BC "MAIB" S.A. REPORT ON MANAGEMENT FRAMEWORK, OWN FUNDS AND CAPITAL REQUIREMENTS, CAPITAL BUFFERS (31.12.2022)

CONTENTS

RISK MANAGEMENT - OBJECTIVES AND POLICIES (including Statements art. 52 (5-6))

<u>Disclosure requirements covered by art. 52 (1) of the NBM Regulation No. 158/2020</u>

Risk management strategy

The development of a solid risk management culture is one of the main strategic objectives of BC "MAIB" S.A. (hereinafter referred to as the "Bank"), which is promoted both at the level of the activity lines responsible for risk management and control, and at the level of the operational structures and each person within the institution.

The risk management strategy is an essential part of the ICAAP framework at Bank level. It sets out the general principles according to which risk is managed at the Bank and the main elements of the risk management framework.

The risk strategy also includes the formulation of the risk appetite and risk profile for all risks identified in the context of the overall business strategy and defines, for each main risk category, the targeted risk profile.

The risk management strategy aims to ensure that the Bank earns competitive revenues from its activities while maintaining an acceptable risk level. Risk management includes the monitoring of risks related to the business and environment in which the Bank operates, ensuring that all accepted risks are in line with the development strategy and prudential rules, and aims to ensure that the prices of the products and services provided by the Bank are in line with them.

Overall, the Bank shows a moderate risk profile, resulting from a low to moderate risk appetite. The Bank's overall risk profile was determined based on individual risk profiles, which was correlated with the Bank's risk appetite under the conditions of ensuring an efficient and sustainable business model. In this way, the risk appetite is consistent with the bank's strategy, business environment and shareholder requirements, aiming at an optimal allocation in terms of risks involved and required capital.

Risk management policies

The risk management policies implemented by the Bank form part of the internal control system and corporate governance framework. These policies form the basis of the risk management activity, and document the roles and responsibilities of the management body as well as other relevant parties involved. They outline the key issues underpinning risk management processes and identify key reporting procedures. Risk management policies are reviewed annually, and when significant changes occur, to ensure that the governing body's responsibilities and risk management framework are kept up to date.

Stress tests

Stress scenarios are essential risk management tools that support the Bank in taking a forward-looking approach to risk management, as well as strategy, business, risk, capital and liquidity planning. In this respect, stress scenarios are vital tools of the ICAAP framework. Stress testing the Bank's vulnerability to major but plausible deteriorations in the economic environment helps to understand the Bank's sustainability and robustness and to develop and implement timely alternative plans and risk mitigation measures.

Based on hypothetical future scenarios of severe macroeconomic conditions, the Bank conducts an annual comprehensive crisis scenario analysis aimed at identifying potential vulnerabilities and thereby strengthening measurement and management systems. The scenarios selected for comprehensive stress testing are developed taking into account both local macroeconomic developments and the international macroeconomic context. The scenarios contain:

- A narrative description;
- A set of values for various macro-economic indicators - e.g. GDP growth, unemployment rate, exchange rate, consumer price index, etc.

In the comprehensive approach, the Bank uses a range of scenarios based on different severity conditions as follows:

- A baseline scenario representing the bank's best estimate;
- A scenario assuming aggressive but plausible economic growth;
- A scenario reflecting a severe economic downturn.

Monitoring

Risks will constantly change and for this reason, a timely review in an appropriate manner is required. Risks and the implementation process of risk mitigation recommendations are kept under review and any new actions are assessed. This allows the Bank to monitor whether the actions have had the expected effects in mitigating risks and creating a more stable environment for its activities. Monitoring and reporting are also used in the constant review and improvement of the Bank's risk management framework.

Monitoring and review is a planned part of the risk management process and involves regular checks and monitoring. The main risk reports that are drawn up for internal purposes and submitted to the executive body, the Risk Committee and the Supervisory Board. In accordance with the regulatory provisions, the Bank ensures the timely submission of monitoring reports requested by the National Bank of Moldova.

These reports include specific monitoring indicators that provide early warning signals for adverse developments related to portfolio quality (clients, segments, industries) or risk factors. Where specific risk portfolios or events are identified as vulnerable, they are closely monitored by dedicated risk functions that manage the impact of risk and develop effective strategies to minimize potential losses.

Risk reports support the decision-making process by ensuring that the risk profile remains in line with the profile defined in the Statement on Risk Appetite.

Disclosure requirements covered by art. 52 (2) of the NBM Regulation No. 158/2020

There is a risk management system in place in the Bank, based on the NBM requirements, the recommendations of the Basel Committee on Banking Supervision, the recommendations of external audit firms, the advice received from external experts, as well as on the Bank's own experience acquired over time. Thus, the concept of the three defense lines has been adopted, which focuses on the involvement of all the Bank subdivisions in risk assessment and which corresponds to the bank's profile:

- First line of control: operational controls aimed at identifying and preventing breaches and irregularities in the working process. These are carried out manually by the employees of the business departments where these risks are generated or automated within the IT applications used.
- Second line of control: comprises procedures, processes that form the framework for effective risk management and operations to oversee their implementation and enforcement, including monitoring of established limits for particular risk categories. These activities are managed by the risk and compliance function.
- Third Line of Control: is intended to review the work of the other two Lines, thus providing an independent perspective on risk management within the organization. The aggregate effectiveness of the internal control framework is assessed on the basis of reports from the Internal Audit Department by the Audit Committee.

The Bank Supervisory Board ensures the proper organization and continuous development of risk management activities, setting the general strategies for the Bank business, including the approval of the risk profile and strategy. The Bank Supervisory Board is responsible for defining capital and risk targets. Although the Board delegates risk management tasks to various structures within the Bank, it retains ultimate responsibility for these activities.

The Risk Committee advises the Supervisory Board and the Management Board on the Bank strategy and risk appetite and assists them in implementing that strategy.

The Management Board ensures the proper implementation of the business management framework by implementing appropriate internal control mechanisms and risk management systems. Thus, the Management Board has control roles according to its powers and attributions, including operational control using tools for self-control and early correction.

The independent risk management function is under the direct supervision and responsibility of the Bank Supervisory Board. The risk management function has sufficient authority, independence, resources and does not have managerial or financial profit generating responsibilities in the Bank. It monitors the Bank's actual risk profile and examines it in relation to strategic objectives and risk appetite. The head of the risk management function has the bank's right to oppose the adoption of a proposal or decision related to the Credit Transaction examined within the Credit Committee. For example, in case of application the right of veto, the credit transaction is considered rejected for approval by the Credit Committee.

Independent internal audit is a legal requirement and a central pillar of the internal control system. The audit periodically assesses all business processes and contributes to strengthening and improving them.

Disclosure requirements covered by art. 52 (3) of the NBM Regulation No. 158/2020

The risk management function regularly reports both at the level of each individual material risk and at the level of aggregate risk exposure (such as the full picture of all risks) to the Management Board, the Risk Committee and the Bank Supervisory Board on the risk issues that are considered in the Bank's decision-making process.

The reports shall contain information on the following issues:

- Risk exposures and their evolution;
- Evolution of key risk indicators and specific limits;
- Results of crisis analysis exercises; and
- Internal capital adequacy (i.e. hedging capacity).

Disclosure requirements covered by art. 52 (4) of the NBM Regulation No. 158/2020

Credit risk

Credit risk, including concentration risk and foreign currency lending risk (as credit risk subcategories) is mainly generated from business with retail and corporate customers, banks and other borrowers. It is the most important risk category, as reflected in the bank reported capital requirements. Accordingly, credit risk is analyzed and monitored both at portfolio level and at the level of each customer/customer group.

Credit risk management is based on policies, guidelines, tools and processes developed for this purpose. These establish objectives, restrictions and recommendations for lending activity.

The internal control system for credit risk includes different types of supervisory actions, closely linked to the existing processes - from the customer's initial credit application, to its approval by the Bank, to the loan repayment. At the same time, this system includes management tools and procedures at portfolio level to identify trends, quality improvements and/or deteriorations, problem assets, size of allowances for impairment losses and provisions, etc.

Limits approval process

No credit transaction is carried out without going through the approval process. This process is applied consistently - both when granting new loans, increasing existing limits, extensions, or if there are changes in the debtor's risk profile (e.g. financial situation, terms and conditions of the transaction, collateral) compared to the time of the original lending decision. Lending decisions are made based on a scheme of approval powers depending on the nature, size and complexity of the loan requested.

Business unit and risk management unit approval is always required for individual lending decisions or periodic rating updates. In case of disagreement between decision makers, the potential transaction will be escalated to the next level of authority in terms of approval powers.

The approval process for the retail segment is much more automated due to the higher number of loan applications with lower values. Risk management functions are supported by both the IT infrastructure and the database network. The applications used ensure both the real-time management of incoming credit applications and the keeping of customer information history. The activities of checking compliance with the minimum scoring/rating, validating the level of indebtedness allowed and checking the information available in the credit bureau databases are carried out automatically or semi-automatically.

Credit portfolio management

The management of the Bank credit portfolio is based, among other things, on the Lending Policies. These limit exposures by type of industry or by type of product, thus preventing undesirable risk concentrations.

More detailed analyses of the credit portfolio are performed at the level of segment, product or specific debtor characteristics.

The risk management activity includes monthly monitoring of Early Warning Signs for the portfolio of medium-sized SME and corporate clients. The monitoring of Early Warning Signs and classification of clients by risk category is independent of the lending and credit management activities. The aim of the activity is to identify early the clients with high potential repayment difficulties and to address their problems.

