

# ANNUAL REPORT

Hereby Annual Management report C.B. ENERGBANK J.S.C. (hereinafter ENERGBANK) for the year 2021 (hereinafter referred to as the Report) includes the results of the bank's activity for the reporting period from 1st of January 2021 until 31st of December, 2021. The report has been prepared in accordance with the legislation of the Republic of Moldova, including:

- Law on the capital market no. 171 of 11.07.2012, with subsequent amendments and completions.
- Law on joint stock companies no. 1134-XIII of 02.04.1997, with subsequent amendments and completions.
- Law on the activity of banks no. 202 of 06.10.2017, with subsequent amendments and completions.
- Law on accounting and financial reporting no. 287 of 15.12.2017, with subsequent amendments and completions.
- CNPF decree "On the approval of the Corporate Governance Code" no. 67/10 of 24.12.2015, with subsequent amendments and completions.

The financial data are presented in the report in accordance with the financial statements prepared in accordance with IFRS, except in cases with special indications. This report is approved by the C.B. ENERGBANK J.S.C. (Number 14 of 19.05.2022). The data in the Annual financial report were confirmed by the audit firm **I.C.S Baker Tilly Klitou and Partners Ltd.**

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## MESSAGE OF THE CHAIRMAN OF THE MANAGEMENT COMMITTEE

Dear shareholders, investors, customers, partners and employees!

Last year was the year of recovery both for Moldova in general and for the banking system in particular. During the year, banks' assets increased by 14%, and the profit amounted to about 2.3 billion lei. The banking system overcame last year's challenges with the help of effective measures taken by the National Bank, and the economy recovered quickly after the pandemic.

ENERGBANK has also successfully gone through 2021, offering modern solutions to its customers, while ensuring significant performance for shareholders. During the year, the Bank continued to operate in accordance with the approved strategic priorities and initiatives. Continuing to digitize, the bank's team has made constant efforts to transfer operations and services from subdivisions to remote channels, to modernize mobile and internet banking for retail customers.

At the same time, the Bank worked intensively with the portfolio of outstanding debts, the results obtained had a positive impact on the indicators of problem loans.

In 2021, the structure of the bank's shareholders underwent changes in accordance with the current legislation, the ultimate goal of which is the transparency of the bank's shareholder and capital structure. During the reporting year, in the context of the process of shareholder transparency, the bank bought out "treasury" shares.

Since June 2021, the process of transferring funds to former shareholders for sold / redeemed shares has begun. Since June 2021, the process of transferring funds to former shareholders for repurchased shares has begun. The management body of the bank ensured the effective implementation of the Due Diligence procedure for the bank's activities, as a result a potential buyer of B.C. ENERGBANK S.A. was identified.

As in previous years, ENERGBANK continued to show social responsibility, supporting programs and measures aimed at helping those affected by the pandemic. This has been shown, for example, in the support of medical institutions in the country to fight coronavirus infection. The bank has shown that, even in such a situation, it is able to achieve not only good financial results, but also socially significant ones.

In conclusion, we can say that 2021 was a year of consolidation and transparency of the bank's shareholders, of optimizing and improving business processes, maintaining and increasing market share as a continuous process, in parallel with providing favorable conditions for customers and bank employees.

Chairman of the Management Committee



Vasilachi Iurii

## MAIN FINANCIAL INDICATORS

### BALANCE SHEET INDICATORS, THOUSAND MDL

	2021	2020	MODIFICATION, thousand MDL	MODIFICATION, %
Corporate loans, brutto without interests	415 933	359 843	56 090	15.6
Retail loans, brutto without interests	578 619	414 583	164 036	39.6
Securities, brutto with discount and NBM certificates	884 972	952 679	-67 707	- 7.1
Retail attracted means without interests	1 189 656	1 204 915	-15 259	-1.3
Corporate attracted means without interests	982 304	904 810	77 494	8.6
Share capital	684 237	705 671	-21 434	-3.0
Total assets	2 967 612	2 917 296	50 316	1.7

### INCOME-EXPENDITURE RATIO INDICATORS, THOUSAND MDL

	2021	2020	MODIFICATION, thousand MDL	MODIFICATION, %
Net interest income, commissions on loans, dividends	114 234	89 773	24 461	27.2
Non-interest income	118 376	133 257	-14 881	-11.2
Non-interest expenses	175 311	168 649	6 662	4.0
Profit up to depreciation and taxes	57 299	54 381	2 918	5.4
Depreciation expense	1 796	7 584	-5 788	- 76.3
Net income	50 068	44 399	5 669	12.8

### PROFITABILITY / CAPITALIZATION

	2021	2020	MODIFICATION, million lei/ p. p.
Return on Assets (ROA),%	1.66	1.57	0.09
Return on capital (ROE),%	7.45	6.40	1.05
Own funds, million lei	546.39	525.10	21.29
Sufficiency of own funds, %	46.93	53.96	- 7.03

### SUBDIVISIONS

	2021	2020	MODIFICATION
Branches	22	22	0
Agencies	22	25	-3

## IMPLEMENTATION OF THE DEVELOPMENT STRATEGY

The following areas have been identified as key development priorities for 2021:

1. Solving the problems related to ensuring the compliance of the bank's shareholders with the requirements of the NBM regulations
2. Organic growth/competitive products
3. Digitization
4. Increasing efficiency/increasing profits
5. Transforming human resources

### Solving the problems related to ensuring the compliance of the bank's shareholders with the requirements of the NBM regulations

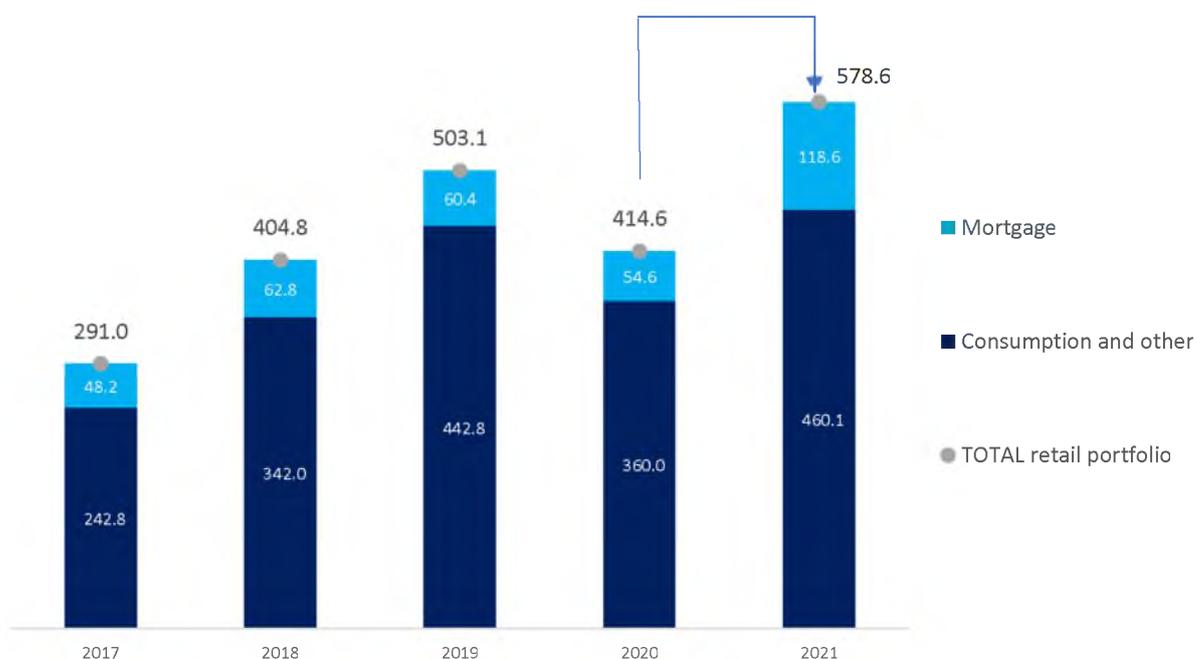
The Bank continued to implement measures to address the issue of ensuring shareholders' compliance with the requirements of the NBM regulations. As part of the approved plan to address this issue, meetings were held with potential investors and further action was taken to achieve the planned outcome.

As a result of the measures taken, on 30<sup>th</sup> of December 2021, the National Bank of Moldova granted permission for a potential investor of AS Iute Credit Europe to purchase a package of ENERGBANK shares worth over 50% of the share capital.

