy in case of liquidation (specify the type of instrument at the next higher level)	n/a

RECONCILIATION OF OWN FUNDS ITEMS TO THE STATEMENT OF FINANCIAL POSITION

In MDL

Own funds	**31.12.2023**
Own capital according to the Bank's statement of financial position	3,861,545,926
Adjustments to core tier 1 own funds due to prudential filters	(210,790,975)
Intangible assets	(86,311,974)
Core Tier 1 own funds	**3,564,442,977**
Level 1 own funds	**3,564,442,977**
Level 2 own funds	-
Total Own funds	**3,564,442,977**

STATEMENT OF FINANCIAL POSITION

In MDL

ACTIVE	**31.12.2023**
Cash and accounts in the National Bank of Moldova	7,317,370,458
Current accounts and placements with banks	1,769,324,089
Securities - debt instruments	5,860,016,366
Equity securities at fair value through other comprehensive income	3,378,027
Loans granted to clients	5,981,587,812
Tangible fixed assets	348,465,254
Right of use assets	81,387,419
Intangible assets	86,311,974
Other assets	288,853,839
Total assets	**21,736,695,238**

DEBTS	31.12.2023
Deposits from banks	35,605,128
Deposits from customers	15,725,293,656
Other loans	512,482,404
Provisions for other risks and loan commitments	39,215,507
Lease liabilities	79,583,088
Other debts	810,376,312
Total debts	**17,202,556,095**
EQUITY	**31.12.2023**
Share capital	250,000,910
Capital premium	10,250,000
Reserve from revaluation of financial assets at fair value through other comprehensive income	916,066
Other reserves	76,445,136
Retained earnings	3,524,512,338
Net profit as at 31.12.2021	672,014,693
Total equity	**4,534,139,143**
Total debt and equity	**21,736,695,238**

FORM FOR DISCLOSURE OF *OWN* FUNDS

In MDL

No d/o	Indicator name	Value
1.	Equity instruments and share premium accounts	260,250,910
2.	Reported result	3,524,512,338
3.	Accumulated other comprehensive income and other reserves	76,782,678
4.	Minority interests (amount eligible for inclusion in consolidated Tier 1 capital)	-
5.	Independently audited interim profits after deduction of any foreseeable liabilities or dividends	-
6.	**Core capital (CET 1) before regulatory adjustments**	**3,861,545,926**
Core Tier 1 own funds (CET 1): additional adjustments		
7.	Additional value adjustments *(negative value)*	(210,790,975)
8.	Intangible assets, excluding related tax liabilities *(negative value)*	(86,311,974)
9.	Deferred tax assets based on future profitability, excluding those arising from temporary holdings (without tax liabilities) *(negative amount)*	-
10.	Reserves resulting from fair value measurement, representing gains or losses arising from cash flow hedges	-
11.	Negative amounts resulting from the calculation of expected loss amounts	X
12.	Any increase in equity resulting from securitised assets *(negative value)*	X

13.	Gains or losses on fair value measurement of liabilities resulting from changes in the bank's credit risk	-
14.	Defined benefit pension fund assets *(negative value)*	-
15.	Banks' direct and indirect holdings of core tier 1 own funds instruments *(negative value)*	-
16.	Direct, indirect and synthetic holdings of core tier 1/equity own funds instruments of financial sector entities, if these entities and the bank have mutual holdings designed to artificially increase the bank's own funds *(negative value)*	-
17.	The bank's direct, indirect and synthetic holdings of core tier 1 own funds/equity instruments of financial sector entities in which the bank does not hold a significant investment (significant investment - value above the 10% threshold and excluding eligible short positions) *(negative value)*	-
18.	Bank's direct, indirect and synthetic holdings of core tier 1 equity/equity instruments of financial sector entities in which the bank has a significant investment (value above the 10% threshold and excluding eligible short positions) *(negative value)*	-
19.	The exposure value of the following items that qualify for a 1000% risk weight when the bank opts for the deduction alternative. Of which:	-
20.	- securitisation positions; *(negative value)*	X
21.	- incomplete transactions; *(negative value)*	-
22.	Deferred tax assets arising from temporary holdings (amount above the 10% threshold with deduction of tax liability when the conditions of p.40 of Regulation 109/2018 are met) *(negative amount)*	-
23.	Value above the 15% threshold *(negative value)*	-
24.	- of which: the bank's direct and indirect holdings of core tier 1 own funds/equity instruments of financial sector entities in which the bank has a significant investment	-
25.	- of which: deferred tax assets arising from temporary differences	-
26.	Losses for the current financial year *(negative amount)*	-
27.	Foreseeable taxes relating to basic own funds tier 1 items *(negative value)*	-
28.	Eligible deductions from Additional Tier 1 own funds (AT 1) exceeding the bank's Additional Tier 1 own funds *(negative amount)*	-
29.	**Total Regulated Adjustments to Core Tier 1 Own Funds (CET 1)**	**(297,102,949)**
30.	**Core Tier 1 own funds (CET 1)**	**3,564,442,977**
Additional Tier 1 own funds (AT 1): instruments		
31.	Equity instruments and related share premium accounts	-
32.	- of which: classified as equity in accordance with applicable accounting standards	-
33.	- of which: classified as liabilities in accordance with applicable accounting standards	-
34.	Eligible basic tier 1 own funds included in consolidated supplementary tier 1 own funds (including minority interests not included in row 4) issued by subsidiaries and held by third parties	-
35.	**Additional Tier 1 capital (AT1) before regulatory adjustments**	-
Additional Tier 1 own funds (AT1): regulatory adjustments		