The Bank provides monthly classification and assessment of the size of allowances for losses for both accounting (IFRS) and prudential purposes in accordance with the regulations established by the National Bank in the Regulation on Classification of Assets and Contingent Liabilities.

Operational risk

Within BC"MAIB"S.A. the operational risk management activity (day by day activity) is carried out in the following directions of action:

• Defining the general operational risk management framework;

• Identification, measurement (evaluation), management (control), exposure monitoring and risk reporting;

• Calculation of the capital requirement to cover operational risk.

Operational risk management is an integral part of the Bank's risk management activity and covers all functions and Bank employees. All Bank employees, through their delegated roles and responsibilities, contribute to maintaining an effective operational risk management framework. Therefore, all employees clearly understand their individual role in the operational risk management process. As such, a culture and environment of risk awareness is consistently built to support the identification and escalation of operational risk issues

Within the Bank, the operational risk management governance structure is based on three lines of defense:

- The first line of defense represents the risk-generating subunits whose business/business activities generate risk, who are responsible for the day-to-day management of operational risk in their day-to-day business in a manner consistent with the principles promoted at Bank level.

- The second line of defense provides an independent operational risk assessment, monitors and challenges the first line of defense. The second line of defense consists of: Risk and Compliance Division subunits.
- The third line of defense is the Internal Audit Department, which provides an independent assessment of the effectiveness of the operational risk management framework.

In **maib,** the subunit responsible for operational risk management is the Financial and Operational Risk Management Department, which operates within the Risk and Compliance Division, independent of the business area. The department is part of the risk management function for operational risk across all the Bank business lines.

In order to maintain effective operational risk management, the bank has and is constantly developing the following key elements:

- a strong corporate culture focused on highlighting the importance of operational risk management;
- cooperation between the subunits in the three lines of defense, with a clear delimitation of the roles and responsibilities of each subunit involved in operational risk management;
- allocating adequate resources to manage and mitigate operational risk;
- ongoing training and advisory support to employees in operational risk management;
- the development and implementation of policies and procedures specific to the field of operational risk management and their review every time a markedly unfavorable macroeconomic evolution is observed or a considerable change in the bank's operational risk profile, including when implementing new products/services, business fields new, changes in the organizational and management structure;
- internal control system to ensure compliance of the operational risk management framework with both internal and external regulatory requirements and best practice in the field;
- ongoing assessment and optimization of the IT infrastructure, operational processes and business model to support the business and improve internal control processes and strengthening information security systems;
- ensuring an independent assessment of the implementation and effectiveness of operational risk management framework functioning.

Comprehensive operational risk management includes the following steps: identification, measurement (evaluation), management and control, exposure monitoring and reporting in relation to the operational risk management framework tools: data collection on operational risk events; operational risk self-assessment and control; key risk indicators; scenario analysis in operational risk stress testing, which covers the operational risk management process in a comprehensive manner.

In addition to the tools used by the bank for operational risk management purposes, *supporting procedures and processes* are developed and used within the bank, which contribute to a more efficient operational risk management, namely:

- New activities approval and review;
- Compliance procedures and related risk management;
- Anti-fraud;
- Outsourcing activity;
- Business Continuity Management;
- Information and communication technology risk management (ICT risk).

In terms of the reporting process, the Financial and Operational Risk Management Department prepares and submits regular reports - monthly, quarterly, annually - to the Bank Management Board, the Risk Committee and the Supervisory Board. The standard agenda includes the bank operational risk profile (annual), the results of the periodic operational risk assessment (annual), the scenario analysis of operational risk stress tests (annual), significant operational risk losses (monthly, quarterly, annually), the evolution of operational risk indicators (quarterly, annually) as well as the action plan and implementation status for the control and mitigation of significant operational risks (for the identified periods).

Also, reports may take place with a different periodicity according to operational situations and needs during the maib activity.

Attention is also paid to the actions undertaken with the aim of managing the risk related to information technologies, digitization processes and ensuring information security according to the maib profile.

Liquidity risk

The bank has a robust regulatory framework in the field of liquidity risk management, intended for the comprehensive assessment of the level of liquidity risk, the instruments held for risk management, the lines of responsibility in the process.

The bank maintains and updates at least annually the components of the internal liquidity risk management framework.

In 2022, the bank successfully carried out the ILAAP process, the objective of which is to ensure a reliable, efficient and comprehensive liquidity management system capable of providing the necessary liquidity to cover risks in accordance with the nature, complexity and scale of the bank's activities.

The procedures for early identification of vulnerabilities and the measures to be taken to reduce the negative impact of a possible crisis situation are included in the BC "MAIB" S.A. Liquidity Emergency Plan. (early warning indicators) and in the Recovery Plan of BC "MAIB" S.A. (alert thresholds of liquidity indicators).

Testing the liquidity position in crisis conditions is an integral part of the liquidity risk management process. Thus, the bank maintains an adequate stock of liquid assets that can be quickly converted into cash to meet the liquidity needs generated by a liquidity stress scenario of 30 calendar days and longer term.

The liquidity risk management system within the Bank provides for compliance with regulated requirements, systematic monitoring, analysis of risk factors, with periodic reporting of the Bank's level of exposure to liquidity risk to ALCO, the bank's Management Committee, the Risk Committee, Supervisory Board.

The bank has set a low risk appetite for liquidity risk. In order of ideas, the bank applies a conservative approach to liquidity risk, predicts the liquidity position, aims to record an optimal balance between assets and bonds, by contracting a diversified and high-quality portfolio of assets.

The main sources of financing are clients' resources, deposits represent 86% of the bank's total bonds and loans from international organizations, external partners such as - EBRD - European Bank for Reconstruction and Development, EIB - International Investment Bank, IFC - International Finance Corporation.

The Bank's objective related to liquidity risk is to maintain an adequate level of liquidity by ensuring the optimal combination of financing and lending operations, with the aim of achieving the Bank's strategic objectives.

Compliance Risk

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

In order to effectively monitor and manage the given risk, the Bank Management Board, the Risk Committee and the Supervisory Board, shall report on a quarterly basis on the level of inherent and residual compliance risk, following the quantitative and qualitative assessment. Following the quantitative and qualitative assessment of compliance risks, for high and medium level compliance risk exposures, the Compliance Function shall propose corrective measures in order to mitigate the inherent risk and has an independent status from the operational activity.

Reputational Risk

Reputational risk may be generated, including from failure to ensure confidentiality of information not intended for the general public (either internally or through outsourcing), a high number of complaints and claims from customers, internal/external frauds publicized to the general public, sanctions from supervisory and control authorities. This risk may also arise either from real or perceived association with persons or companies with a negative reputation, or from failure to meet contractual obligations.

At the same time, the bank monitors and reports reputational risk as part of compliance risk on a quarterly basis by analyzing complaints registered with the bank and monitoring the number of negative press appearances. In order to manage crisis situations that could have a significant impact on the bank services or business, the Crisis Communication Procedure is developed to regulate maib's actions aimed at ensuring effective communication during crisis situations in order to minimize the impact on the bank reputation and financial situation.

Disclosure requirements covered by art. 52 (5) of the NBM Regulation No. 158/2020

Statement

The Bank Supervisory Board confirms that this report presents the risk management processes within BC "MAIB" S.A. and the main information related to the Bank's risk exposure in accordance with the provisions of the Regulation on disclosure requirements for banks.

Disclosure requirements covered by art. 52 (6) of the NBM Regulation No. 158/2020

Statement

The Bank risk profile is aligned with its business model and Business Strategy. Through the Risk Appetite Framework, the Bank ensures that risk appetite/tolerance levels at the Bank level are aligned with strategic objectives and risk management capacity.

With the exception of credit risk, concentration risk and operational risk for which the Bank has established a moderate risk appetite, the Bank has established a low or very low risk appetite.

Consistency between risk limits and risk tolerance supports the Bank in achieving its risk objectives and maximizing risk-adjusted return. They form an integral part of the ongoing management and monitoring process. The risk appetite statement defines limits for the following set of ratios:

- Own funds ratio;
- Non-performing loans ratio;
- Loans as a share of total assets;
- Exposure to a group in relation to own funds;
- Exposure to an affiliated person reported to eligible capital;
- Ratio of total open currency position to own funds;
- Potential change in economic value, % of PHP Value at Risk 1d@99%
- Coverage ratio (credits/deposits)
- LCR;
- Losses from operational Risk/ own funds;
- Share of suspicious transactions and high-risk clients;

- Share of justified complaints.

The key risk indicators and relevant figures as at 31.12.2022 are shown in the table below:

Indicators	Unit of measure	Value
CAPITAL		
Total own funds	mil. lei	5,389.9
Total amount of risk exposure	mil. lei	24,303.6
Total own funds ratio	%	22.18%
CREDITS		
Credits as a share of total assets	%	50.6
Debt balance on non-performing loans (basic amount) / Debt balance on loans (basic amount)	%	7.43
Maximum exposure amount to a client or group of connected clients/ Own funds	%	9,57
Maximum exposure of the bank to an affiliated person and/or a group of clients related to the bank's affiliated person / Own funds	%	6,99
LIQUIDITY		**X**
LCR		378.26
K1 – longterm liquidity		0,71
Coverage ratio (loans / deposits ratio)	%	72.92

In order to prevent abuse of related party transactions and to address the risk arising from conflict of interest, the Bank ensures that it engages in transactions under objective market conditions and a clear framework of powers, including principles of escalation of decision-making depending on the characteristics of the transaction. The Bank also regularly monitors these operations, taking necessary measures to control and mitigate the risks associated with related party transactions in accordance with approved policies and processes.

The bank shall not assume, after taking into account the effect of credit risk mitigation methods, an exposure to a group of related parties in excess of 10% of its Common Equity Tier 1 capital and an aggregate exposure to all related parties of 20%.