### Organic growth/competitive products

In 2021, the bank managed to maintain its share in the banking system on the main areas of activity at the level of 2-3%. At the same time, the number of active retail customers increased by 10%. The bank paid special attention to maintaining the profitability and efficiency of all business lines, which allowed it to achieve significant results.

Against the background of increasing customer activity, net revenues from customer service fees increased by 9,3%. Also in 2021, due to the improvement of the situation in the country's economy, the Bank restored the pace of retail lending and significantly increased its loan portfolio at the end of the year. Thus, the retail loan portfolio reached a level of 578,6 million lei, its increase being 39,5%. The quality of the portfolio remained at a high level. At the same time, mortgages have become one of the most successful areas of lending to individuals. In 2021, the Bank became a member of the 'Prima Casa' state mortgage lending program, which made it possible to offer the Bank's customers competitive market products. The increase of the mortgage loan portfolio was of 64 million lei.



### Digitization

The focus was on modernizing internet banking and mobile banking for individuals (implementation in the first quarter, 2022). The bank has also developed internal solutions for lending to retail customers (introducing a scoring model in decision making). At the same time, some business solutions (CRM) have been repeatedly postponed due to unresolved issues related to the quality of the bank's shareholders.

### Increasing efficiency/Increasing profit

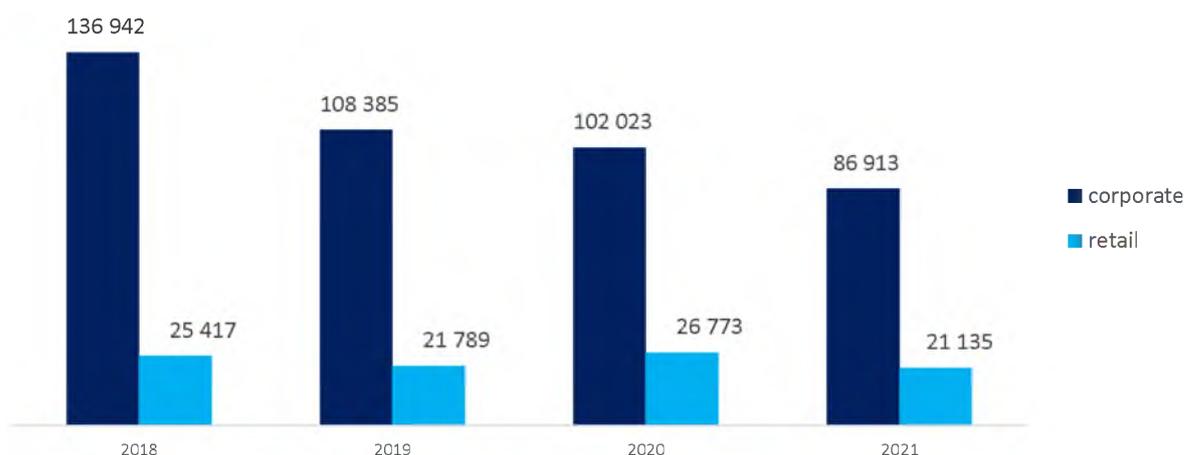
The Bank continued to implement measures to centralize support processes, the automation of which made it possible to reduce costs and improve the quality of the results obtained. The Bank also continued to analyze the results of the subdivisions' activity in terms of the prospects for achieving the current business model, and closed those with low efficiency; some auxiliary functions have also been optimized to increase their efficiency. Regarding the implementation of the financial plan, in 2021 a profit of 50,1 million lei was collected, the financial plan being fulfilled, the operating costs were at the planned level.

### Transforming the HR function

Some changes were introduced in the organizational structure, measures were taken to train and increase the competence of the staff of the business units, the work of unifying the staff of the branches was continued.

Regarding the quality of assets, it should be noted that as a result of the actions taken, the indicator of problem loans has improved both in the corporate segment and in retail.

Problematic assets, thousands MDL



The volume of assets for sale received in exchange for loan repayment, at the situation from 31<sup>st</sup> of December 2021, decreased by 9 million lei (made real estate and equipment).

Overall, in 2021, the bank made every effort to meet the established strategic guidelines, giving priority to improving the sustainability of the business. At the same time, in 2021, the size and sufficiency of own funds corresponded to the regulatory requirements of the NBM.

	2021	2020	2019
Capital, millions of MDL	546.39	525.10	480.78
Capital adequacy (> = 10%)	46.93	53.96	45.66

# MACROECONOMIC CLIMATE

## EVOLUTION OF THE BANKING SYSTEM

The global economic recovery in 2021 continues against the background of a new pandemic wave, which creates particular difficulties for economic policy. According to the IMF's World Economic Outlook report, published in July 2021, the most important areas of macroeconomic policy are overcoming the current health crisis and returning employment to normal levels. These guidelines have been supported by adaptive monetary policy aimed at minimizing risks to ensure financial stability.

Despite the recent rise in global inflation rates in both developed and emerging economies, long-term inflationary expectations remain in place. Total inflation peaked in the last months of 2021, at the same time it was expected that until mid-2022, inflation will return to pre-pandemic levels in most countries.

Moldova's state budget law for 2021 was based on an economic growth of 4,7%. The projected budget deficit in 2021 of 6,5 percent of GDP, projected on the basis of this indicator, was higher than the historical average in the medium term. As a result of changes in the GDP growth estimate adopted in October 2021, significant adjustments have been made to the national public budget to increase profits and reduce the budget deficit.

	2016	2017	2018	2019	2020	2021
GDP growth,	4.1	4	3.8	3.6	-8.3	13.9
Average annual inflation,%	2.4	7.3	3.3	7.5	0.39	13.94
NBM base interest rate,%	9	6.5	6.5	5.5	2.65	6.5
MoneyTransfer volume, millions USD	985.3	1 089.30	1 130	1 162	1 355.1	1 414.8
Exchange rate, USD / MDL	19.92	18.49	16.85	17.58	17.3201	17.6816

In general, the dynamics of Moldova's economic indicators in 2021 are approaching the average level for the European Union (EU), in recent years it has shown an increasing trend towards an intensification of dependence on the realities with the European economic community.

According to the data of the National Bureau of Statistics in 2021, the GDP constituted, in nominal value 241,9 billion lei, current market prices, being increasing (in real terms) by 13,9% compared to 2020.

The total gross value added (GVA) of the economy, with a share of 85,8% in GDP formation, contributed 11,7% to GDP growth in 2021 compared to 2020, the volume of GVA increasing by 13,5% .

The following activities mainly contributed to the increase in 2021 compared to 2020:

- agriculture, forestry and fishing (+ 4,2% in GDP growth) with a share of 10,4% in GDP formation and an increase in GVA on the respective activities by 45,0%;
- transport and storage, wholesale and retail trade, information and communications: with + 5% increase and a share of 17,4% in GDP formation.

From the point of view of use, the GDP growth in 2021 compared to 2020 was mainly due to the final consumption of households (contributing 12,6% to GDP growth), whose volume increased by 15,5%, constituting 80,8% of GDP.

A negative contribution on the physical volume index of GDP was the net export of goods and services, contributing by -5,0% to the change in GDP, a consequence of the increase of the physical volume of imports of goods and services by 19,2% correlated with a lower increase of the volume of exports of goods and services by -17,5%.

In 2021, the National Bank of Moldova continued the process of prudential supervision of banks in the Republic of Moldova, following the requirements of the legislation on prevention and limitation of risks specific to the banking sector. At the same time, the trend of consolidating own funds and increasing bank assets, loan portfolio and deposits continued. The banking sector registered a high level of liquidity (48,54%). For 12 months of 2021, the net profit of banks increased and amounted to 2,3 billion lei, an increase of 39% compared to the same period of 2020 (1,65 billion lei).