36.	Bank's direct and indirect holdings of Additional Tier 1 own funds instruments *(negative value)*	-
37.	Direct, indirect and synthetic holdings of additional tier 1 own funds instruments of financial sector entities, if these entities and the institution hold reciprocal holdings designed to artificially increase the own funds of the institution *(negative value)*	-
38.	Direct, indirect and synthetic holdings of Additional Tier 1 own funds instruments of financial sector entities in which the bank does not have a significant investment (value above the 10% threshold and excluding eligible short positions) *(negative value)*	-
39.	The institution's direct, indirect and synthetic holdings of additional Tier 1 own funds instruments of financial sector entities in which the institution has a significant investment (excluding eligible short positions) (negative amount)	-
40.	Eligible deductions from Tier 2 own funds in excess of the bank's Tier 2 own funds *(negative amount)*	-
41.	**Regulatory adjustments to Additional Tier 1 own funds (AT1)**	**-**
42.	**Additional Tier 1 own funds (AT1)**	**-**
43.	**Tier 1 own funds (T1=CET1+AT1)**	**3,564,442,977**
Level 2 (T2) own funds: instruments and provisions		
44.	Equity instruments and related share premium accounts	-
45.	Eligible own funds instruments included in consolidated tier 2 own funds (including minority interests not included in row 4) issued by subsidiaries and held by third parties	-
46.	Credit risk adjustments	-
47.	**Tier 2 (Q2) own funds before regulatory adjustments**	-
Tier 2 (Q2) own funds: regulatory adjustments		
48.	A bank's direct and indirect holdings of own funds tier 2 instruments and subordinated loans *(negative value)*	-
49.	Holdings of Tier 2 own funds instruments and subordinated loans of financial sector entities, if these entities and the bank have mutual holdings designed to artificially increase the bank's own funds *(negative value)*	-
50.	Direct and indirect holdings of Tier 2 own funds instruments and subordinated loans of financial sector entities in which the bank does not have a significant investment (value above the 10% threshold and excluding eligible short positions) *(negative value)*	-
51.	Bank's direct and indirect holdings of Tier 2 own funds instruments and subordinated loans of financial sector entities in which the bank has a significant investment (excluding eligible short positions) *(negative amount)*	-
52.	**Total regulatory adjustments to own funds tier 2 (Q2)**	**-**
53.	**Tier 2 (T2) own funds**	**-**
54.	**Total own funds (TC= T1+T2)**	**3,564,442,977**
55.	**Total risk-weighted assets**	**8,123,677,515**
Own funds rates and amortization		

56.	Core Tier 1 own funds (as a percentage of total risk exposure)	**43.88%**
57.	Own funds Tier 1 (as a percentage of total risk exposure)	**43.88%**
58.	Total own funds (as a percentage of total risk exposure)	**43.88%**
59.	Bank-specific buffer requirement (core tier 1 own funds requirement in accordance with p.130 subp. 1) plus capital conservation buffer and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important companies' buffer expressed as a percentage of exposure value)	812,367,751
60.	- of which: capital conservation buffer requirement	203,091,938
61.	- of which: anti-cyclical damper requirement	-
62.	- of which: systemic buffer requirement	81,236,775
63.	- of which: buffer for systemically important institutions (O-SIIs)	81,236,775
64.	Core Tier 1 capital available to meet buffer requirements (as a percentage of exposure value)	33.88%
Amounts below thresholds for deduction (before risk weighting)		
65.	Direct and indirect equity holdings of financial sector entities in which the bank does not have a significant investment (value below 10% threshold and excluding eligible short positions)	-
66.	The bank's direct and indirect holdings of core tier 1 own funds instruments of financial sector entities in which the bank has a significant investment (value below the 10% threshold and excluding eligible short positions)	-
67.	Deferred tax assets arising from temporary differences (amount below the 10% threshold, excluding related tax liabilities when the conditions of p.40 of Regulation 109/2018 are met)	-
Ceilings applicable to the inclusion of provisions in Tier 2 own funds		
68.	Credit risk adjustments included in own funds tier 2, taking into account exposures subject to the standardised approach (before application of the cap)	-
69.	Cap on the inclusion of credit risk adjustments in Tier 2 own funds under the standardised approach	-

6. OWN FUNDS REQUIREMENTS

Internal process for assessing capital adequacy at C.B. "Victoriabank" JSC is a component of the Bank's management and leadership process, its decision-making culture, which aims to ensure that the management bodies adequately identify, measure, control and monitor the Bank's risks, hold internal capital adequate to the risk profile, use and develop sound risk management systems.

The Bank uses the following calculation methods to assess the regulatory capital requirement:

a) **credit risk**: the determination of risk-weighted assets for the purpose of calculating the own funds requirement is carried out under the Standardised Approach;

b) **market risk**: the standardised approach is used to calculate capital requirements for currency risk and position risk on traded debt instruments;

c) **operational risk**: the Basic Approach is used to calculate the capital requirement for operational risk.

The Bank dynamically manages its capital base by monitoring regulated own funds ratios, anticipating appropriate changes required to achieve its objectives, and optimising the composition of assets and equity.

Planning and monitoring shall take into account total own funds (Core Tier 1 own funds, Additional Tier 1 own funds and Tier 2 own funds) on the one hand and risk-weighted exposure amounts (RWA) on the other hand.