MANAGEMENT FRAMEWORK

Disclosure requirements covered by art. 53 (1) of the NBM Regulation No. 158/2020

Number of positions held by members of the governing body

name	positions
Members of the Supervisory Board	

Vytautas Plunksnis	**1 non-executive position within the MAIB Group, 11 non-executive positions within the INVL Group (considered as 1 position according to Law 202/2017), 1 executive position within a non-commercial company**
Victor Miculeț	**1 non-executive position within the MAIB Group, 2 executive positions within Autospace and Autoforce (considered as 1 position according to Law 202/2017), 1 executive position within a non-commercial company**
Natalia Vrabie	**1 non-executive position within the MAIB Group**
Maryna Kvashnina	**1 non-executive position in MAIB Group, 2 executive positions in Naftogaz Ukraine Group (considered as 1 position according to Law 202/2017), 1 non-executive position in the commercial bank „Lviv”**
Vasile Tofan	**1 non-executive position in MAIB Group, 1 non-executive position in Purcari Wineries, 1 non-executive position in a non-commercial company, 2 consultative positions in Anex and Intellias**
Ivane Gulmagarashvili	**1 non-executive position in MAIB Group, 1 executive position in Amazon**
Konrad Jerzi Kozik	**1 non-executive position in MAIB Group, 1 non-executive position in Intesa Sanpaolo Bank Albania, 1 non-executive position in Deutsche Bank Polska S.A., 1 non-executive position in Emerging Markets Horizon Corp.**
Members of the Management Board	
Giorgi Shagidze	**1 executive position in MAIB Group, 2 non-executive positions in Synergy Capital and Georgian Stock Exchange**
Aliona Stratan	**1 executive and 2 non-executive position within the MAIB Group (considered as 1 position according to Law 202/2017), 2 non-executive position in non-commercial companies.**
Stela Recean	**1 executive position within the MAIB Group and 1 non-executive position**
Marcel Teleucă	**1 executive position in the MAIB Group**
Andrii Glevatskyi	**1 executive position and 1 non-executive position within the MAIB Group (considered as 1 position according to Law 202/2017)**
Dumitru Baxan	**1 executive position and 2 non-executive position within the MAIB Group (considered as 1 position according to Law 202/2017)**
Macar Stoianov	**1 executive position in the MAIB Group (considered as 1 position according to Law 202/2017)**

Disclosure requirements covered by art. 53 (2-3) of the NBM Regulation No. 158/2020

All members of the bank management body comply with the requirements of art.43 of Law 202/2017.

Selection of members of the management body

The person nominated for the position of member of the bank management body shall meet the requirements of the legislation in force and internal regulations regarding knowledge, professional and functional skills, experience and business reputation.

Any candidate submitted for the position of member of the Bank management body shall be assessed by the Nomination and Remuneration Committee in terms of his/her suitability for the individual qualification requirements established for that position and the collective requirements established for the Bank management body.

The candidate assessment will include information on the candidate's work experience, functional and managerial competencies; education and training and personal development sessions (trainings); the candidate's business reputation and other information that the Nomination and Remuneration Committee deems relevant, depending on the position to which the candidate is being nominated.

When assessing the individual suitability of a member of the management body, the Nomination and Remuneration Committee shall assess at the same time the collective suitability of the management body. In the case of the Bank Supervisory Board, it shall also assess the composition of the specialized committees of the Board, of which this person shall be a member.

Thus, the composition of the specialized committees includes qualified and experienced people, whose professional qualifications cover various areas, including corporate governance, risk management, capital adequacy, liquidity issues and other issues aimed at strengthening the bank, its development and the implementation of appropriate policies in the fields.

The members of the bank management body shall at all times be of good repute and possess knowledge, skills and experience appropriate to the nature, scope and complexity of the bank business and the responsibilities entrusted to them, in accordance with the requirements of the legislation in force, the Bank Charter, the Corporate Governance Code, the Bank Supervisory Board Regulations (in the case of Board members) and the Management Board Regulations (in the case of Management Board members).

The bank does not have express diversity requirements for the selection of members of the management body, objectives and any relevant targets.

<u>Disclosure requirements covered by art. 53 (4) of the NBM Regulation No. 158/2020</u>

Risk Committee

The Risk Committee is a permanent body with advisory functions, established by decision of the Bank Supervisory Board and reporting to the Bank Supervisory Board.

The main aims of the Committee's activity are:

a) supporting the Bank Supervisory Board on the Bank current and future risk appetite and risk strategy, as well as monitoring the implementation of this strategy by the Executive body;

b) supporting the Bank Supervisory Board in determining the nature, volume, format and frequency of risk information.

Risk Committee meetings are held no less frequently than once a quarter. During the 2022, the Risk Committee held 9 meetings.

<u>Disclosure requirements covered by art. 53 (5) of the NBM Regulation No. 158/2020</u>

The Bank ensures that a reporting framework is in place according to frequencies that can be aligned during the financial year depending on the risk exposure and the evolution of risk parameters. Standard reporting is carried out as follows:

a) to the Bank Management Board:

- daily: country and counterparty;
- monthly: credit, operational, country and counterparty, foreign exchange, IRRBB and liquidity risk;

b) to the ALCO Committee:

- daily: currency risk, liquidity risk;
- monthly: foreign exchange, IRRBB and liquidity risk;

c) to the Risk Committee:

- quarterly, and from 2021 monthly: credit risk, foreign exchange, IRRBB, liquidity, country, counterparty, operational;

d) to the Bank Supervisory Board:

- quarterly: credit risk, foreign exchange, IRRBB, liquidity, country, counterparty, operational.

THE BANK REMUNERATION POLICY AND PRACTICES FOR THE BANK STAFF

<u>Disclosure requirements covered by art. 54 (1-10) of the NBM Regulation No. 158/2020</u>

General principles

The remuneration system applied in the bank complies with the objectives of the bank business and risk strategy, aligned with the corporate culture and values, the long-term interests of shareholders, ensures the avoidance of conflicts of interest and does not encourage excessive risk-taking.

Staff remuneration consists of fixed and variable components.

The basic fixed remuneration shall reflect the relevant professional experience and responsibility of the function, the level of skills, as provided for by the legislation in force and the bank internal regulations.

Variable remuneration is intended to motivate bank staff to achieve certain commercial and financial objectives, but it does not create the conditions for excessive risk-taking.

The variable remuneration also includes the long-term incentive plan (LTIP), offered to certain employees, for a significant contribution to the successful and sustainable growth and development of the bank in the long term.

The variable remuneration is paid, only if the remuneration in question can be sustained in accordance with the financial situation of the bank as a whole and if it can be justified in accordance with the performance of the bank, the subunit in which it operates and the person in question.

The variable remuneration of the bank's employees does not create premises for the assumption of excessive short-term-oriented risks, including the abusive sale of services and products, when, without the assumption of this short-term risk, the performance of the bank or the staff would not allow the granting of variable remuneration.

The fixed and variable components of remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of total remuneration to allow for a fully flexible policy on variable remuneration components, including the possibility of not paying any component at all.

The bank does not grant guaranteed variable payments.

For members of the bank management body and certain categories of employees, the bank may provide for compensation payments in connection with the termination of their mandate or individual employment contract (compensation for termination of mandate/individual employment contract), which:

a) must not provide disproportionate reward, but adequate compensation;

b) shall not exceed 5 average monthly salaries of the person at the date of termination of the mandate or individual employment contract, unless otherwise decided by the Bank Supervisory Board;

c) shall not be granted where there is an obvious failure, allowing immediate termination of the mandate or individual employment contract

The bank internal regulations may provide for the maintenance or granting of direct and/or indirect material rewards for members of the bank management body and persons holding key positions even after the termination of their mandate or individual employment contract (compensation for compliance with the non-competition clause and/or confidentiality clause, etc.). In any event, the size of all such rewards, granted to any one person in any calendar year, shall not exceed the size of the annual remuneration of any person holding that position or, if no such position exists, a similar position.

During 2022, the Bank Supervisory Board held 63 meetings, during which 285 topics were discussed.

During the period 01.01.2022-31.12.2022, in the area of remuneration, the Supervisory Board was assisted by the Remuneration Committee, with the following composition:

Vasile Tofan	**Chairman of the Remuneration Committee, Member of the Supervisory Board**
Victor Miculeț	**Member of the Remuneration Committee, Chairman of the Supervisory Board**

Maryna Kvashnina	**Member of the Nomination and Remuneration Committee, Member of the Supervisory Board**
Ivane Gulmagarashvili	**Member of the Nomination and Remuneration Committee, Member of the Supervisory Board**

During this period, the Nomination and Remuneration Committee held 14 meetings.

Remuneration of the Bank Supervisory Board members

Remuneration of the activity of the members of the Bank Supervisory Board shall be made in accordance with the cost estimate for the Bank Supervisory Board activity, approved by the General Meeting of Shareholders of the Bank and Supervisory Board decisions.

In the last years, the remuneration of the Bank Supervisorsy Board includes fixed remuneration.

The fixed remuneration consists of a monthly monetary remuneration in the amount determined in accordance with the expenditure estimate approved by the General Shareholders' Meeting. In view of their role in organizing and directing the work of the Bank Supervisory Board, the monthly remuneration of the Chairman and Deputy Chairman of the Board is different from that of the other members of the Bank Supervisory Board.

The Bank shall also bear the travel expenses (transport, accommodation) of the member of the Bank Supervisory Board to attend the meeting of the Bank Supervisory Board in person or in mixed form, if the meeting is held in a place other than the place where the member of the Supervisory Board lives or works.