	Assets, billions lei	Loans, billions lei	Deposits, billions lei	Funds, billions lei	Net profit, billion lei	Personal
BC MAIB	37.20	19.66	28.60	4.47	721.77	2 339
BC Moldindconbank	24.42	11.49	18.94	2.99	711.97	1 545
B.C. Mobiasbanca - OTP Group	16.79	9.11	13.49	1.69	272.00	1 088
B.C. VICTORIABANK	16.59	5.19	12.87	2.30	295.04	1 055
B.C. ProCredit Bank	5.18	3.44	2.79	0.67	85.81	146
B.C. EXIMBANK S.A.	4.81	1.98	3.51	0.97	27.09	359
B.C. FinComBank S.A.	4.33	1.74	3.19	0.54	75.39	662
B.C. ENERGBANK S.A.	2.97	0.99	2.17	0.55	50.07	541
BCR Chisinau S.A.	2.72	1.12	2.12	0.43	24.47	111
B.C. COMERTBANK	2.02	1.00	1.33	0.30	18.40	175
BC EuroCreditBank	1.51	0.62	1.06	0.26	20.33	261

At the same time, all 11 banks were profitable. Total assets of banks increased to 118,5 billion lei, an increase of 14% compared to 2020. In the structure of assets, the most significant increase was noted in terms of loans by 23,46%.

Indicator dynamics, Banking System 2021 vs 2020	%	Billion lei
Assets	14.06	14.61
Own funds	12.93	1.74
Credits	23.46	10.71
<i>incl. corporate</i>	13.99	4.11
<i>incl. retail</i>	40.60	6.60
Deposits	13.10	10.44
<i>incl. corporate</i>	18.31	5.29
<i>incl. retail</i>	10.14	5.15

The largest increase in the loan portfolio was noticed in the retail segment (increase by 40,6%). The share of non-performing loans in 2021 in total loans decreased compared to 2020 from 7,38% to 6,14%. Also noteworthy is the trend of increasing the balance of deposits by 13,1% compared to 2020, in absolute terms, the increase was 10,4 billion lei (deposits of individuals accounted for 62% of total deposits, and 38% - deposits legal entities and banks, the structure of deposits remained almost the same as in 2020). At the same time, the increase in deposits of individuals was 5,15 billion lei (10,14%), for legal entities and banks - 5,29 billion lei (18,31%).

The performance of banks in 2021 confirmed the predominant share of the main players in the banking system. The first 4 banks (approved as systemically important banks according to NBM decision No. 33 of 4<sup>th</sup> of March 2021: BC MAIB SA, BC Moldindconbank SA, BC Mobiasbanca - OTP Group SA, BC VICTORIABANK SA) concentrated 82% of deposits attracted in the sector and they provided 80,7% of the total loans granted to customers.

	2021, billion lei	2020, billion lei	System share 2021, %	System share 2020, %
Assets	94.99	81.40	80.1	78.3
Credits	45.45	36.11	80.7	79.1
Deposits	73.89	64.11	82.0	80.5
Net income	2.0	1.48	86.8	90.0

# ANALYSIS OF FINANCIAL INDICATORS 2021

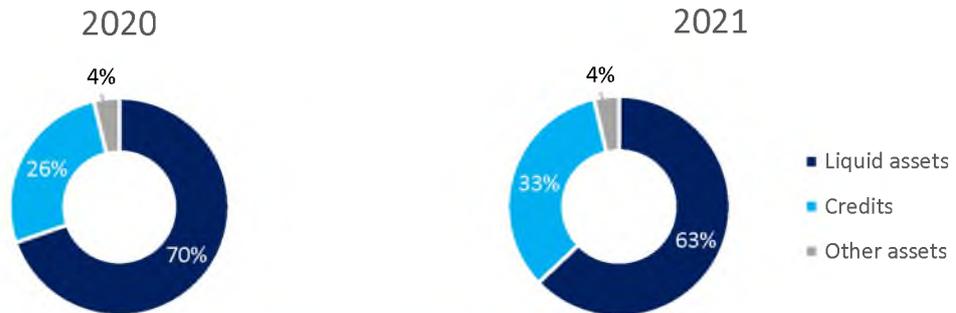
During 2021, the Bank's assets increased by 1,7% - up to 2,97 billion lei

Dynamics of assets, billions of MDL



The loans continue to be a non-core category of ENERGBANK assets: at the end of 2021 they represented 33% of the Bank's assets, at the same time it should be noted the growth dynamics compared to 2020. The share of liquid assets, which include cash, cash in banks and the portfolio of securities/NBM certificates decreased by 63%.

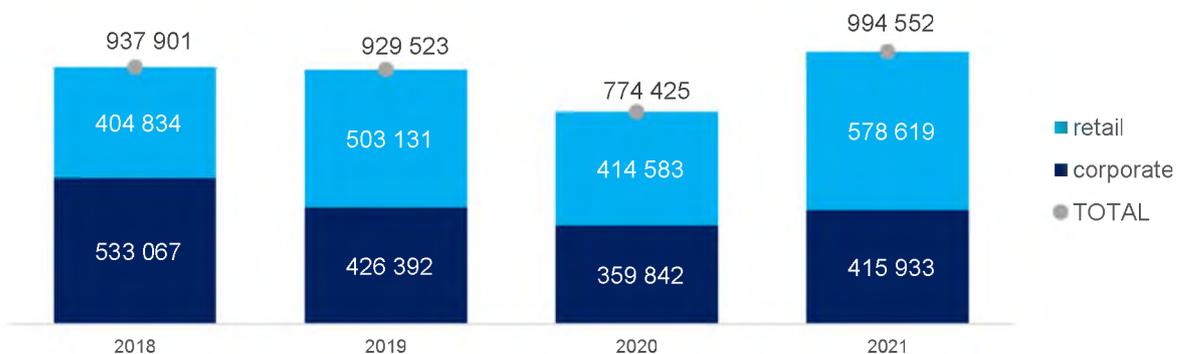
## ASSET STRUCTURE, %



## CREDITS

The recovery of the economy, the forecasts for the growth of economic activity and GDP allowed the bank to intensify its lending to both the retail and corporate sectors. As a result, the loan portfolio increased in 2021 by 220,1 million lei and amounted to 994,6 million lei. At the same time, the retail portfolio increased from 414,6 million to 578,6 million, the corporate portfolio - from 359,8 to 415,9 million lei.

Credits, thousands lei

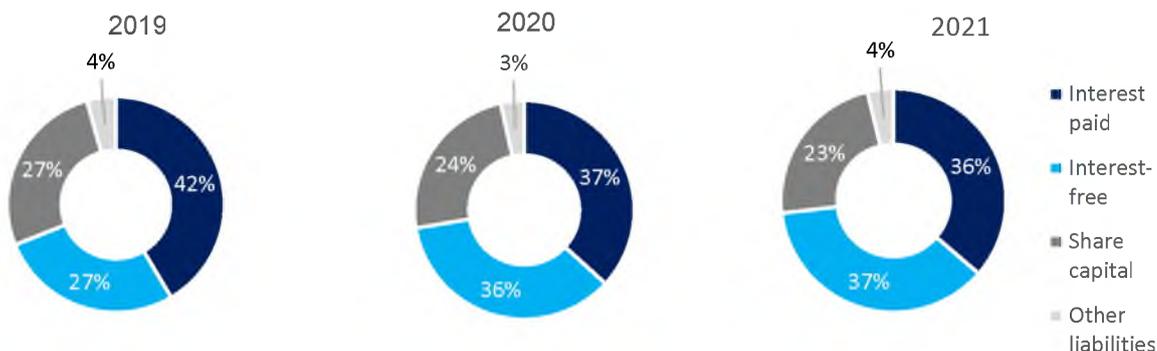


In the structure of portfolio, the share of retail loans was 58% (in 2020 and 54% respectively), corporate 42% (in 2020 46%). At the same time, the quality of the retail portfolio was set at an acceptable level - the share of problem loans was only 3,65% compared to 20,9% for corporate loans.

It should be noted that in 2021 problem loans decreased by 20,7 million, including corporate loans by 15,1 million and retail by 5,6 million lei.