C.B. "Victoriabank" JSC records the following structure of risk exposures (RWA) and minimum capital requirements (Pillar 1) as at 31.12.2023:

Risk-weighted exposure amounts (RWA)

according to Annex 11 to the Regulation on disclosure requirements by banks

No d/o		Risk-weighted exposure amounts (RWA), MDL		Minimum capital requirements, MDL
		Quarterly manage, 31.12.2023	**The quarter preceding the quarter managed, 30.09.2023**	**Quarterly manage, 31.12.2023**
1.	**Credit risk** (excluding counterparty credit risk)	6,034,484,398	5,467,279,028	603,448,440
2.	Of which: standardised approach	6,034,484,398	5,467,279,028	603,448,440
3.	Of which: basic IRB approach (FIRB)	x	x	x
4.	Of which: advanced IRB approach (AIRB)	x	x	x
5.	Of which: equity securities in the IRB approach under the simple risk-weighted approach or AMI	x	x	x
6.	**Counterparty credit risk**	0	0	0
7.	Of which: market marking method	0	0	0
8.	Of which: initial exposure method	0	0	0
9.	Of which: standardised method	0	0	0
10.	Of which: internal model method (IMM)	x	x	x
11.	Of which: exposure value for contributions to the CPC Guarantee Fund	x	x	x
12.	Of which: credit valuation adjustment (CVA)	0	0	0
13.	**Settlement risk**	0	0	0
14.	Securitisation exposures in the banking book (after cap)	x	x	x
15.	Of which: IRB approach	x	x	x
16.	Of which: IRB regulated formula method (SFA)	x	x	x
17.	Of which: Internal Assessment Approach (IAA)	x	x	x
18.	Of which: standardised approach	0	0	0
19.	**Market risk**	0	0	0

20.	Of which: standardised approach	0	0	0
21.	Of which: AMI	x	x	x
22.	**Operational risk**	2,089,193,117	1,604,910,965	208,919,312
23.	Of which: basic approach	2,089,193,117	1,604,910,965	208,919,312
24.	Of which: standardised approach	0	0	0
25.	Of which: advanced assessment approach	x	x	x
26.	Values below the thresholds for deduction (which are subject to a 250% risk weight) after application of the 250% risk weight.	0	0	0
27.	**Total**	**8,123,677,515**	**7,072,189,992**	**812,367,751**

CAPITAL REQUIREMENT FOR CREDIT RISK

C.B. "Victoriabank" JSC calculates the risk-weighted exposure amount of credit risk exposures using the Standardised Approach in accordance with the Regulation on Credit Risk Treatment for Banks under the Standardised Approach No 111 of 24.05.2018.

Credit risk exposures are classified in the following exposure classes as at 31.12.2023:

Risk-weighted exposure amounts for credit risk

No d/o	Class of exposures	Risk exposure (RWA), MDL
Standardised approach		**6,034,484,398**
1	Central governments or central banks	172,307,285
2	Regional administrations or local authorities	9,123,940
3	Public sector entities	17,491,164
4	Multilateral Development Banks	0
5	International organisations	0
6	Banks	412,153,105
7	Investment companies	2,012,946,515
8	Retail	1,892,314,677
9	Exposures secured by mortgages on real estate	600,739,182
10	Exposures in default	42,752,983
11	Elements associated with extremely high risk	97,489,465
12	Covered bonds	x
13	Claims on institutions and corporations with a short-term credit assessment	0
14	Collective investment undertakings (CIUs)	0
15	Equity securities	0
16	Other items	777,166,082

USE OF ECAI

C.B. "Victoriabank" JSC uses external credit assessment in the determination of risk-weighted exposure amounts in accordance with the Regulation on the treatment of credit risk for banks according to the Standardized Approach No. 111 of 24.05.2018.

An external credit assessment may only be used if it has been carried out by an external credit assessment institution (ECAI) included in the list of ECAIs recognised as eligible under Annex 3 to that Regulation.

C.B. "Victoriabank" JSC uses the available credit assessments carried out by the following external credit assessment companies (ECAI):

a) Fitch Ratings;

b) Moody's Investors Service;

c) Standard & Poor's Ratings Services.

The designation of the credit assessment of an exposure, i.e. the selection of a credit assessment/ECAI from several available, shall be carried out in accordance with the requirements stipulated in Chapter VII of the Regulation on the treatment of credit risk for banks according to Standardised Approach No 111 of 24.05.2018.

The credit quality level shall be aligned with the external rating assigned by each ECAI in accordance with Annex 4 to that Regulation.

The exposure classes, i.e. the amounts of the Bank's risk exposures, for which external credit assessment was used as at 31.12.2023 are presented as follows:

No d/o	Class of exposures	Exposure value (after taking into account the effect of credit risk mitigation), MDL	Risk exposure (RWA), MDL	of which: with a credit assessment by a nominated ECAI	of which: with a credit assessment derived from central government
1	Central governments or central banks	12,456,017,993	172,307,285	164,245,082	0
2	Regional administrations or local authorities	45,619,698	9,123,940	0	0
3	Public sector entities	0	17,491,164	0	0
4	Multilateral Development Banks	0	0	0	0
5	International organisations	0	0	0	0
6	Banks	1,700,847,067	412,153,105	390,120,114	22,032,991
7	Investment companies	2,034,783,688	2,012,946,515	0	0
8	Retail	2,666,137,497	1,892,314,677	0	0
9	Exposures secured by mortgages on real estate	1,048,462,895	600,739,182	0	0
10	Exposures in default	32,784,926	42,752,983	0	0

11	Elements associated with extremely high risk	64,992,977	97,489,465	0	0
12	Covered bonds	x	x	0	0
13	Claims on institutions and corporations with a short-term credit assessment	0	0	0	0
14	Collective investment undertakings (CIUs)	0	0	0	0
15	Equity securities	0	0	0	0
16	Other items	1,754,103,327	777,166,082	0	0
Total		**21,803,750,068**	**6,034,484,398**	**554,365,196**	**22,032,991**

CAPITAL REQUIREMENT FOR MARKET RISK

a) Position risk

C.B. "Victoriabank" JSC holds a trading portfolio in the amount of 14.42 million MDL as of 31.12.2023, which represents 0.07% of the Bank's assets.