Remuneration of the members of the Bank Management Board

Remuneration of the work of the Bank Management Board members shall be carried out in accordance with the bank internal regulations and individual employment contracts concluded with them.

Remuneration of the members of the Bank Management Board includes *fixed and variable remuneration*.

Taking into account the legal status of employee, the fixed remuneration consists of:

a) monthly remuneration in the form of the salary of the position, in the amount established by the Bank Supervisory Board, taking into account the complexity of the position, roles and responsibilities assigned within the Management Board;

b) payments in the performance of duties, in the case and to the extent provided for by the legislation in force, internal regulations and the individual employment contract approved by the Bank Supervisory Board (travel allowance, lunch tickets, etc.).

Variable remuneration consists of the annual bonus for the bank activity results and other motivation and loyalty payments, in the order provided for by the internal regulations approved by the Bank Supervisory Board.

Under the individual employment contract and internal regulations approved by the Bank Supervisory Board, members of the Management Board may enjoy certain additional benefits and advantages, such as:

a) accident insurance;

b) professional liability insurance;

c) medical services;

d) compensation in connection with the termination of the mandate;

e) rent of the accommodation etc.

In addition, members of the Management Board may also be entitled to certain compensatory payments after the termination of their membership of the Management Board.

Information on the bank staff remuneration policy and practices is provided in Annex 1.

PRUDENTIAL CONSOLIDATION

Disclosure requirements covered by art. 55 (1-4) of the NBM Regulation No. 158/2020

The requirements in the context of prudential consolidation are not applicable to BC "MAIB" S.A.

OWN FUNDS

Disclosure requirements covered by art. 56 (1) of the NBM Regulation No. 158/2020

The bank own funds comprise common equity Tier 1 and Tier 2 own funds consisting of subordinated loans. The reconciliation between the book value of equity and own funds is shown in the following table.

mln MDL

	31.12.2022	31.12.2021
Total Equity	**6,615.5**	**5,446.5**
Changes in fair value of equity instruments measured at fair value through other comprehensive income	– 1.6	31.7
Tangible fixed assets revaluation reserve	-200.8	-197.1
The part of intermediate or year-end profits which is not eligible	-1048.9	-542.9
Forecast dividends		
Adjustments to Common Equity Tier 1 capital due to prudential filters (Difference NBM provision - IFRS)	-282.0	-421.9
Other intangible assets	-191.8	-143.9
CET 1	**4,890,4**	**4,172.4**
Subordinated loans	499.5	299.8
CET 2	**499.5**	**299.8**
Total equity	**5,389.9**	**4,472.20**

Disclosure requirements covered by: art. 56 (2) of the NBM Regulation No. 158/2020

	Key features of equity instruments	Instructions for filling in the form
1.	Issuer	*BC"MAIB"S.A.*
2.	Unique identifier	*MD14AGIB1008*
3.	Legislation applicable to the instrument	*Law no 202 of 06.10.2017on the activity of banks;* *Law no. 171 of 11.07.2012 on the capital market;* *Law no. 1134-XIII of 02.04.1997 on joint-stock companies.*
	Regulation	
4.	Treatment of regulated own funds	*Common equity tier 1 own funds*
5.	Eligible at individual/consolidated/individual and consolidated level	*individual*
6.	Instrument type	*registered ordinary shares*
7.	Amount recognized in regulatory capital (currency in millions, at latest reporting date)	*MDL 207.53 mln*
8.	Nominal value of the instrument	*MDL 200*
9.	Issue price	*MDL 200*
10.	Repurchase price	*the repurchase price is determined in accordance with capital market legislation*
11.	Accounting classification	*shareholder capital*
12.	Initial issue date	*16.01.1998*
13.	Perpetual or fixed term	*perpetual*
14.	Initial deadline	*no maturity*
15.	Purchase option by the issuer subject to prior approval by the NBM	*No*
16.	Optional purchase option exercise date, conditional purchase option exercise dates and repurchase value	*No purchase option by the issuer*
17.	Subsequent dates of the exercise of the purchase option, if applicable	*No purchase option by the issuer*
	Coupons/dividends	
18.	Fixed or variable dividend/coupon	*variable*

19.	Coupon rate and any related index	*30% to 50% of the bank net profit for the year shall be distributed for the dividends payment.*
20.	The existence of a dividend stopper mechanism (of dividend payment prohibition)	*No*
21.	Fully discretionary, partially discretionary or mandatory (in terms of timing)	*Partially discretionary*
22.	Fully discretionary, partially discretionary or mandatory (as to amount)	*Partially discretionary*
23.	Existence of a step-up or other repurchase incentive	*No*
24.	Non-cumulative or cumulative	*Non-cumulative*
25.	Unique identifier	*Non-convertible*
26.	If convertible - the factor(s) triggering conversion	*Instruments issued by the bank are not convertible*
27.	If 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	*No*
33.	In the case of a book value reduction, the triggering factor(s)	*Instruments issued by the bank do not have mechanism to reduce the book value.*
34.	In the event of a book value reduction, in whole or in part	*Always in whole*
35.	In the event of a permanent or temporary reduction of the book value	*N/A*
36.	In the case of a temporary reduction of the book value, description of the mechanism for increasing the book value	*N/A*

37.	Position in the subordination hierarchy in case of liquidation (specify the type of instrument at the next higher level)	*There are no other types of instruments at the next higher level*

<u>Disclosure requirements covered by art. 56 (3) of the NBM Regulation No. 158/2020</u>

As of 31.12.2022, the Bank had common equity Tier 1 instruments, including the Bank share capital, consisting of ordinary shares (contributions received from shareholders, equal to the nominal value of the issued shares (as of the reporting date MDL 200 per share)) and share premium and Tier 2 equity instruments, consisting of 2 subordinated loans:

MDL 299.8 million from European Fund for Southeast Europe (EFSE) of 11.11.2021 with maturity in November 2028.

MDL 199.8 million from Green for Growth Fund (GGF) with maturity in may 2029.

Incremental costs directly attributable to the issue of new shares are shown in equity as a price reduction, net of tax. Any excess of the fair value of contributions received over the nominal value of the shares issued is recorded as share premium. Details of the shares issued can be found in Annex 9.

<u>Disclosure requirements covered by art. 56 (4-5) of the NBM Regulation No. 158/2020</u>

No.	Indicator name	Value
Common Equity Tier 1 (CET 1): instruments and reserves		
1.	Equity instruments and share premium accounts	312,063,716
2.	Retained earnings	4,472,605,952
3.	Accumulated other comprehensive income and other reserves	579,490,520
4.	Minority interests (amount eligible for inclusion in consolidated Common Equity Tier 1)	-
5.	Independently audited interim profits after deduction of any foreseeable liabilities or dividends	-
6.	**Common equity (CET 1) before regulatory adjustments**	5,364,160,188
Common Equity Tier 1 (CET 1): additional adjustments		

7.	Additional value adjustments (*negative value*)	-281,903,724
8.	Intangible assets excluding related tax liabilities (*negative value*)	-191,833,924
9.	Receivables on deferred taxes based on future profitability, excluding those arising from temporary holdings (without tax liabilities) (*negative value*)	-
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 securitized assets (*negative value*)	X
13.	Gains or losses on fair value measurement of liabilities resulting from changes in the bank credit risk	-
14.	Defined benefit pension fund assets (*negative value*)	-
15.	Banks' direct and indirect holdings of Common Equity Tier 1 own funds instruments (*negative value*)	-
16.	Direct, indirect and synthetic holdings of Common Equity Tier 1/equity instruments of financial sector entities, if these entities and the bank have mutual participations designed to artificially increase the bank own funds (*negative value*)	-

17.	Bank direct, indirect and synthetic holdings of Common Equity Tier 1/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 Common Equity Tier 1/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.	- securitization positions; (*negative value*)	X
21.	- incomplete transactions; (*negative value)*	-
22.	Receivables on deferred tax resulting 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 value)*	-

23.	Value above the 15% threshold (*negative value*)	-
24.	**-** of which: the bank's direct and indirect holdings of Common Equity Tier 1/equity instruments of financial sector entities in which the bank has a significant investment	-
25.	**-** of which: receivables on deferred tax arising from temporary differences	-
26.	Losses for the current financial year (*negative value*)	-
27.	Foreseeable taxes relating to Common Equity 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 value*)	-
29.	**Total Regulated Adjustments to Common Equity Tier 1 (CET 1)**	-473,737,648
30.	**Common Equity Tier 1 (CET 1)**	4,890,422,540
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 common equity tier 1 capital included in consolidated additional tier 1 capital (including minority interests not included in row 4) issued by subsidiaries and held by third parties	-
35.	**Additional Tier 1 own funds (AT1) before regulatory adjustments**	-
Additional Tier 1 own funds (AT1) before 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 have reciprocal participations 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 value*)	-
40.	Eligible deductions from Tier 2 own funds in excess of the bank's Tier 2 own funds (*negative value*)	-
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)**	4,890,422,540
Tier 2 (T2) own funds: instruments and provisions		
44.	Equity instruments and related share premium accounts	499,570,000
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.	Adjustments for credit risk	-
47.	**Tier 2 (T2) own funds before regulatory adjustments**	499,570,000
	Tier 2 (T2) 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 value*)	-
52.	**Total regulatory adjustments to own funds tier 2 (T2)**	-
53.	**Tier 2 own funds (T2)**	499,570,000
54.	**Total own funds (TC= T1+T2)**	5,389,992,540
55.	**Total risk-weighted assets**	24,303,653,531
Own funds rates and depreciation		
56.	Common Equity Tier 1 capital (as a percentage of total risk exposure)	20.12%