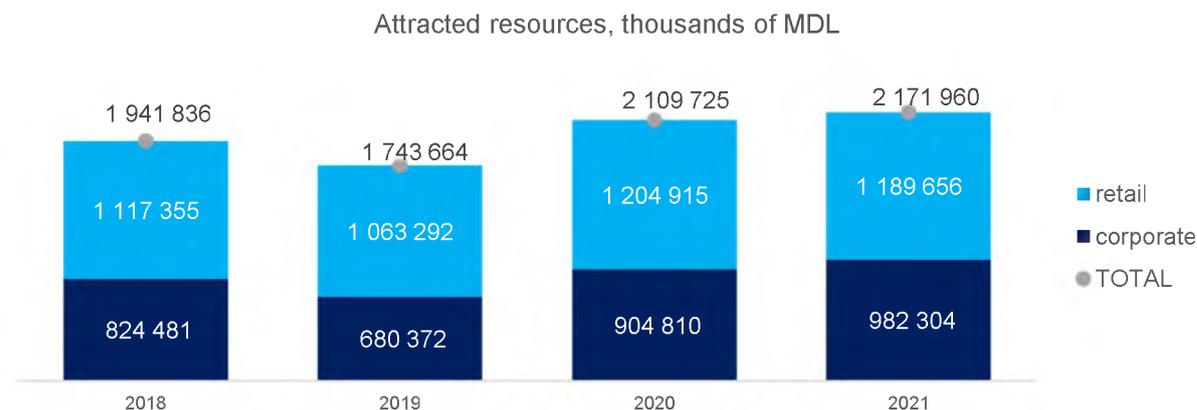
## LIABILITIES

The structure of the Bank's liabilities is dominated by resources attracted from individuals and corporate clients, whose total amount as of 31<sup>st</sup> of December 2021 amounted to 2,17 billion lei or 73% of total liabilities. During 2021, the Bank did not resort to interbank lending. There is an increase in the share of interest-free deposits of customers in the period 2019-2021 from 27% to 37%.



## MEANS OF CUSTOMERS

The volume of resources attracted from customers in 2021 increased by 3%. Resources of corporate clients increased by 8,6% and reached 982,3 million lei, and their share in the structure of the Bank's liabilities reached a level of 43%, increasing by 2 p.p. The volume of funds of individuals in 2021 decreased by 1,3%. The share of funds from individuals in total liabilities to the Bank was set at a level of 52,1%, decreasing by 2,4% compared to the level of 2020.



## GENERAL TRENDS

The Bank's gross income in 2021 increased by 6,0 million lei - up to 257,5 million, due, among other things, to an increase in interest income of 17,7% or 20,9 million and a decrease of non-percentage revenues by 11,3% (-15,1 million) compared to 2020.

Interest income amounted to 139,1 million lei. Interest-free income amounted to 118,2 million lei. The main reasons for the increase / decrease of income:

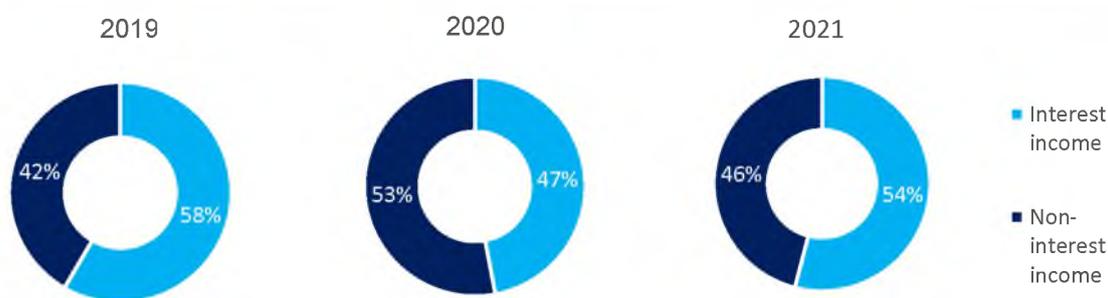
- ✓ Increase in interest income on funds placed with banks by 1,3 million lei (increase in the return on funds placed with the NBM).
- ✓ Increase in credit income by 10,1 million lei due to the increase of the loan portfolio and its profitability
- ✓ Increase of income from investments in state securities / certificates by 9,6 million lei due to the increase of the portfolio and its profitability
- ✓ Increase in commission income (gross) by 8,2 million lei due to the increase in customer transactions, the recovery of economic activity
- ✓ Decrease in income from foreign exchange transactions by 10,9 million lei due to the stabilization of the foreign exchange market and the decrease of the margin of operations
- ✓ Decrease of revenues related to the realization of assets received in exchange for loan repayment by 12,3 million lei (sale of real estate in 2020)

Gross expenses for 2021 decreased by 5,8 million lei and amounted to 200,2 million lei.

Essential changes compared to 2020:

- ✓ decrease of depreciation expenses by 9,4 million lei compared to the same period last year,
- ✓ decrease of expenses on resources attracted by 3,6 million lei,
- ✓ increase in non-percentage expenses (excluding income tax expenses) by 6,8 million lei, largely due to the increase in staff expenses.

## INCOME STRUCTURE

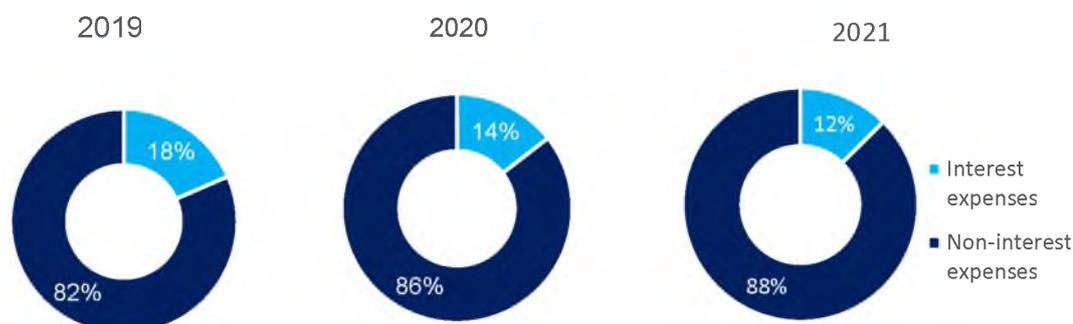


It is worth mentioning the trend of increasing the share of interest income in 2021. Also in 2021 there was an increase in the yield of the loan portfolio, an increase in the return on investment in government securities/certificates and funds placed in banks.

million MDL	2021			2020		
	Average value for the period	Interest income	Average profitability%	Average value per year	Interest income	Average profitability%
Credits	913.8	91.1	10.0	834.3	81.0	9.7
Securities	930.9	43.8	4.7	764.0	34.2	4.5
Means in banks	712.6	4.3	0.6	732.1	3.0	0.4
	2 557.3	139.1	5.4	2 330.4	118.2	5.1

## STRUCTURE OF EXPENSES

The main factors that influenced the dynamics of interest spending in 2021 were the continuous excess of liquidity in the banking system and especially in ENERGBANK.



The share of non-interest expenses continues to increase from 86% in 2020 to 88% in 2021. Individual funds remain the main element in the structure of liabilities. Excess liquidity, control of attracted resources and margins have positively affected the cost of financing. As a result, in 2021 the average cost of fundraising

from individuals decreased by -0,5 p.p. up to 2,1%.

from corporate clients decreased by -0,4 p.p. up to 0,8%

For lending the corporate clients, the Bank also used financing from international organizations (Other Loans - World Bank Directorate). Due to the 0,8 percentage point increase in the cost of financing through international lines, interest expenditure in this regard has increased.

million lei	2021			2020		
	Average value for the period	Interest expenses	Average cost,%	Average value per year	Interest expenses	Average cost,%
Deposits of individuals	1 032.2	22.0	2.1	986.0	25.6	2.6
Deposits of legal entities	58.3	0.5	0.8	58.4	0.7	1.2
Other loans	59.8	2.4	4.1	67.0	2.2	3.3
	1 150.3	24.9	2.2	1 111.3	28.5	2.6

The Bank's net interest income in 2021 was 114,2 million lei, almost 27% higher than in 2020. The net interest margin in 2021 was 4,8%, increasing by 0,6 p.p. compared to the 2020 indicator - the upward trend in the net interest margin was typical for the entire banking sector in 2021.