Given that the volume of balance sheet and off-balance sheet operations related to the trading book represents less than 5% of total assets and never exceeds 6% of total assets, the Bank replaces the capital requirement for position risk with a capital requirement calculated in accordance with the regulations of the National Bank of Moldova related to the treatment of credit risk for banks under the Standardised Approach for trading book activities.

b) Currency risk

The Bank shall calculate an own funds requirement for foreign exchange risk if the value of the Bank's total net foreign exchange and gold position, calculated in accordance with the procedure set out in the Regulation of the National Bank of Moldova on the treatment of market risk under the Standardised Approach No 114 of 24.05.2018, items 113 - 120, exceeds 2% of total own funds. The own funds requirement for foreign exchange risk shall be equal to the sum of the total net foreign currency position and the total net gold position in the reporting currency multiplied by 8%.

As the Bank's total net foreign currency position as at 31.12.2023 was 0.92% of the Bank's own funds (<2%), the Bank has not calculated a capital requirement for foreign exchange risk.

Respectively, the Bank has not calculated as at 31.12.2023 capital requirements for position risk and foreign exchange risk under the Standardised Approach.

CAPITAL REQUIREMENT FOR OPERATIONAL RISK

C.B. "Victoriabank" JSC calculates own funds requirements for operational risk using the Basic Approach in accordance with the NBM Regulation on the treatment of operational risk for banks under the Basic Approach and the Standardised Approach.

The risk exposure (RWA) for operational risk amounted to MDL 208.92 million as at 31.12.2023.

TOTAL CAPITAL REQUIREMENTS

On 31.12.2023, C.B. "Victoriabank" JSC records a total own funds ratio of 43.88%, which is comfortably above the OCR (Overall Capital Requirement) rate determined in accordance with the internal methodology as part of the Internal Capital Adequacy for Risk Assessment (ICAAP) process.

Consistent with the Bank's internal capital adequacy to its risk profile and risk management system, the Bank has a level of internal capital that covers, in addition to the regulated capital requirement (Pillar 1), a non-regulated capital requirement (Pillar 2) determined on the basis of internal methods for capital coverage of all significant risks identified by the Bank.

7. BANK'S EXPOSURE TO COUNTERPARTY CREDIT RISK

SETTING CREDIT LIMITS FOR COUNTERPARTY CREDIT EXPOSURES

In its work, C.B. "Victoriabank" JSC is exposed to other banks in the Republic of Moldova or abroad through treasury and commercial operations, in national or foreign currency, within certain exposure limits.

Exposure limits are calculated and managed for two types of operations: treasury and commercial, and represent the maximum exposures of C.B. "Victoriabank" JSC on a partner bank.

Treasury operations are divided according to the type of transaction, foreign exchange market (operational risk) or money market (credit risk), and according to the settlement date or maturity. Exposure limits by settlement date and maturity are not cumulative but exclusive.

The method for determining the exposure limit uses the principle of comparing the individual financial indicators calculated for the partner bank with the average indicators calculated for the group of banks to which it belongs. Finally, the financial indicators are weighted with the quality indicators, the indicators on bank control and the country rating.

The data underlying the determination of the exposure limit for the partner banks are: financial indicators, quality indicators, Bank control indicators and country rating.

OWN FUNDS REQUIREMENT FOR COUNTERPARTY CREDIT RISK

The own funds requirements for counterparty credit risk coverage, i.e. for derivatives, long settlement transactions, as well as for items in the trading book, shall be calculated in accordance with the Regulation on Counterparty Credit Risk Treatment for Banks no. 102 of 16.04.2020.

As at 31.12.2023, C.B. "Victoriabank" JSC did not record exposures/trades subject to counterparty credit risk, i.e. did not calculate the requirement for counterparty credit risk coverage.

The own funds requirements for credit valuation adjustment risk (CVA) for derivative financial instruments shall be calculated in accordance with the Regulation on the treatment of credit valuation adjustment risk for banks No 103 of 16.04.2020.

C.B. "Victoriabank" JSC did not carry out transactions with derivative instruments, exposures subject to credit valuation adjustment (CVA) risk, therefore did not calculate the credit valuation adjustment requirement.

8. RISK MITIGATION TECHNIQUES

CREDIT RISK MITIGATION TECHNIQUES

C.B. "Victoriabank" JSC adequate policies and procedures on credit risk mitigation techniques to control residual risk, which mainly include the following:

a) Internal procedure on residual risk management, which aims to ensure compliance with the principle of prudence in order to mitigate the Bank's risk when accepting collateral;

b) Lending policies and procedures for both legal entities and individuals that require legal opinions as part of the credit documentation to mitigate the legal risk of collateral realisation.

C.B. "Victoriabank" JSC reviews the adequacy, effectiveness and operation of these policies and procedures on a regular but at least annual basis.