57.	Tier 1 own funds (as a percentage of total risk exposure)	20.12%
58.	Total own funds (as a percentage of total risk exposure)	22.18%
59.	Bank-specific buffer requirement (common equity tier 1 requirement in accordance with p.130 subpoint 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)	1,798,470,361
60.	**-** of which: capital conservation buffer requirement	607,591,338
61.	**-** of which: anti-cyclical buffer requirement	-
62.	**-** of which: systemic buffer requirement	826,324,220
63.	**-** of which: buffer for systemically important institutions (O-SII)	364,554,803
64.	Common Equity Tier 1 capital available to meet buffer requirements (as a percentage of exposure value)	12.72%
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 the 10% threshold and excluding eligible short positions)	-
66.	The bank's direct and indirect holdings of Common Equity Tier 1 instruments of financial sector entities in which the bank has a significant investment (value below the 10% threshold and excluding eligible short positions)	-
67.	Receivables on deferred tax resulting from temporary differences (amount below the 10% threshold, excluding related tax liabilities when the conditions of p.40 of Regulation 109/2018 are met)	3,168,047

Applicable ceilings for the inclusion of provisions in Tier 2 own funds		
68.	Credit risk adjustments included in Tier 2 own funds, taking into account exposures subject to the standardized approach (before application of the ceiling)	-
69.	Ceiling on the inclusion of credit risk adjustments in Tier 2 own funds under the standardized approach	-

CAPITAL REQUIREMENTS

Disclosure requirements covered by art. 59 (1) of the NBM Regulation No. 158/2020

The Bank carries out an annual risk materiality analysis, the purpose of which is to systematically identify and assess the risks to which it is exposed.

The risk materiality analysis has two objectives:

- identify all risk types within the risk taxonomy, which need to be included in the risk materiality analysis process;
- assess all risk types defined within the risk taxonomy by assigning risk grades to provide an overall picture of the risk profile and thus identify which risks are material and should be included in the ICAAP framework.

The Bank has continued to develop its risk materiality assessment framework. This process is not limited to the risk management function and therefore different subunits within the Bank are involved in order to ensure this process is complete. Such broad involvement at Bank level has led to an improved understanding of the sources of risk, clarifying how these risks relate to specific activities, and provides the best conditions for identifying new emerging risks.

The results of the risk materiality analysis as well as the calculation of the risk coverage capacity are a starting point of the ICAAP process. Preferably, material risks are considered directly through economic capital allocation if the risk is quantifiable and the related capital allocation is considered relevant.

Final capital requirements are determined as the maximum value between the value identified based on the National Bank regulations and the value determined on the basis of models and algorithms approved internally based on international recommendations in this regard.

Disclosure requirements covered by art. 59 (2) of the NBM Regulation No. 158/2020

The table below shows the differences between the outcome of the internal risk capital adequacy assessment process (by Pillar II) and the regulatory capital requirement (by Pillar I) as it was validated by the NBM, as a result of SREP exercise, within letter no. 09-01114/172/3332 of 23.11.2022. In aggregating the capital requirement results for each risk, the maximum requirement between Pillar 1 and Pillar 2 has been taken into account.

Mil. lei

Indicators	Pillar I (P1) capital allocation	Pillar II (P2) capital allocation
Credit risk	1,849.0	1,159.7
Market risk (currency)	0	3.9
Operational risk, including	345.6	98.3
Compliance and reputational risk	x	21.7
Concentration risk	x	230.5
Foreign currency loan risk	x	9.8
Residual risk	x	8.0
Interest rate risk associated with non-trading book activities	x	87.958
Information and communication technology risk (ICT risk)	x	-
Liquidity risk	x	-
Strategic risk	x	12.8
Total capital requirement (P2=max (P1, P2))	2,128.7	2,449.6
OWN FUNDS (P1) / INTERNAL CAPITAL (P2)	4,472.2	4,472.2
Minimum own funds requirement	10.0%	x
Pillar 2 supplementary capital requirement (P2R)	x	1.5%
Total Pillar 2 capital requirement (TSCR)	X	11.5%
Capital buffers	7.0% 1,490.1	
Overall capital requirement (OCR ICAAP)	x	18.5%
CAPITAL REQUIREMENT	**17.0%**	**18.5%**

Additionally, by the Decision of the Executive Committee of the NBM no. 98 of 12.05.2022, it was established that for banks' exposures to the credit risk related to resident natural persons, with the exception of natural persons practicing entrepreneurial activity, the systemic risk buffer rate of 2 percentage points in adition to the rate maintained by banks according to the Decision of the NBM Executive Committee no. 287/2020. As a result, the aggregate value of the own funds rate, including the capital buffers established for the bank, is 18.91%.

Disclosure requirements covered by art. 59 (3) of the NBM Regulation No. 158/2020

The risk-weighted exposure amounts for each exposure class are shown in the table below:

Exposure classes	Risk-weighted value
Central governments or central banks	0
Regional administrations or local authorities	84,509,621
Public sector entities	0

Multilateral Development Banks	0
International organizations	0
Banks	219,541,585
Companies	2,154,049,138
Retail	3,559,477,045
Exposures secured by mortgages on real estate	11,988,668,745
Default exposures	367,995,549
Extremely high risk associated elements	257,474,133
Covered bonds	0
Claims on institutions and corporations with a short-term credit assessment	0
Collective investment undertakings (CIUs)	0
Equity securities	1,601,257
Other elements	2,282,828,187
Total	**20,916,145,259**

Disclosure requirements covered by art. 59 (4) of the NBM Regulation No. 158/2020

In accordance with art. 100 of Law no. 202/2017 on the activity of banks and the Methodology of supervision and evaluation of the activity of banks (approved by the Decision of the Executive Committee of the NBM no. 63/2019) the NBM carried out the process of supervision and evaluation of the activity of the BC "MAIB" S.A. and validated on 23.11.2022 (letter 09-01114/172/3332) that the ICAAP capital requirement (TSCR) is 2,449.6 million lei, and the global capital requirement (OCR ICAAP) is 3,939.7 million lei.

Disclosure requirements covered by: art. 59 (5) of the NBM Regulation No. 158/2020

The internal capital requirement for operational risk for ICAAP purposes is determined based on the total annual potential loss determined as part of the Operational Risk Self-Assessment and Control (ORSAC) process. This is compared to the regulatory capital requirement (BIA), whichever is higher.

As of 31.12.2022, the regulated capital requirement for operational risk according to BIA is 345.6 million lei. The annual potential loss, determined within ORSAC, is 98.3 million lei. The latter is compared with the regulated capital requirement, considering the higher value between the two (BIA and ORSAC), namely – 345.6 million lei.

ASSESSMENT OF OWN FUNDS REQUIREMENTS RELATED TO CREDIT RISK

Disclosure requirements covered by art. 61 (1) of the NBM Regulation No. 158/2020

The Bank's credit risk capital requirement is set as the maximum amount between:

1. Internal estimation based on simulated credit loss size based on internal rating system;
2. The standardized approach established by the NBM in the Regulation on banks' own funds and capital requirements.

Internal approach

Expected losses for credit risk express the amount expected to be lost over a one-year period: **EL=PD*LGD*EAD**. Unexpected losses for credit risk are determined according to the formula: **UL = VaR - EL.**

An approach analogous to the IRB approach is used to determine the VaR for credit risk (total expected and unexpected losses). MAIB uses the one-factor correlation model adopted by the Basel Committee, which is a simplified method of estimating economic capital. Conceptually, this method uses a single systematic risk factor to determine the correlation between debtors, and is based on Monte Carlo simulations. It is assumed that the loans receive an appropriate distribution of correlations, which are pooled into a single common factor.

The one-factor correlation model used by the bank is given by the formula below:

$$A = W * Z + \sqrt{1 - W^2} * E$$

W is the parameter with a value equal to the R^2 test value obtained from the linear model between the branch PD (dependent variable) and GDP (independent variable) or the minimum values used in Basel.

According to the model, the credit is considered to default if the calculated value (A - the customer creditworthiness index) falls below the customer's unconditional default probability (the inverse of the cumulative distribution function for a standard normal random variable, the debtor's PD). If defaulted the debtor's loss in this scenario is equal to LGD*EAD.

According to the model, for an economic scenario, the systematic factor Z (common to all customers) and idiosyncratic (firm-specific risk factor) E are simulated randomly, after which the calculated value (A) is determined and the individual loss per customer is calculated. The total loss per portfolio for the simulated economic scenario is obtained by cumulating the individual losses of each client.

Monte Carlo simulations create a multitude of possible economic scenarios and determine the total portfolio losses for each of the scenarios, which are aggregated into a distribution of portfolio losses obtained from all the simulated economic scenarios. The economic capital that would protect the Bank against future losses will be calculated as the difference between the loss amount at a 99.9% confidence interval and the expected losses on the Bank's portfolio.

Regulated approach

Under the regulatory approach, capital requirements are determined as 10% of the value of risk-weighted exposure amounts determined in accordance with the provisions of the Regulation on the treatment of credit risk for banks under the standardized approach.

<u>Disclosure requirements covered by art. 61 (2) of the NBM Regulation No. 158/2020</u>

Collateral policies and risk mitigation elements are described in accordance with the provisions of art. 63.3 of this Report.

<u>Disclosure requirements covered by art. 61 (3) of the NBM Regulation No. 158/2020</u>

The bank does not have an assigned ECAI rating nor does it have any collaboration contracts that would require the provision of collateral in the event of changes in the bank's financial ratios.

<u>Disclosure requirements covered by: art. 61 (4-7) of the NBM Regulation No. 158/2020</u>

As at 31.12.2021 and 31.21.2022, the Bank had no transactions with credit derivatives.