## FACTORS THAT AFFECTED THE NET INTEREST MARGIN IN 2021

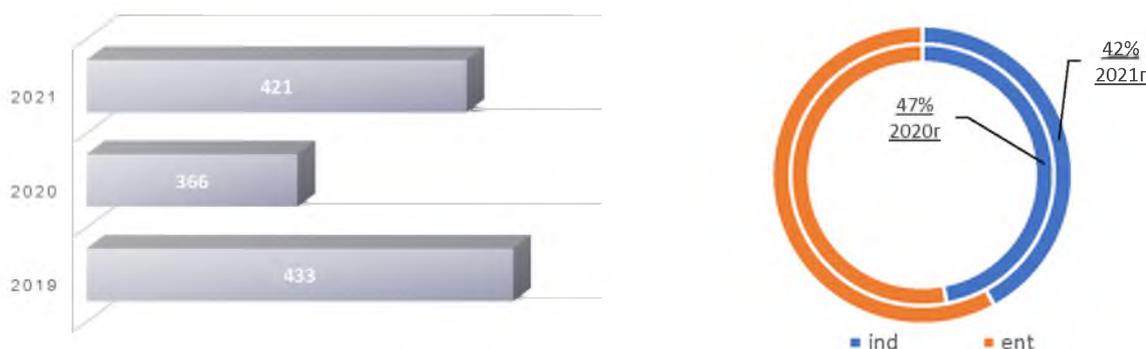
<b>MARGIN for 2020</b>	4.20%
Profitability of assets / structure	0.20%
The cost of liabilities	-0.40%
<b>MARGIN for 12 months of 2021</b>	4.80%

The corporate segment represents a significant part of the Bank's business, in 2021 the corporate clients share 42% of the loan portfolio and 45% of the clients' deposits. The bank continues to develop new products, striving to provide all necessary services to customers in this category and to maintain their loyalty.

## CREDITING CORPORATE CUSTOMERS

In 2021, ENERGBANK's share of the corporate lending market was 1,27%. Due to the high level of competition in this segment during the year the share was reduced by only 0,05 p.p.

AMOUNT\* AND SHARE OF CORPORATE CREDIT PORTFOLIO, MILLION LEI /%



## PROFITABILITY OF THE CREDIT PORTFOLIO

The income obtained in 2021 from loans to the corporate sector amounted to 22,9 million lei, thus, the income increased by 14% compared to the result of the previous year. Under these conditions, the real profitability of loans in 2021 increased by 0,33 pp. compared to 2020.

## QUALITY OF THE CREDIT PORTFOLIO

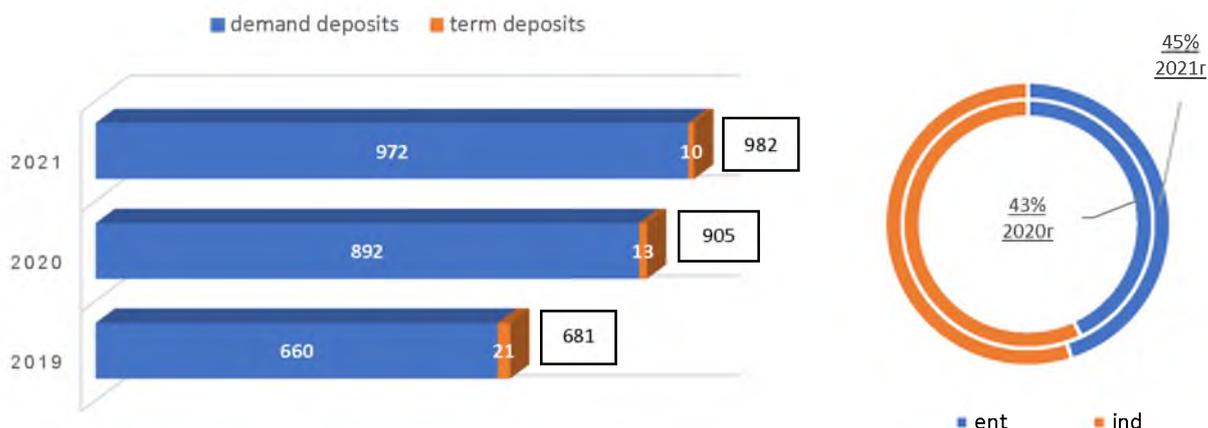
In 2021, the amount of non-performing loans in the corporate portfolio (at amortized cost) decreased by 8,1 million lei, and taking into account the reduction of the total corporate portfolio itself by 14%, their share in the portfolio decreased from 28,4 % in 2020 to 22,3% in 2021, the quality of the corporate portfolio according to prudential requirements has improved by 6,07 p.p. The cost of risk (the ratio between the depreciation created according to IFRS to the loan portfolio) increased insignificantly from 7,5% at the end of 2020 to 8,8% in 2021.

## ATTRACTING THE MEANS OF CORPORATE CLIENTS

In 2021, the Bank continued its policy of diversifying the funds attracted from customers, at the same time the balance of corporate customers' funds increased by 8,6% and amounted to 982 million lei. As a result, ENERGBANK's share of corporate customer deposits was 2,9%, down 0,25% at the end of 2021.

Simultaneously with the increase in the volume of funds in current accounts, there was a decrease in the amount of time deposits.

\* In this section, indicators of the size and structure of the loan portfolio are calculated at amortized cost at the end of the reporting period, which includes the amount of debt on loans, interest and commissions under loan agreements, reduced by the amount of accumulated depreciation on the relevant loans at the end of the reporting period.



The Bank's strategy, aimed at attracting the means of corporate clients, is largely explained by the tendency to obtain additional income by placing this resource in securities with high liquidity. At the same time, corporate deposits are a cheaper source of financing than retail deposits.

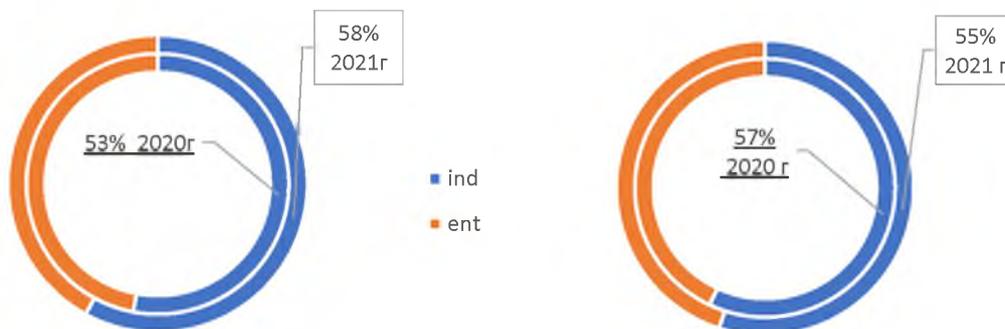
## CREDITING THE RETAIL SEGMENT

As a result of the continuation of the development strategy of the retail segment of the business, in 2021 the Bank's retail loan portfolio increased from 412 million lei to 577 million lei. On the other hand, the increase in the portfolio in 2021 was caused by the recovery of the market situation after a deep crisis resulting from the COVID-19 pandemic.

### RETAIL SEGMENT SHARE

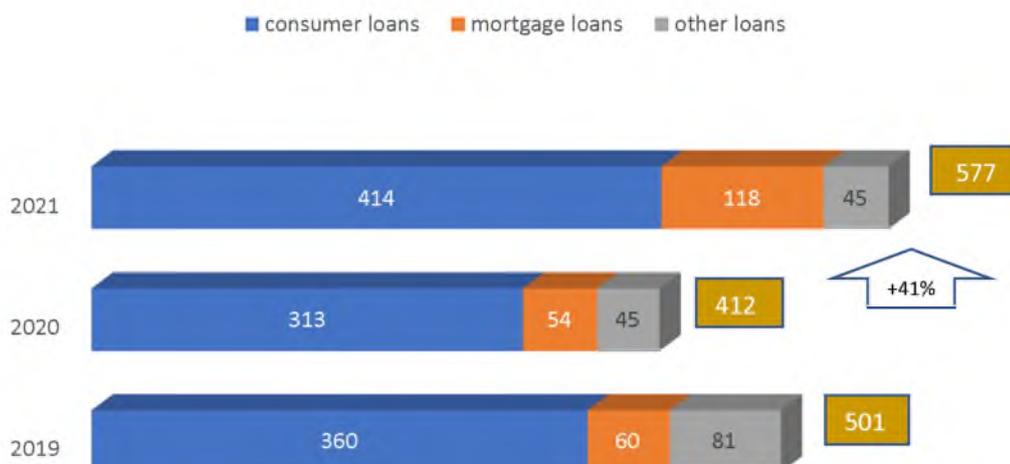
IN THE LOAN PORTFOLIO, %

IN THE DEPOSIT PORTFOLIO, %



In 2021, the volume of retail lending increased by 41%. The shares of each of the segments have also increased. The income, obtained during the current year on the credits of the retail segment, amounted to 68,2 million lei, which exceeds by 12% the result of the previous year. The retail segment continues to occupy a leading position in lending to customers.