The Warranty Evaluation Division, organised within the Risk Management function, ensures the valuation process of collateral for loans granted in accordance with the legislation in force and the Bank's internal procedures, determines the compliance characteristics of collateral, supervises and maintains an adequate monitoring process of the collateral values posted.

To identify, assess, monitor and control residual risk, C.B. "Victoriabank" JSC takes into account the following:

- The Bank's guarantee policy is tailored to the client's risk profile, type of credit or other specific features, as specified in the credit procedures.
- The value of the assets proposed to be pledged as collateral for the requested loans shall be established on the basis of appraisals carried out mainly by appraisal companies approved by the Bank, through specific procedures and recorded in the appraisal reports, in accordance with the provisions of the legislation in force. The valuation reports establish the market value of the assets, the replacement value and the liquidation value.
- The Bank's control of guarantee eligibility provides for general eligibility requirements set out in internal regulations.
- During the life of the loans, the collateral held in the Bank's portfolio will be revalued at a certain periodicity set out in the internal procedure on residual risk management.

Main types of collateral warranties accepted by the Bank

The bank accepts the following types of collateral warranties:

a) **Mortgage on real estate:** residential buildings/buildings, commercial/ administrative real estate, industrial production real estate, parking lots/garages, agricultural buildings, land (without construction), etc.;

   Depending on their purpose, buildings can be residential (residential) and non-residential (commercial).

b) **Pledge on tangible movables:** machinery, equipment, means of transport/vehicles/special vehicles, stocks (universality), etc.

c) **Pledge on movable intangible assets:** funds - pledge, bank deposit, pledge by control of funds, property rights, securities, etc.

   Any tangible or intangible movable property which has an economic value and which may be transferred to the Bank or to a third party in the event of execution of the pledge may be pledged.

C.B. "Victoriabank" JSC does not use balance sheet and off-balance sheet netting as a credit risk mitigation technique. The bank has not carried out transactions with credit derivatives, i.e. it does not use credit derivatives as eligible credit protection. Risk mitigation operations are focused on credit risk hedging.

The credit risk mitigation techniques used by the Bank in accordance with the Regulation on credit risk mitigation techniques used by banks no.112 of 24.05.2018 for the purpose of calculating the risk exposure (RWA) for the situation as of 31.12.2023 are presented in the following table:

Name	Exposure without value adjustments and provisions, MDL
Credit risk mitigation techniques with substitution effect on exposure:	
of which: unfunded credit protection (adjusted values) - Guarantees	423,751,850
of which: unfunded credit protection (adjusted values) - credit derivatives	0

Credit risk mitigation techniques affecting the amount of exposure. The extended approach to financial collateral:	
of which: Financed credit protection - Adjusted value of financial collateral	10,582,961

9. COUNTERCYCLICAL CAPITAL BUFFER

As at 31.12.2023 the Bank has not calculated the countercyclical capital depreciation.

Informative: the NBM has determined that for the relevant exposures in the Republic of Moldova the countercyclical buffer rate is 0%.

10. CREDIT RISK ADJUSTMENTS

THE DEFINITION FOR ACCOUNTING PURPOSES OF THE TERMS "OUTSTANDING" AND "IMPAIRED"

Financial assets are considered 'outstanding' when there is an amount of principal, interest or commission that has not been paid when due. Outstanding exposures are reported at the full carrying amount of the exposure.

According to IFRS 9 definitions, a financial asset is considered 'impaired due to credit risk' when one or more events have occurred that have a detrimental impact on the estimated future cash flows of that financial asset.

Evidence that a financial asset is impaired due to credit risk includes observable data on the following events:

- Significant financial difficulty of the issuer or borrower;
- A breach of contract, such as a default or arrears;
- The debtor's creditor, for economic or contractual reasons related to the debtor's financial difficulties, grants the debtor a concession that the creditor would not otherwise consider;
- It becomes likely that the debtor will enter bankruptcy or some other form of financial reorganisation;
- The disappearance of an active market for that financial asset due to financial difficulties;
- The purchase or issue of a financial asset at a significant discount reflecting credit losses incurred.

DESCRIPTION OF THE APPROACHES AND METHODS APPLIED FOR DETERMINING SPECIFIC AND GENERAL CREDIT RISK ADJUSTMENTS

IMPAIRMENT ADJUSTMENTS

The Bank assesses, based on future scenarios, expected credit losses ("ECL") associated with assets in the form of debt instruments carried at amortised cost.

The Bank recognises a provision for such losses at each reporting date. The ECL measurement reflects:

- The unbiased, probability-weighted value that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information, which is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

MEASUREMENT OF THE ALLOWANCE FOR EXPECTED CREDIT LOSSES (ECL)

The measurement of the allowance for expected credit losses on financial assets measured at amortised cost is an area that requires the use of complex models and significant scenarios of future economic conditions and credit behaviour (e.g. probability of customer default and resulting losses).

A number of significant professional judgments are also necessary in applying the accounting requirements for measuring ECL, such as:

- Setting criteria for significant credit risk increase;

- Choosing appropriate models and assumptions for measuring ECL;
- Establish the number and relative weights of future scenarios for ECL;
- Establish groups of similar financial assets for the purpose of measuring ECL.

IFRS 9 presents a three-stage impairment model based on changes in credit quality since initial recognition, shown below:

1) A financial instrument that is not impaired at initial recognition is classified as "Stage 1" and has a credit risk that is continuously monitored by the Bank.
2) If a significant increase in credit risk ("SICR") is identified since initial recognition, the financial instrument is classified as "Stage 2" but is not yet considered to be impaired due to credit risk.
3) If the financial instrument is impaired as a result of credit risk, it will be classified as 'Step 3'.