ECAI RATED EXPOSURES

<u>Disclosure requirements covered by: art. 62 (1-5) of the NBM Regulation No. 158/2020</u>

The Bank uses ECAI ratings exclusively for exposures to International Banks/Organizations. If the Bank/Institution does not have an ECAI rating, the Bank uses the ECAI rating of the home country. The gross and risk-weighted exposure amounts by maturity band and counterparty are shown in the following table.

Counterpart	Individual rating	Country Rating	<3 months		>3 months		Total Exposure	Total RWA
			Exposure	RWA	Exposure	RWA		
Raiffeisen Bank International AG	A	AA+	301,025,353	60,205,071			301,025,353	60,205,071
Priorbank JSC	-	C	3,042	0			3,042	0
Intesa Sanpaolo SPA	BBB	BBB	6,462,656	1,227,905			6,462,656	1,227,905
Unicredit SPA	BBB	BBB	1,206,456	229,227			1,206,456	229,227
VTB Bank	-	CCC	24,279,230	0			24,279,230	0
Sberbank Rosii	-	CCC	0	0			0	0
The Bank of New York Mellon	AA	AA+	369,555,319	73,911,064			369,555,319	73,911,064
AO Raiffeisenbank	-	CCC	3,396,560	0			3,396,560	0
RNKO PLATTEJNY TSENTR OOO	-	CCC	0	0			0	0
Landesbank Baden Wurttemberg	AA+	AAA	99,404,710	19,880,942			99,404,710	19,880,942
OTP Bank Romania SA	-	BBB	16,718,263	2,340,557			16,718,263	2,340,557
JSCB PIVDENNYI	Caa2	CC	25,059	0			25,059	0
American Express Limited	BBB+	AA+			2,682,106	1,274,000	2,682,106	1,274,000
Mastercard Europe SPRL	A+	AA+			65,335,562	32,667,781	65,335,562	32,667,781
Visa International Service Association	AA-	AA+			52,384,855	10,476,971	52,384,855	10,476,971
RBI AG (SC AZAMET-GRUP SRL)	AA+	AA+			5,747,370	1,149,474	5,747,370	1,149,474
RBI AG (LE BRIDGE CORPORATION)	AA+	AA+			37,357,905	7,471,581	37,357,905	7,471,581
Unicredit SPA (LUXOMOD SRL)	BBB	BBB			3,056,880	1,452,018	3,056,880	1,452,018
RBI AG (SEMPIC AND CO SRL)	AA+	AA+	12,838,896	2,567,779			12,838,896	2,567,779
RBI AG (DAAC AUTO SRL)	AA+	AA+			4,075,840	815,168	4,075,840	815,168
RBI AG (AUTOSPACE SRL)	AA+	AA+			15,284,400	3,056,880	15,284,400	3,056,880
RBI AG (VICTAD-VM SRL)	AA+	AA+			4,075,840	815,168	4,075,840	815,168
Total			**834,915,542**	**160,362,543**	**190,000,758**	**59,179,041**	**1,024,916,300**	**219,541,585**

CREDIT RISK MITIGATION TECHNIQUES

<u>Disclosure requirements covered by art. 63 (1-3) of the NBM Regulation No. 158/2020</u>

Policies and processes applied in collateral valuation and management

In order for an asset to be accepted by the Bank for credit guarantee purposes, the asset must meet the provisions of the NBM regulations, as well as national, legal and domestic requirements. Thus, the asset is valued to determine the market value and the value previously accepted by the Bank. The market value is estimated by valuation by a specialized external company or the value can be estimated internally (only in the case of movable assets) according to internal procedures.

Market value is the estimated amount for which an asset or liability could be exchanged at the valuation date, between a willing buyer and a willing seller, in a fair transaction, after proper marketing and where the parties have each acted knowledgeably, prudently and without compulsion.

The value accepted is an internal view of the risk associated with the collateral and is intended to reflect the most likely recovery value of the collateral in the event of its liquidation. The accepted value is determined by applying depreciation rates to the market value. The valuation report is the document estimating the market value.

The collateral assessment allows the Bank to identify which exposures are covered or not covered by collateral of a client or group of clients according to internal regulations.

The main types of collateral accepted by the bank are shown in the table below.

1. Real estate collateral:

- 1.1 Residential properties;
- 1.2 Commercial and industrial properties;
- 1.3 Agricultural properties;
- 1.4 Real estate with another destination.

2. Real movable guarantees:

- 2.1 Production equipment and machinery;
- 2.2 Agricultural machinery and equipment;
- 2.3 Means of transport;
- 2.4 Stocks.

3. Guarantees:

- 3.1 Public sector;
- 3.2 Financial institutions;
- 3.3 Personal (sureties).

4. Financial guarantees:

- 4.1 Funds;
- 4.2 Securities.

5. Assignments and other rights:

- 5.1 Receivables;
- 5.2 Shares (unlisted shares) in the share capital of companies.

Disclosure requirements covered by art. 63 (4-5) of the NBM Regulation No. 158/2020

The bank has no credit derivatives.

<u>Disclosure requirements covered by: art. 63 (6-7) of the NBM Regulation No. 158/2020</u>

The Bank exclusively uses financial guarantees in the form of placements in the Bank accounts without the right of the pledger to dispose freely of these means as an eligible risk/exposure mitigation technique.

ASSESSMENT OF OWN FUNDS REQUIREMENTS RELATED TO OPERATIONAL RISK

<u>Disclosure requirements covered by art. 64 of the NBM Regulation No. 158/2020</u>

The Bank uses the Basic Indicator Approach (BIA) to calculate the minimum regulatory capital requirement to cover potential operational risk losses. The calculation of the capital requirement is performed on a regular basis based on the audited financial statements as at December 31.

The Basic Indicator Approach (BIA) involves the following:

- determination of the relevant indicator, which is calculated as the arithmetic average of the bank's gross annual results of operations for the last three (3) completed financial years;
- application of the 15% rate to the relevant indicator determined.

COUNTERCYCLICAL CAPITAL BUFFER

<u>Disclosure requirements covered by art. 65 (1-2) of the NBM Regulation No. 158/2020</u>

By the Decision of the Executive Board of the NBM no.128 of 23.06.2022, it was determined that the low level of the Credit/GDP ratio indicates the absence of systemic cyclical risks related to excessive credit growth and the countercyclical buffer rate for the relevant exposures in the Republic of Moldova was set at 0%. A similar decision was also carried out by the Decision of the Executive Committee of the NBM no. 1 of 12.01.2023.

THE BANK EXPOSURE TO CREDIT RISK AND THE RISK OF IMPAIRMENT OF RECEIVABLES

<u>Disclosure requirements covered by art. 67 (1) of the NBM Regulation No. 158/2020</u>

Definition of the term "arrears"

An exposure becomes past due when the counterparty does not pay any principal, interest or fee on the due date. The entire credit exposure shall become past due, regardless of the proportion of the total credit amount of the above-mentioned past due component. The number of days of the oldest outstanding exposure shall be taken into account to determine the days past due on the credit. The same definition for days past due applies for both accounting reporting and regulatory reporting requirements.

Definition of "impaired assets"

The Bank has aligned the concept of impaired financial asset or group of impaired financial assets with the concept of defaulted exposure. The definition applied within the Bank has been developed based on the EBA/GL/2016/07 Guideline on Default. All financial assets included in Stage 3 in default at the reporting date are considered to be impaired. Under IFRS 9, a financial asset is recognized as impaired when one or more events with an adverse impact on the estimated future cash flows of that financial asset are identified. Key evidence that a financial asset is impaired includes observable data about the following events:

- significant financial difficulties of the issuer or debtor;
- breach of the credit agreement, e.g. default or an event of default on the due date;
- The bank, for economic or contractual reasons related to the debtor's financial difficulties, grants the debtor one or more concessions that it would not otherwise consider;
- there is a possibility that the debtor may enter into bankruptcy or another form of financial reorganization.

Definition of the term "default (regulatory purpose)"

The definition of default used by the Bank is aligned with the provisions of the Regulation on the treatment of credit risk for banks according to the standardized approach.

Disclosure requirements covered by art. 67 (2) of the NBM Regulation No. 158/2020

The calculation of credit risk provisions is performed monthly at the exposure/asset level in the currency of the exposure at account level. For the calculation of provisions, the Bank uses a three-stage model, which results in the calculation of an expected credit loss (ECL) over the next 12 months, or lifetime provisions (ECL).

Stage 1 - includes:

- financial assets with a low credit risk;
- financial assets with no significant increase in credit risk since initial recognition, regardless of credit quality.

At this stage, the ECL for the next 12 months is calculated.

Stage 2 - includes:

- financial assets with a significant increase of credit risk;
- financial assets with a high performing restructuring status or specific early warning system events at the time of reporting.

At this stage, ECL is calculated over the asset lifetime.

Stage 3 - includes financial assets impaired (in default) at the reporting date. At this stage, ECL is calculated over the asset lifetime.

The criteria for transfer from stage 1 to stage 2 are based on the assessment of a significant increase in credit risk since the date of initial recognition and are quantitative and qualitative criteria applied at both financial asset and debtor level.

The collective (overall) valuation of ECL is based on homogeneous groups of assets resulting from portfolio segmentation based on similar credit risk and product characteristics.