## AMOUNT AND STRUCTURE OF THE RETAIL CREDIT PORTFOLIO, MILLION LEI



## QUALITY OF THE CREDIT PORTFOLIO

Among the main priorities of the Bank's activity in 2021, along with the increase of retail lending volumes and the increase of the market share in this field, was the maintenance of the high quality of the credit portfolio of individuals. The bank continues to pay special attention to the quality of the lending portfolio in risk management, and as a result of the efforts, the share of non-performing loans in the retail lending sector decreased by 2,7 p.p. and accounted for 3,7% at the end of 2021. The cost of risk decreased from 6,9% in 2020 to 3,5% at the end of 2021.

## MEANS OF INDIVIDUALS

Taking into account the liquidity surplus in 2021, the downward trend in the cost of retail deposits continued. Controlling the cost of financing continues to be one of the Bank's key priorities. The purpose of this policy was to minimize the influence of market conditions on profitability indicators. In 2021, there was a sharp increase in corporate lending volumes, although the volume of funds attracted from the retail segment did not change significantly compared to the previous year.

## AMOUNT AND STRUCTURE OF THE MEANS OF THE RETAIL SEGMENT, MILLION LEI



# CORPORATE GOVERNANCE

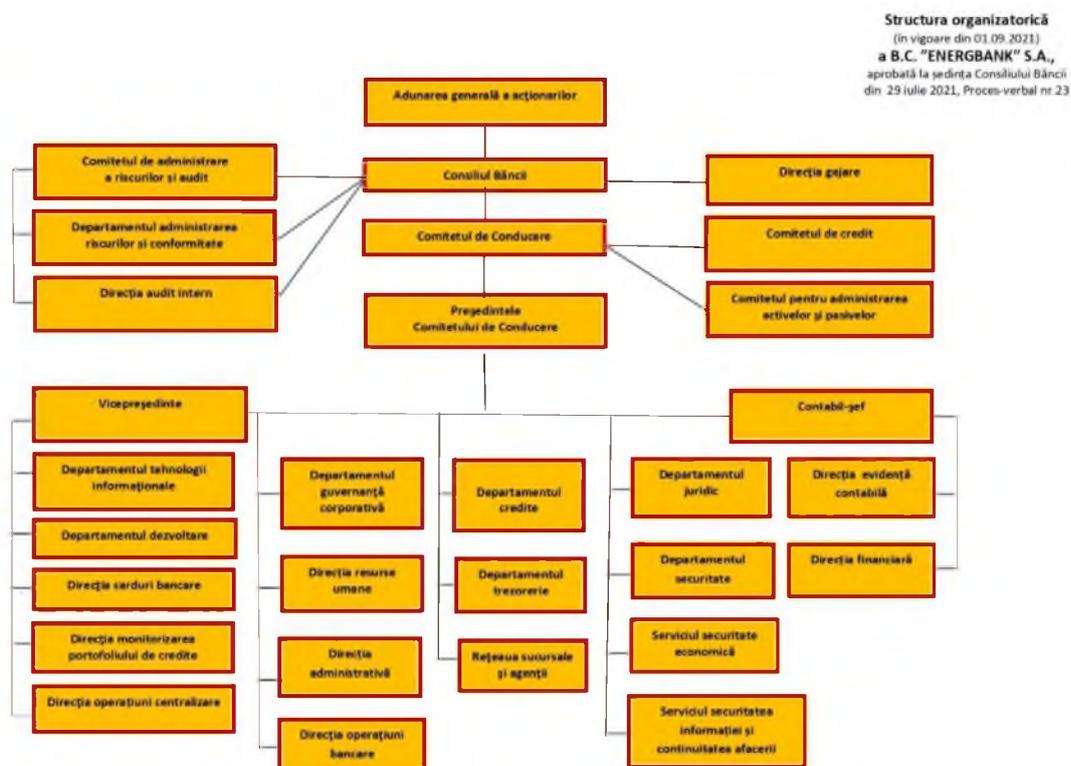
The corporate governance is the set of rules and practices by which the management of the company achieves its objectives by implementing the strategy adopted, responsibly, correctly and transparently regarding its relationship not only with capital market participants, and with all parties - customers, shareholders, investors, supervisors, employees, community.

For ENERGBANK, the right information and maintaining a trusting relationship with all partners is a priority. The Bank applies the principles set out in the Corporate Governance Code.

The Code declares strict compliance with the requirements of the law and the application of ethical rules of general business conduct to all participants in the business community. The priority of the Bank's corporate conduct is to respect the rights and legal interests of shareholders and customers, to present information, to ensure efficient business, to maintain financial stability and profitability.

The code is available on the Bank's website in the Internet at <http://energbank.com/ro/info/guvernanta-corporativa/codex>.

The Bank has an organizational structure appropriate to its activity and is transparent, which promotes efficient administration and ensures the necessary prudence in the management of the Bank.



The organizational structure of the bank includes the General Meeting of Shareholders, the governing bodies (the Board of the Bank and the Management Committee), as well as the structural subdivisions of the central office (departments, departments, sections, etc.) and the territorial subdivisions (branches, representatives, etc.) of the bank. The organizational structure of the Bank (it is accessible on the bank's website <http://energbank.com/ro/info/guvernanta-corporativa/organizational-structure>).

- ✓ The general meeting of shareholders decides on the basic questions related to the Bank's activity, such as introducing amendments to the Bank's Articles of Association, changing the composition of the Board, approving external auditors, profit distribution and others. The verification of the financial-economic activity of the Bank is performed by the independent audit company.

- ✓ The Bank's Board (*in the structure of which a risk management and audit committee was created*) performs the supervisory functions and determines the Bank's strategy. The priority tasks of the Board are to determine the development strategy of the Bank and its business directions, to ensure the realization and protection of shareholders' rights, to examine and approve business plans, as well as to control the activity of the Bank's Management Committee.
- ✓ The Management Committee is responsible for the operative control of the Bank's activity, it is a collegial executive body of the Bank, which manages the current activity of the Bank. The Bank's Management Committee ensures compliance with the basic principles of corporate governance and the conduct of policies, approved by the General Meeting of Shareholders and the Board of the Bank in accordance with the requirements of domestic regulations.

The rights, obligations, areas of responsibility and the program of activity of the General Meeting of Shareholders, the Board of the Bank and the Management Committee are governed by the corresponding internal normative documents. The numerical composition, structure, obligations and functioning of the governing bodies are determined by the Statute of the Bank (<http://energbank.com/ro/info/guvernanta-corporativa/statutul>), the Regulations of the Board, the Management Committee, the Corporate Management Code, Code of Compliance, Code of Corporate Ethics and Conduct.

The information on the composition of the Bank's Board and the Bank's Management Committee is provided on the official website <http://energbank.com/en/info/management>.

## INTERNAL CONTROL

The Bank's internal control system is a set of measures, regulations, procedures and instructions, aimed at systematic and permanent control by the management of the correct and efficient management of the Bank in accordance with applicable law, the interests of customers and shareholders based on truthful, complete information. and operational. A system of competencies is developed in the bank, according to which the responsibility for allowing and approving transactions and operations is distributed among the governing bodies, committees, subdivisions and collaborators in accordance with the approved procedures. All transactions and operations are planned and carried out in accordance with the requirements of the NBM regulations, internal regulations, provisions and instructions of the bank.

The bank also has an internal control system for the bank's employees to comply with and enforce the Law on Preventing and Combating Money Laundering and Terrorist Financing, according to which the bank has implemented and operates internal prevention and control policies and procedures. money laundering and terrorist financing, which enable the timely establishment and prevention of dubious banking operations, ensure the implementation of the appropriate information system and its continuous improvement, the examination of infringements of existing legislation and internal regulations, and those responsible.

## CONFLICT OF INTEREST

The main obligations observed by the members of the Board and of the Management Committee, imposed at the level of the bank for the prevention and avoidance of conflicts of interest, are:

- ✓ the obligation to act only in the interest of the Bank and to make decisions without being influenced by any own interests that may arise in the activity;
- ✓ the obligation to maintain the confidentiality of any facts, data or information that they became aware of during the exercise of their responsibilities and understand that they have no right to use or disclose them during the activity or after its cessation;
- ✓ the members of the management body abstain when decisions are taken on the agenda of the Board and the Management Committee regarding third parties with whom by the nature of their position they are in a conflict of interests.

## DIVIDENDS

In accordance with the legislation in force, dividends are paid from the funds set up for this purpose after approval by the general meeting. The distribution of dividends is made according to the decision of the general meeting, at the proposal of the Board and depends on the value of the distributable profit and the future capitalization needs of the bank.