Financial instruments in 'Stage 1' have ECL calculated at an amount equal to the portion of expected lifetime credit losses resulting from possible default events in the next 12 months. Stage 2 or 3 instruments have ECLs calculated on the basis of expected lifetime credit losses.

A general approach to calculating ECL under IFRS 9 involves considering forward-looking information.

The ECL calculation incorporates information on macroeconomic indicators. The Bank has prepared historical analysis and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

Financial assets impaired as a result of credit risk, purchased or initiated, are those financial assets initially recognised as impaired assets as a result of credit risk. The ECL relating to them is always calculated over their whole life.

CHANGE IN CREDIT QUALITY SINCE INITIAL RECOGNITION

Each of the Bank's financial assets is assessed to determine whether the Bank faces a significant increase in credit risk (the probability or risk of default, SICR criterion) since the date of initial recognition or whether that credit is impaired. The ultimate goal is to determine the applicable forecasting method (12 months ECL or Lifetime ECL).

In general, there will be a significant increase in credit risk before the financial asset is impaired as a result of credit risk.

In determining whether a significant increase in credit risk has occurred since initial recognition, the Bank considers reasonable and supportable information that is relevant and can be obtained without undue cost and effort.

The Bank considers a financial instrument to present a significant increase in credit risk when one or more of the quantitative and/or qualitative criteria set out in the relevant internal regulations are met. In order to ensure the consistency of the criteria used to identify SICR, they are regularly monitored and reviewed by the Bank.

Credit assets that have not significantly deteriorated in credit quality since initial recognition or that present a low credit risk at the reporting date are classified in Stage 1. Contracts that have not been classified in either Stage 2 or 3 and are less than 31 days past due will be classified in Stage 1.

Credit assets that have experienced a significant increase in credit risk since initial recognition but do not have objective evidence of a credit loss event will be placed in Stage 2.

Risk stage 3 (default) includes financial assets for which impairment indicators have been identified at the reporting date.

DEFINITION OF CREDIT-IMPAIRED ASSETS

In order to adapt the Bank's procedures to the requirements of international standards, a loan is considered to be determined in default (Stage 3) when:

a) It records arrears of 91 days or more, and the process of contaminating all of a client's exposures in the event of default of at least one of them is also applied;

b) The bank has initiated the procedure for recovery by enforcement;

c) Non-performing restructured exposures will be classified as Stage 3;

d) Sale and purchase contracts concluded with the debtor/debtor pledgee of the pledged item relating to the exposure extinguished from the execution of this collateral item will automatically be classified in Stage 3;

e) The issuer/counterparty rating is set in the category of ratings associated with default;

f) Stop interest calculation - interest on loan obligations is no longer recognised in the Bank's profit and loss account as a result of the downgrading of the loan obligation;

g) An application has been made for insolvency/bankruptcy proceedings to be opened against the debtor or for a similar measure to be applied;

h) The bank sells the loan obligation at a significant economic loss;

i) The exposure was subject to credit fraud.

Once a loan held by a borrower is placed in Stage 3, all loans held by that borrower will be placed in Stage 3.

Loans classified as Stage 3 risk will be reported as "impaired".

A specific treatment for loans in Default takes place as follows: they will remain for a "quarantine" period in the group of loans in Default. After the "quarantine" period, if the Default criteria are not met, the credit will be included in the group to which it normally belongs, otherwise the "quarantine period" will be extended.

Total exposures excluding the effects of credit risk mitigation techniques broken down by exposure classes

MDL

No d/o	Class of exposures	Exposure without value adjustments and provisions on 31.12.2023	Exposure without value adjustments and provisions period average (12 months, 2023)
1	Central governments or central banks	12,120,379,179	13,762,614,158
2	Regional administrations or local authorities	45,715,905	61,891,109
3	Public sector entities	0	5,657,808
4	Multilateral Development Banks	0	0
5	International organisations	0	0
6	Banks	1,700,847,067	1,439,480,789
7	Investment companies	2,201,403,071	2,012,257,918
8	Retail	3,219,753,490	2,909,361,544
9	Exposures secured by mortgages on real estate	1,066,383,199	828,576,646
10	Exposures in default	42,466,967	35,280,209
11	Elements associated with extremely high risk	79,118,036	120,401,992
12	Covered bonds	x	x
13	Claims on institutions and corporations with a short-term credit assessment	0	0
14	Collective investment undertakings (CIUs)	0	0
15	Equity securities	0	0
16	Other items	1,754,103,327	1,691,074,895
Total		**22 230 170 240**	**22 866 597 068**

Geographical distribution of exposures

thousand MDL

Nr	Class of exposures	Exposure without value adjustments and provisions at 31.12.2023						
		Republic of Moldova	**Germany**	**Austria**	**Spain**	**Romania**	**Italy**	**Other countries**
1	Central governments or central banks	11,791,889	0	0	0	328,490	0	0
2	Regional administrations or local authorities	45,716	0	0	0	0	0	0
3	Public sector entities	0	0	0	0	0	0	0
4	Multilateral Development Banks	0	0	0	0	0	0	0
5	International organisations	0	0	0	0	0	0	0
6	Banks	149	148,937	319,320	631,691	52,260	320,278	228,213
7	Investment companies	2,200,563	0	0	0	49	0	0
8	Retail	3,172,768	0	0	0	155	57	2,441
9	Exposures secured by mortgages on real estate	1,110,740	0	0	0	0	0	766
10	Exposures in default	42,467	0	0	0	0	0	0
11	Elements associated with extremely high risk	78,235	0	0	0	0	0	883
12	Covered bonds	x	x	x	x	x	x	x
13	Claims on institutions and corporations with a short-term credit assessment	0	0	0	0	0	0	0
14	Collective investment undertakings (CIUs)	0	0	0	0	0	0	0
15	Equity securities	0	0	0	0	0	0	0
16	Other items	1,747,887	1	0	0	1,684	0	4,531