The ECL calculation using the collective approach is based on the following components:

a) Exposure at default ("EAD") - represents the estimate of exposure at default at a future date, taking into account anticipated changes in exposure after the reporting date, including principal and interest payments and expected drawings on committed facilities.

b) Probability of Default ("PD") - is the estimate of the probability of default over a time horizon. Based on the methodology, lifetime default probability curves are determined based on the transition between transition matrices based on baskets of days outstanding. The default probability PD (t) is adjusted by the macroeconomic factor.

c) Loss Given Default ("LGD") - represents the Bank's expectation to determine the amount of loss on an exposure in default and is based on the statistically confirmed difference between the contractual cash flows and the cash flows the Bank expects to receive including collateral.

d) Discount factor - is used to discount the expected loss to a present value at the reporting date using the effective interest rate.

Individual (specific) valuation is performed for significant exposures, regardless of the condition in which the loan/debtor has been classified (based on expert opinion) and necessarily for impaired assets above the materiality threshold set by the Bank. For the individual valuation, the Bank considers weighted scenarios for all probable cash flows, namely: contractual asset flows, flows from the sale of collateral and other credit enhancements, specifying the timing of expected cash flows and the estimated probability of realization of each scenario.

Disclosure requirements covered by art. 67 (3) of the NBM Regulation No. 158/2020

The total and average value of exposures after accounting netting and without taking into account the effects of credit risk mitigation techniques is presented as follows:

Exposure classes	**Total exposures at 31.12.2022**	**Average period (31.12.2021-31.12.2022)**
Central authorities or central banks	16,299,947,221	13,101,265,812
Regional or local authorities	432,144,155	402,208,627
Public sector entities	0	0
Multilateral Development Banks	0	0
International organizations	0	0
Banks	1,024,916,300	2,414,806,343
Companies	3,733,074,040	2,888,187,259
Retail	6,005,886,811	5,965,320,181
Exposures secured by mortgages on real estate	15,933,994,310	14,284,831,905
Exposures in default	938,268,192	1,220,706,426
Extremely high risk elements	217,629,099	216,098,843
Covered bonds	0	0
Claims on institutions and companies with a short-term credit assessment	0	0
Collective investment undertakings (CIUs)	0	0
Equity securities	1,642,369	1,531,425
Other elements	3,772,613,318	3,642,512,956
Total	**48,360,115,815**	**44,137,469,777**

Disclosure requirements covered by art. 67 (4) of the NBM Regulation No. 158/2020

Exposure classes	Total exposures at 31.12.2022	Moldova	SUA	Austria	Germany	Italy	United Kingdom	Belarus	Romania	Singapore	Russian Federation	Ukraine
Central authorities or central banks	16,299,947,221	16,299,947,221										
Regional or local authorities	432,144,155	432,144,155										
Public sector entities	0	0										
Multilateral Development Banks	0	0										
International organizations	0	0										
Banks	1,024,916,300		372,237,425	380,405,604	99,404,710	10,725,991	65,335,562	3,042	16,718,263	52,384,855	27,675,790	25,059
Companies	3,733,074,040	3,733,074,040										
Retail	6,005,886,811	6,005,886,811										
Exposures secured by mortgages on real estate	15,933,994,310	15,933,994,310										
Exposures in default	938,268,192	938,268,192										
Extremely high risk elements	217,629,099	178,381,956										
Covered bonds	0	0										
Claims on institutions and companies with a short-term credit assessment	0	0										
Collective investment undertakings (CIUs)	0	0										
Equity securities	1,642,369	310,697	0	0	0	0	0	0	0	0	0	0
Other elements	3,772,613,318	3,772,613,318										
Total	48,360,115,815	47,294,620,700	372,237,425	380,405,604	99,404,710	10,725,991	65,335,562	3,042	16,718,263	52,384,855	27,675,790	25,059

Disclosure requirements covered by art. 67 (5) of the NBM Regulation No. 158/2020

The breakdown of exposures generated by the loan and contingent liability portfolio after accounting netting and without taking into account the effects of credit risk mitigation techniques, by exposure classes and business lines is shown in the table below.

Exposure classes	Total exposures at 31.12.2022	Cities and municipalities	Manufacturing industry	Construction	Trade	Agriculture	Individuals	Other
Regional or local authorities	432,144,155	432,144,155	0	0	0	0	0	0
Companies	3,733,074,040	52,248,576	198,902,890	237,244,809	1,498,606,182	65,400,457	46,764,266	1,633,906,860
Retail	6,005,886,811	0	42,328,559	176,181,743	1,382,613,771	139,313,682	3,970,019,758	295,429,298
Exposures secured by mortgages on real estate	15,933,994,310	0	2,485,603,278	831,751,183	6,382,043,394	242,675,696	3,676,564,404	2,315,356,354
Exposures in default	938,268,192	12	45,439,900	8,050,321	398,964,796	32,926,209	361,740,871	91,146,083
Total	27,043,367,508	484,392,743	2,772,274,627	1,253,228,056	9,662,228,143	480,316,044	8,055,089,298	4,335,838,595

Disclosure requirements covered by art. 67 (6) of the NBM Regulation No. 158/2020

The total amount of exposures after accounting netting and without taking into account the effects of credit risk mitigation techniques are divided into four categories based on residual maturity as follows:

- "On demand" - includes exposures to be collected on demand, overdrafts (debit balance of current account balance) and exposures whose final repayment term has expired.
- The categories "<= 1 year", "> 1 year <= 5 years" and "> 5 years" are calculated according to the due date of the last instalment;

Category	**31.12.2022**	**On demand**	**=<1 year**	**>1 year =<5 years**	**>5 years**
Central authorities or central banks	16,299,947,221	6,109,850,687	7,528,341,961	2,661,754,574	0
Regional or local authorities	432,144,155	506	0	104,791,840	327,351,809
Public sector entities	0	0	0	0	0
Multilateral Development Banks	0	0	0	0	0
International organizations	0	0	0	0	0
Banks	1,024,916,300	453,670,229	405,333,963	165,912,108	0
Companies	3,733,074,040	61,841,339	1,450,832,133	2,062,100,833	158,299,734
Retail	6,005,886,811	7,145,578	682,288,782	5,121,783,348	194,669,102
Exposures secured by mortgages on real estate	15,933,994,310	341,545	2,998,001,100	8,736,165,883	4,199,485,782
Exposures in default	938,268,192	220,545,136	129,185,237	525,500,556	63,037,263
Extremely high risk elements	217,629,099	0	0	38,673,291	178,955,808
Covered bonds	0	0	0	0	0
Claims on institutions and companies with a short-term credit assessment	0	0	0	0	0
Collective investment undertakings (CIUs)	0	0	0	0	0
Equity securities	1,642,369	0	0	0	1,642,369
Other elements	3,772,613,318	1,470,410,575	0	2,302,202,743	0
Total	**48,360,115,815**	**8,323,805,593**	**13,193,983,176**	**21,718,885,177**	**5,123,441,869**

Disclosure requirements covered by art. 67 (7) of the NBM Regulation No. 158/2020

	Performing exposures			Impaired exposures			
	Without arrears or with arrears ≤ 30 days	**Arrears >30 days ≤ 90 days**	**Arrears >90 days ≤ 365 days**	**No arrears or with arrears ≤ 30 days**	**Arrears >30 days ≤ 90 days**	**Arrears >90 days ≤ 365 days**	**Arrears > 365 days**
Cities and municipalities	484,393,238	-	12	-	-	-	-
Manufacturing industry	2,327,738,801	5,138,294	53	513	-	1,444	1,189,214
Construction	800,336,622	2,164,047	794	1,943,932	121,072	5,313,523	22,943
Trade	7,690,731,859	28,543,211	1,744	122,099	7,160,401	204,708,379	12,320,374
Agriculture	441,102,310	2,259,872	11	527	247,934	313,616	5,606,265
Individuals	7,039,444,718	95,111,714	301,395	26,674,196	23,067,193	107,028,518	174,753,921
Other	3,354,106,098	5,419,460	2,948	59,362,730	490,817	6,520,342	5,581,241
Total	**22,137,853,646**	**138,636,598**	**306,957**	**88,103,996**	**31,087,418**	**323,885,822**	**99,473,958**

	Performing exposures		Impaired exposures		
	general adjustments	**specific adjustments**	**general adjustments**	**specific adjustments**	**Total**
Cities and municipalities	9,588,217	-	-	-	9,588,217
Manufacturing industry	47,855,916	55,055,893	758,810	-	103,670,619
Construction	16,197,356	9,621,449	3,345,862	-	29,164,667
Trade	167,961,721	66,425,853	17,518,472	160,677,881	412,583,927
Agriculture	10,421,852	3,355,095	5,821,200	-	19,598,147
Individuals	256,374,348	-	264,123,458	-	520,497,806
Other	65,624,210	64,428,662	7,130,350	45,894,283	183,077,506
Total	**574,023,621**	**198,886,952**	**298,698,153**	**206,572,165**	**1,278,180,891**

Expenses related to impairment of financial assets/provisions for the period 01.01.2022 - 31.12.2022 are shown in the table below

Category	**MDL**
Credit impairment expenses	300,831,905
Other assets impairment expenses	93,012,164
Expenses related to provisions for contingent liabilities	11,746,882
Total	**405,590,952**

Disclosure requirements covered by art. 67 (8) of the NBM Regulation No. 158/2020

The Bank has no impaired and/or outstanding assets in geographical areas other than the Republic of Moldova. Their amount is shown in the following table:

	Performing exposures			Impaired exposures			
	No arrears or arrears ≤ 30 days	**Arrears >30 days ≤ 90 days**	**Arrears >90 days ≤ 365 days**	**No arrears or with arrears ≤ 30 days**	**Arrears >30 days ≤ 90 days**	**Arrears >90 days ≤ 365 days**	**Arrears > 365 days**
Cities and municipalities	-	-	-	-	-	-	-
Manufacturing industry	179,787,075	-	-	-	-	-	-
Construction	101,627,086	-	-	-	-	-	-
Trade	606,990,784	5,738	-	-	-	-	-
Agriculture	14,153,971	1,726	-	-	-	-	-
Individuals	151,126,342	247,416	2,000	262,901	5,676	1,192	-
Other	280,390,827	4,032	-	-	1,350	226,667	-
Total	**1,334,076,085**	**258,912**	**2,000**	**262,901**	**7,025**	**227,859**	**-**

Disclosure requirements covered by art. 67 (9) of the NBM Regulation No. 158/2020

Variations in specific and general adjustments related to impaired exposures are shown in the following table:

	Collectively assessed adjustments	**Adjustments assessed at individual level**	**Total**
Opening balance	225,164,638	470,815,126	695,979,764
Increases due to initiation and acquisition	1,858,215	79,360,464	81,218,679
Decreases due to de-recognition	17,937,397	65,737,318	83,674,715
Variations due to change in credit risk (net)	172,505,305	42,711,771	215,217,076
Decrease in the account for impairment adjustments due to off-balance sheet items	60,827,819	300,935,103	361,762,922
Other adjustments	-776,669	-11,312,431	-12,089,100
Closing balance	**319,986,273**	**214,902,509**	**534,888,782**

EQUITY EXPOSURES NOT INCLUDED IN THE TRADING PORTFOLIO

Disclosure requirements covered by art. 69 (1) of the NBM Regulation No. 158/2020

Equity securities held by the bank are attributed to the held at fair value through other comprehensive income (FVOCI) category. Based on the Bank business model and the purpose for which the Bank makes an investment in equity instruments, the Bank business model is not based on holding investments for trading purposes and earning a short-term profit or maximizing profits from changes in fair value.

Some of the basic arguments for designating financial assets in the objective category arise from their related business model, i.e. the managerial vision for holding these assets, namely:

1. the performance of these assets is not valued on the basis of frequent trading, the most important factor being the interest income recognized or impairment charges recognized;
2. sales of these assets is a rare process and investments held and subsequently sold have been present in the investment portfolio for a long time;
3. the objective for holding them is to collect the interest (dividends) attached to these assets and if necessary to sell them;
4. the fair value through profit or loss (FVPL) model is a central model positioned on asset management to achieve fair value, which is not primary for the items in the bank investment portfolio, and we summarize below for each that this is not advisable.

In the accounting records, equity securities are initially recognized at fair value. Subsequently, changes in fair value for this category of financial instruments are recognized in other comprehensive income. Dividend income, relating to those securities, is included in dividend income in the profit or loss account.

For some holdings in equity securities, fair value has been replaced by their cost, i.e. in the case of the impossibility of determining fair value, the lack of cost-effectiveness in determining it, primarily due to a low threshold of significance of their value, and the absence of any change in the issuer's financial position.

The Bank also holds equity securities in subsidiary companies and their reflection in the individual financial statements arises from their specificity and the fact that they are part of the Bank Group using the cost method under IAS 27 and tested for impairment.

Disclosure requirements covered by art. 69 (2) of the NBM Regulation No. 158/2020

The following table shows the equity securities held by the bank in its investment portfolio:

N/d	Name of issuer	Cost value, MDL	Provision for impairment, MDL	Reserves, MLD	Accounting value (IRFS), MDL
Investment in branches (1561)					
1	"MAIB-Leasing" SA	163,452,000.00	35,305,000.00	0.00	128,147,000.00
2	"MoldMediaCard" SRL	11,521,668.59	0.00	0.00	11,521,668.59
	Total (1561)	***174,973,668.59***	***35,305,000.00***	***0.00***	***139,668,668.59***
Shares and units at fair value through comprehensive income (1162)					
3	Î.M. "Piele" SA	1,633,489.83	1,633,489.83	0.00	0.00
4	"Bursa de valori din Moldova" SA	275,470.00	0.00	0.00	275,470.00
5	Î.M. "Biroul de Credit" S.R.L.	2,348,650.00	0.00	0.00	2,348,650.00
6	S.W.I.F.T. SCRL	631,019.84	0.00	685,878.84	1,316,898.68
7	"Depozitarul Central Unic al Valorilor Mobiliare" S.A.	50,000.00	0.00	0.00	50,000.00
	Total (1162)	**4,938,629.67**	**1,633,489.83**	**685,878.84**	**3,991,018.68**
	TOTAL	**179,912,298.26**	**36,938,489.83**	**685,878.84**	**143,659,687.27**

Disclosure requirements covered by art. 69 (3) of the NBM Regulation No. 158/2020

As at 31.12.2022, the bank does not hold any listed equity securities.

Disclosure requirements covered by art. 69 (4) of the NBM Regulation No. 158/2020

During the period: from January to December 2022, there were no sales and/or liquidations of equity securities held by the bank.

<u>Disclosure requirements covered by art. 69 (5) of the NBM Regulation No. 158/2020</u>

The bank has no retained profits or losses, revaluation latent profits or losses included in core tier 1 equity.

INTEREST RATE RISK EXPOSURE RELATED TO POSITIONS NOT INCLUDED IN THE TRADING PORTFOLIO:

<u>Disclosure requirements covered by art. 70 (1) of the NBM Regulation No. 158/2020</u>

The bank exposure to interest rate risk outside the trading portfolio (IRRBB) arises as a result of attracting and placing funds sensitive to changes in interest rates. BC ”MAIB” S.A. identifies the following sources of risk IRRBB: imperfect correlations between the maturity date of cash flows or the repricing date of interest-bearing assets and liabilities, adverse yield curve evolution (slope and shape variation) and different correlation between the change in the rates to be received and to be paid for resources attracted and placed with similar, but not identical, repricing characteristics.

BC "MAIB" SA manages the IRRBB risk by monitoring the GAP (uncorrelations) regarding the interest rate, analyzing the sensitivity of the net interest income, as well as the potential change in the economic value, establishing the system of internal limits and indicators, within the Bank's Policy on the Management of market risk and interest rate risk.

The subunit that monitors compliance with these limits is the Financial and Operational Risk Management Department. Reporting on IRRBB risk exposure is made at least monthly to the ALCO Committee, the Bank Management Board, the Risk Committee and the Bank Supervisory Board.

To measure IRRBB risk, the bank uses GAP-based analysis between interest-rate-sensitive assets and interest-rate-sensitive liabilities, in which cash flows related to interest-rate-sensitive assets and liabilities are grouped according to contractual maturity or contractual timing of interest rate changes. Currently, the bank treats items without contractual maturity (revolving credits, current accounts and demand deposits) according to the concluded contracts.

<u>Disclosure requirements covered by art. 70 (2) of the NBM Regulation No. 158/2020</u>

The analysis of the sensitivity of the net interest income in the perspective of the 12-month horizon (ΔNII) and the potential change in the economic value of the bank (ΔEVE) is carried out, based on predefined scenarios of changes in interest rate levels (stress conditions). The calculation of the potential change in economic value is carried out as a result of the application of sudden and unexpected changes in interest rates, including using the standard shock of a size of 200 basis points, in both directions for MDL, USD, EUR currencies.

ANNEX 1

Total info on the bank:

	Management body with supervisory function	Management body with executive function	Corporate Activity	SME activity	Retail activity	Internal control functions	Other areas of activity
Number of staff members	7	7					
Total number of employees		7	48	322	1,254	121	1060
Total net profit in 2022 (thousands MDL)							
Total remuneration (thousands MDL), including:	8,580	36,638.6	22,141.7	81,429.5	183,806.8	42,005.8	241,078.4
- **Fixed Remuneration**	8,580	23,733.1	17,984.1	65,554.1	148,741.5	35,975.9	206,185.7
- **Variable remuneration**		12,905.5	4,157.6	15,875.4	35,065.3	6,029.9	34,892.8
Number of beneficiaries of guaranteed variable remuneration							
Total amount of guaranteed variable remuneration (thousand MDL)							

Info on staff referred to in art.39 paragraph (1) of Law no.202/2017:

	Management body with supervisory function	Management body with executive function	Corporate Activity	SME activity	Retail activity	Internal control functions	Other areas of activity
Number of staff members	7	7	2	3	1	5	17
Number of beneficiaries of fixed remuneration	7	7	2	3	1	5	17
Total fixed remuneration (thousands MDL)	8,580	23,733	1537	3237	983	4879	16359
Number of beneficiaries of variable remuneration		6	2	3	1	3	17
Total variable remuneration (thousands MDL), including:		12,905	428	816	186	425	4,513
- **Cash**							
- **Shares and share-related instruments**							
- **Other types of instruments**							
Deferred remuneration due and unpaid (thousands MDL), inclusive:							
- **for which the eligibility criteria have been met**							
- **for which the eligibility criteria have not been met**							

Deferred compensation awarded during FY2022 paid and reduced through performance adjustments							
Number of beneficiaries of welcome and starting payments for newly employed staff							
Total amount of welcome and starting payments for newly recruited staff							
Number of recipients of compensation payments for early termination of employment during the financial year 2022							
Total amount of compensation payments related to early termination of employment granted during the financial year 2022							
Largest compensation payment related to early termination of employment awarded to a single person in FY2022							

Number of staff with remuneration level during 2022 greater than 1 million lei

Remuneration level (thousand MDL)	1,000-1,500	1,500-2,000	2,000-2,500	2,500-3,000	3,000-3,500	3,500-4,000	4,000-4,500	4,500-5,000	5,000-6,000	6,000-7,000	7,000-8,000	8,000-9,000	> 9,000
Number of staff	7	2	2		1	2					1		