The evolution of dividends approved and actually paid in the last three years is presented below:

Elements of announced and paid dividends, millions of lei	2021	2020	2019
- Dividends	0	0	0

In the year 2021 from the following events:

- large-scale transactions, transactions with conflicts of interest; transactions relating to the redemption, acquisition, disposal of own shares and the conversion, splitting or consolidation of securities from previous issues; important transactions with the public interest entity's own shares (the share of which is at least 5% of the shares issued by the public interest entity),

took place:

- redemption (for the execution of the provisions of the Law on the activity of banks no. 202/2017) by the Bank of its own shares (treasury shares) - 796,264 ordinary registered shares class I with nominal value 50 lei, ISIN code MD14ENER1001, price redemption - MDL 91,25 (713 504 shares) and MDL 68,25 (82 760 shares). The total number of redeemed shares (treasury shares) as at 31.12.2021 - 988 338 shares / 49,42% of the share capital.

All major events that took place during 2021, including additional issues / restructurings of previous issues; cancellation of shares, changes in the composition of management bodies, modification of rights related to issued securities, regarding the convening of general meetings of shareholders, etc., in accordance with the requirements of Law no.1134-XIII "On joint stock companies" of 02<sup>nd</sup> of April 1997 and Law no.171 "On the capital market" of 11<sup>th</sup> of July 2012, was published on <https://emitent-msi.market.md/ro/> and on the official website of the Bank <http://energbank.com/ro/info/guvernanta-corporativa/dezvaluirea-informatiei-decatre-emitentii-de-valori-mobiliare>.

## RESEARCH ACTIVITIES

The bank does not carry out research activities.

## **SOCIAL AND CORPORATE RESPONSIBILITY**

The year 2021 was as challenging as the previous year, continuing to be marked by the COVID-19 pandemic, which became not only an economic and health challenge, but also a test of social solidarity.

ENERGBANK continues to be a socially responsible bank, actively involved in the implementation of programs in the field of corporate social responsibility, thus manifesting a responsible attitude towards employees, customers, partners, the community and the society in which it develops its activity, but also about the environment.

The bank supports and promotes the sustainable economy by financing green power generation projects such as wind farms, thus stimulating the reduction of harmful emissions into the environment.

ENERGBANK is in solidarity with the efforts of the authorities and society and is fully responsible for overcoming the global pandemic. During this period, the Bank developed a set of actions throughout the year, which during this period were an essential support for the whole company.

The proper functioning of the healthcare system is crucial. From the first days of the danger caused by COVID-19, the Bank provided financial support to the medical staff of the first line in the north and south of the republic, but also in Chisinau.

The bank as a responsible employer has taken several actions to support and protect employees during this period by introducing remote work and offering free personal protective equipment and disinfectants to employees and customers.

ENERGBANK will continue to monitor the situation and remain in solidarity with society throughout the pandemic.

Staff Policy of C.B. "ENERGBANK" J.S.C. for 2021, its main objective was to contribute to the achievement of the bank's strategic objectives by training and supporting a team of competent and professional employees.

In 2021, the personnel management was directed in creating the conditions for maintaining the quantitative and qualitative balance of the bank's employees and providing the necessary human resources to increase the financial profitability.

The process of selecting employees within the bank was based on transparent, neutral and objective criteria. Personnel selection sources consisted of internal reserves and external sources. The staff recruitment and selection system is a continuous and systematic process based on the planning of the necessary staff, which is carried out directly by the Human Resources Department or through the announcements regarding the vacancies placed in the corporate network (for internal competition), the website bank, job sites.

At the end of 2021, the writing staff of C.B. "ENERGBANK" J.S.C. it had 547 employees compared to 587 in 2020. The bank's network had 329 employees and only 218 Central Office.

The staff turnover ratio for 2021 was about 16%, which is considered a "healthy" staff turnover. The staff turnover is largely due to the implementation of the provisions of the Business Plan for 2021 which optimized the non-business structures and the universalization of functions in the Front Office. The optimization of non-business structures and the universalization of Front-Office staff had a positive influence on the indicators and the development of the Bank as a whole.

The average age of employees is about 41 years. The share of employees with higher university education is 73%.

In 2021, the continuous professional development activities of the staff was the major objective of the Bank and it has known significant progress.

The activities of continuous professional development of the staff or carried out through training programs for remote staff (e-learning, etc.), through online platforms with the use of information technologies. The training programs were developed based on the training needs and were addressed to all employees within the bank, both in the business segment and in the support areas, in order to increase the professional skills of the entire team of the bank. Thus, in 2021 approximately 277 employees benefited from training programs on deepening and acquiring new knowledge in team management in the banking system, risk management, preventing and combating money laundering and terrorist financing, taxation, accounting, labor law, conflict management interests, description of business processes, etc.

A major focus in 2021 was on training the Bank's network staff to develop customer negotiation skills, attract new customers and retain existing customers.

The training activities of the bank's staff were carried out thanks to a constructive collaboration with the development partners - the Association of Banks of Moldova, the Training House of Luxembourg and the Romanian Banking Institute, the League of Bankers of Moldova and training companies at national level.

For the newly hired staff in order to develop the initial professional skills in customer service, the understanding of the specifics of the bank's products and services focused on on-the-job training through mentoring.

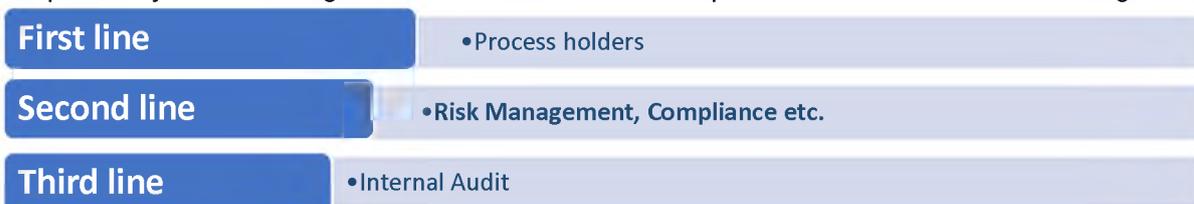
The bank complies with labor legislation, as well as the regulations of local regulations related to the protection of occupational health and safety. During 2021, the Bank undertook measures to protect employees against the coronavirus pandemic, in particular by offering remote work schedule, flexible schedule, etc.

The Bank has a Remuneration Policy, which was revised in December 2021 to meet the Bank's long-term objectives, values and interests, integrity and ethical values, and is applicable to all employees of the Bank.

Recognition of exceptional behaviors associated with strategic values and objectives, as well as alignment with the provisions of the Bank's Code of Ethics is the basis for material motivation of employees.

# RISK MANAGEMENT

The Risk management within the bank is fully integrated with the administrative decision-making process and is carried out centrally. The Risk Management and Compliance Department performs the methodological, analytical, control and reporting functions in the field of risk management, collects information on each type of financial risk and has current data on the Bank's risk profile. Periodically, but not less than once a quarter, the Risk Management and Compliance Department informs the Bank's Management Committee of exposure to significant risks for operational decisions. Periodically, but not less than once a quarter, the Risk Management and Compliance Department presents information to the Bank's Board on the current risk profile. The Board of the Bank establishes the risk management strategy, supervises the execution of this strategy and approves regulations, policies and risk management plans. The main purpose of risk management within the Bank is to comply with the prudential requirements of the National Bank of Moldova, as well as to take into account in a balanced way the interests of all stakeholders - customers, partners, shareholders, supervisory bodies, both in time and in long-term perspective. Responsibility for risk management establishes a three-level protection model as shown in the figure below:



The first level of protection comprises the subdivisions whose activity is directly linked to the occurrence of the risk. The second level of protection performs the independent risk assessment, surveillance and critical analysis of the first level of protection. The third level of protection is the internal audit subdivision which analyzes the efficiency and correctness of the main risk management processes.

In order to effectively manage risks, namely anticipate them and identify vulnerabilities, the Risk Management and Compliance Department performs annual crisis simulations, generating extreme scenarios on all significant activities of the bank. The process identifies and analyzes the situations that may cause exceptional but possible losses, as well as their estimation, both in the foreseeable future and in the long term, after determining the amount of losses that may be recorded by the Bank. The results of the crisis simulations are reported to the Board of Directors and the Board of the Bank.