Total	**20,190,413**	**148,938**	**319,320**	**631,691**	**382,638**	**320,335**	**236,834**

Amount of impaired exposures and outstanding exposures broken down by significant geographical areas

thousand MDL

No.	Geographical region	Initial exposure before application of conversion factors	of which: impaired exposures	remaining exposures	Specific adjustments for credit risk	Adjustments due to prudential filters	Exposure without value adjustments and provisions 6 = 1 - 4 - 5
A	B	1	2	3	4	5	6
1	Republic of Moldova	20,895,859	308,987	541,672	578,593	126,853	20,190,413
2	Germany	149,020			82	0	148,938
3	Austria	319,803			483	0	319,320
4	Spain	664,937			1,622	31,625	631,691
5	Romania	422,369			2,680	37,051	382,638
6	Italy	337,195			2,138	14,722	320,335
7	Other countries	237,295	116	113	424	37	236,835
Total		**23,026,478**	**309,103**	**541,785**	**586,021**	**210,287**	**22,230,170**

Concentration of exposures by industry or counterparty type

thousand MDL

Nr	Class of exposures	Exposure without value adjustments and provisions at 31.12.2023				
		Central Banks	Central Administrations	Regional governments and local authorities	Public sector entities	Banks
A	*B*	*1*	*2*	*3*	*4*	*5*
1	Central governments or central banks	8,458,859	3,649,338	0	0	0
2	Regional administrations or local authorities	0	0	45,716	0	0
3	Public sector entities	0	0	0	0	0
4	Multilateral Development Banks	0	0	0	0	0
5	International organisations	0	0	0	0	0
6	Banks	0	0	0	0	1,700,847
7	Investment companies	0	0	0	0	0
8	Retail	0	0	0	0	0
9	Exposures secured by mortgages on real estate	0	0	0	0	0
10	Exposures in default	0	0	0	0	0

11	Elements associated with extremely high risk	0	0	0	0	0
12	Covered bonds	x	x	x	x	x
13	Claims on institutions and corporations with a short-term credit assessment	0	0	0	0	0
14	Collective investment undertakings (CIUs)	0	0	0	0	0
15	Equity securities	0	0	0	0	0
16	Other items	0	0	0	0	0
Total		**8,458,859**	**3,649,338**	**45,716**	**0**	**1,700,847**

thousand MDL

Nr	Class of exposures	Exposure without value adjustments and provisions at 31.12.2023				
		Corporate Clients	**Individuals**	**IMM**	**Other**	**Total**
A	*B*	*6*	*7*	*8*	*9*	*10*
1	Central governments or central banks	0	0	0	12,182	12,120,379
2	Regional administrations or local authorities	0	0	0	0	45,716
3	Public sector entities	0	0	0	0	0
4	Multilateral Development Banks	0	0	0	0	0
5	International organisations	0	0	0	0	0
6	Banks	0	0	0	0	1,700,847
7	Investment companies	1,534,644	10,451	654,142	1,374	2,200,612
8	Retail	0	2,412,472	762,950	0	3,175,421
9	Exposures secured by mortgages on real estate	65,168	606,179	440,160	0	1,111,507
10	Exposures in default	0	21,578	20,889	0	42,467
11	Elements associated with an extremely high risk	3,268	0	75,850	0	79,118
12	Covered bonds	x	x	x	x	x
13	Claims on institutions and corporations with a short-term credit assessment	0	0	0	0	0
14	Collective investment undertakings (CIUs)	0	0	0	0	0
15	Equity securities	0	0	0	0	0

16	Other items	0	0	0	1,754,103	1,754,103
Total		**1,603,079**	**3,050,680**	**1,953,991**	**1,853,972**	**22,230,170**

Quality of exposures by counterparty type

thousand MDL

Nr	**Counterparty Type**	**Initial exposure before application of conversion factors**	**of which:** *impaired exposures*	*remaining exposures*	**Expenditure on specific credit risk adjustments during the period**	**Specific adjustments for credit risk**	**Adjustments due to prudential filters**	**Exposure without value adjustments and provisions 7 = (1 - 5 - 6)**
A	*B*	*1*	*2*	*3*	*4*	*5*	*6*	*7*
1	Central Banks	8,467,367				8,508	0	8,458,859
2	Central Administrations	3,707,763				43,331	15,093	3,649,338
3	Regional governments and local authorities	48,966				3,250	0	45,716
4	Public sector entities	0				0	0	0
5	Banks	1,774,213				4,889	68,477	1,700,847
6	Corporate Clients	1,702,502	3,264	3,264		82,632	16,790	1,603,079
7	Individuals	3,311,872	136,600	318,864		228,504	32,688	3,050,680
8	IMM	2,218,524	169,238	219,656		187,817	76,715	1,953,991
9	Other	1,795,272				27,089	523	1,767,660
Total		**23 026 478**	**309 103**	**541 785**		**586 021**	**210 287**	**22 230 170**

Maturity of exposures

The distribution of exposures (excluding the effects of credit risk mitigation techniques) by residual maturity, broken down by exposure classes, is shown in the table below:

Nr	**Class of exposures**	**Exposure excluding value adjustments and provisions, MDL**					
		On request	**≤1 year**	**(1 - 5 years old]**	**>5 years**	**No stated maturity**	**Total**
1	Central governments or central banks	6,265,067,680	5,280,746,860	571,585,658	2,978,981	0	12,120,379,179

2	Regional administrations or local authorities	0	29,407,224	16,308,681	0	0	45,715,905
3	Public sector entities	0	0	0	0	0	0
4	Multilateral Development Banks	0	0	0	0	0	0
5	International organisations	0	0	0	0	0	0
6	Banks	1,580,120,615	0	120,726,452	0	0	1,700,847,067
7	Investment companies	125,137	512,124,061	1,558,845,020	129,517,381	0	2,200,611,599
8	Retail	0	259,850,180	2,193,897,413	721,673,890	0	3,175,421,483
9	Exposures secured by mortgages on real estate	0	32,398,042	320,555,505	758,553,132	0	1,111,506,679
10	Exposures in default	0	9,498,199	6,950,700	26,018,067	0	42,466,967
11	Elements associated with extremely high risk	0	16,346,917	59,460,652	0	3,310,467	79,118,036
12	Covered bonds	0	0	0	0	0	0
13	Claims on institutions and corporations with a short-term credit assessment	0	0	0	0	0	0
14	Collective investment undertakings (CIUs)	0	0	0	0	0	0
15	Equity securities	0	0	0	0	0	0
16	Other items	1,301,570,121	0	0	0	452,533,206	1,754,103,327
Total		**9,146,883,553**	**6,140,371,483**	**4,848,330,081**	**1,638,741,451**	**455,843,673**	**22,230,170,242**

Changes in the stock of specific and general credit risk adjustments during the period 01.01.2023 - 31.12.2023

	Specific adjustments for credit risk	General adjustments for credit risk
Opening balance	653,056,289	0
Increases due to initiation and acquisition	368,957,669	0
Decreases due to derecognition	(268,509,362)	0
Changes due to changes in credit risk (net)	-	0
Changes due to changes without derecognition (net)	87,197,260	0
Changes due to update of the institution's estimation methodology (net)	-	0
Decrease in the impairment adjustment account due to off-balance sheet items	(257,667,987)	0
Other adjustments	(8,306,990)	0
Closing balance	574,725,004	0
Recoveries of amounts previously written off, recognised directly in the profit or loss statement	(70,850,742)	0
Amounts taken directly out of profit or loss	-	0

11. INFORMATION ON EQUITY EXPOSURES NOT INCLUDED IN THE TRADING BOOK

C.B. "Victoriabank" JSC has exposures from equity securities not included in the trading portfolio in the total net amount as of 31.12.2023 of 3 378 027 thousand lei.

			lei
B.C. "Victoriabank" S.A.	**Gross value**	**Net balance sheet value**	**Accounting method**
Total shares and participation shares	3,378,027	3,378,027	
Non traded	3,378,027	3,378,027	market value
Exchange Traded	-	-	-

12. EXPOSURE TO INTEREST RATE RISK ON POSITIONS NOT INCLUDED IN THE TRADING BOOK

C.B. "Victoriabank" JSC assumes the interest rate risk resulting from:

- Fund-raising and investment activities (interest rate risk arising from banking activities - IRRBB). The main sources of interest rate risk are imperfect correlations between the maturity date (for fixed interest rates) or the repricing date (for floating interest rates) of interest-bearing assets and liabilities, adverse movements in the yield curve (non-parallel movements in the interest rate yield of interest-bearing assets and liabilities). Interest-bearing assets and liabilities management activities are carried out in the context of the Bank's exposure to interest rate fluctuations.
- Trading activities in financial instruments (interest rate risk arising from trading activities).

Interest rate risk from non-trading book activities (IRRBB) is managed mainly through the monitoring of interest rate GAPs (mismatches) and a system of approved interest rate resetting limits and indicators by bands (time intervals). The Risk Management Division reports monthly on the status of key interest rate risk indicators to the Executive Committee and the Asset and Liability Management Committee, and at least quarterly to the Board of Directors and/or the Risk Management Committee.

The management of interest rate risk from non-trading book activities is based on the calculation of the potential change in the economic value of capital due to changes in interest rate levels. The size of the standard interest rate shock is 200 basis points in both directions, regardless of currency. The Bank measures interest rate risk from activities outside the trading book by calculating a number of key risk indicators on a monthly basis:

- Interest rate gap in relation to own funds;
- The impact of the potential change in the economic value of own funds due to the application of the standard 200 basis point shock on the level of interest rates;
- Net interest margin.

The result of the calculation of the Bank's potential change in economic value (EVE) as at 31.12.2023 is shown in the table below:

Potential change in economic value (EVE)	Value, MDL
Own funds	3,564,442,977
Economic value of the Bank, following the application of standard shocks of +/- 200 b.p.:	
Absolute value	59,625,112
Impact on own funds	1.67%

*Calculated on the basis of audited financial statements.

We confirm that the information provided in this Report has been prepared in accordance with the bank's internal control processes and the provisions of the NBM Regulation on disclosure requirements for banks (Chapter VII).

Chairman of the Board,

Thomas Grasse

President of the Executive Committee, CEO

Levon Khanikyan