The normative basis of risk management is the legislation in force of the Republic of Moldova, the regulations and recommendations of the National Bank of Moldova, as well as the internal normative acts. In addition, in determining the risk management methodology, the Bank is guided by global best practices, mainly applying the current requirements of the European Central Bank and the Basel Committee on Banking Supervision (Basel III).

In order to improve the risk management system, the Bank is further developing its risk assessment methodologies, tools and mechanisms.

The Bank highlights the following types of significant risks:

## CREDIT RISK

Credit risk is the most significant for the entire banking system. The bank understands credit risk as a potential probability that borrowers / contractors will not meet their commitments to the bank on time or in full. The main body that manages credit risk is the bank's Credit Committee. To make decisions, the following structural subdivisions provide information to the Credit Committee: the Credit Department, the Legal Department, the Pledge Department, the Risk Management and Compliance Department. If necessary (for example, the degree of exposure) the Board and the Management Committee participate in the credit risk management process.

The main bearers of the Bank's credit risk are large legal entities, the retail segment, the Government of the Republic of Moldova, foreign banks, where correspondent accounts are opened.

The main methods of reducing credit risk are:

- thorough analysis of the activity of clients/contractors (both at the time of taking the risk exposure decision and throughout the life cycle of the exposure);
- acceptance of guarantees to ensure exposure (surety, pledge of movable and immovable property, pledge of funds, etc.);
- active work with non-performing loans with the application of different methods to reduce credit risk;
- setting limits on certain types of exposures;
- diversification of the loan portfolio and identification of the most favorable segments for lending (based on internal information and statistics, and having as a guide the situation in the banking sector as a whole and the trends of macroeconomic indicators).

## **MARKET RISK**

The potential negative influence of market risk is the impact of changes in market conditions and macroeconomic conditions. The main market risks for the Bank are currency risk and interest rate risk. Currency risk is related to changes in foreign exchange rates at open foreign exchange positions. The Treasury Department is responsible for the operational management of foreign exchange risk. The Bank is exposed to interest rate risk due to a possible unfavorable change in interest rates on assets, liabilities and off-balance sheet instruments. Interest rate risk management is performed by the Assets and Liabilities Management Committee based on information provided by the Development Department, the Treasury Department and the Risk and Compliance Management Department.

## **OPERATIONAL RISK**

The Bank understands the operational risk of loss due to inadequacy or disruption of internal processes, the impact of the human factor, disruptions and errors in systems, and the influence of the external environment. The Risk Management and Compliance Department collects available information on operational risk events and submits a quarterly report to the Management Committee. On the basis of an analysis, the Committee shall approve the business plan to minimize the likelihood / impact of operational risks.

## **LIQUIDITY RISK**

Liquidity risk is defined by the bank as the inability to pay its bonds on time. Such a risk may arise from unbalanced financial assets and liabilities, but also from the immediate and simultaneous fulfillment of all its commitments. The Bank's Board / Management Committee is informed on a monthly basis about the short-term and long-term liquidity status, about balancing assets and liabilities in terms of terms. The Treasury Department is responsible for the day-to-day monitoring of liquidity positions.

## **COUNTRY RISK AND TRANSFER**

The Bank understands by country risk the risk of loss as a result of default (timely failure) of obligations by counterparties abroad due to economic or political conditions. The main share of the Bank's assets and liabilities belongs to local customers and contractors. Country risk arises in connection with the economic need to pay payments to customers abroad and to cooperate with money transfer systems. The main sources of information for country risk management are data from major global rating agencies and publications from media sources. This information is monitored by the Risk Management and Compliance Department no less than once a month.

## **REPUTATIONAL RISK**

Reputational (image) risk is caused by the appearance of negative material published in the media regarding the Bank's activity, which leads to the distrust of creditors, depositors and the market towards the integrity of the bank.

Every month, the Development Department monitors the publications and information about the Bank in the mass media (television and radio, in periodicals and on the Internet). The Bank aims to meet a low level of reputational risk, which does not lead to the recording of losses or non-realization of the profits estimated by the Bank.

## ANNEX 1 NON-FINANCIAL STATEMENT

The rule of art. 23 of the Law on accounting and financial report no. 287 of 15<sup>th</sup> of December 2017 stipulates that the subject of public interest, which meets the criteria, established for large companies and the average number of employees whose record period exceeds 500, must include in the management record the non-financial statement.

The non-financial statement contains information on the environment, social issues, staffing issues, respect for human rights and the fight against corruption and includes:

- a) brief description of the subject's business model;
- b) description of the approved policies and procedures applied, as well as the results received by the subject;
- c) the basic risks and the way in which they are managed.

### BUSINESS MODEL

In its activity, the bank has the following objectives:

- Maintaining healthy organic growth by attracting customers through digitization;
- Maintaining the values of the bank through people, through the development and support of employees and recognizing their results;
- Maintaining efficient risk management through good quality of new assets and improving the quality of existing ones;
- Maintaining high liquidity and a stable capital base
- Focus on steady revenue growth and optimizing spending.

The bank does not aim to maximize profitability over a short period of time, but to focus on long-term efficiency. Business resilience is a priority.

In the future, the bank intends to support the universal business model - to actively collaborate with small and medium-sized businesses, to develop relationships with important corporate clients as well. In general, the bank's development strategy will be conservative.

### CORPORATE GOVERNANCE

The Bank is responsible for the existence of a strict system of governance, which must include at least the following:

- ✓ organizational structure and organizational process;
- ✓ the structure of the bank's management bodies, namely: competencies and obligations;
- ✓ structure and operation, general rules for carrying out the activity;
- ✓ risk management;
- ✓ internal control;
- ✓ information systems and business continuity;
- ✓ the requirements of the transparency of the activity.

The bank has internal rules that govern the structure of business management.

ENERGBANK operates under the Corporate Governance Code. The Code declares strict compliance with the requirements of the law and the application of ethical rules of general business conduct to all participants in the business community. The priority of the Bank's corporate conduct is to respect the rights and legal interests of shareholders and customers, to present information, to ensure the efficient management of business, to maintain financial stability and profitability. The code is available on the bank's website at: <http://energbank.com/ro/info>.

The bank has three main corporate governance bodies: the general meeting of shareholders, the bank's management committee and the bank's board.

The General Meeting of Shareholders is the highest governing body. The General Assembly decides on key issues related to the bank's business, such as: introducing changes to the Bank's Articles of Association, issuing new shares, changing the structure of the Board, approving external auditors, distributing profits and more. The supervision of the financial-economic activity of the bank was ensured by the independent audit company. The Board of the Bank (within which the Audit and Risk Committee was established) performs supervisory functions and determines the development strategy of the Bank, ensures the management of internal audit and compliance risks, assists the Board in supervising the preparation and presentation of financial reports, ensuring high quality corporate governance, including the

effectiveness of corporate control. The Assets and Liabilities Management Committee, the Credit and Pledge Committee contribute to increasing the efficiency of the various directions of the Bank's business. The priority tasks of the Board are: determining the development strategy of the bank and its directions, ensuring the attainment and protection of shareholders' rights, reviewing and approving business plans, and monitoring the activities of the management committee.

The management committee is responsible for the operational control of the bank's activity, it is a collegiate executive body, which carries out the current management of the activity. The bank's committee ensures compliance with the basic corporate principles and the implementation of policies, approved by the general meeting of shareholders and the bank's board in accordance with the requirements of internal regulations. The rights, obligations, areas of responsibility and the program of work of the general meeting of shareholders, the board and the management committee, as well as the committees, created by the board, are regulated by the corresponding internal normative documents. Number, structure, obligations and order of business of management bodies, code of compliance, code of ethics and corporate conduct.

ENERGBANK's internal control is based on:

- ✓ the existence of the internal control system;
- ✓ the existence of independent functions of internal control;

The control function, which must be independent, shall delimit:

- ✓ the risk management function, which has the function of risk control for each type of activity;
- ✓ compliance function;
- ✓ internal audit function.

Internal control system - this system, which ensures the efficient execution and efficient execution of operations, adequate risk control, rational business development, the veracity of the information of the financial and non-financial records, both internal and external. The regulatory basis of internal control is also the basis for ensuring compliance with legislative and regulatory requirements, supervisory requirements, internal regulations and bank decisions.

The internal control system comprises all banking structures in general, including the activity of all operational subdivisions, support and control functions.

## **RISK MANAGEMENT**

ENERGBANK's activity is inextricably linked to risk acceptance. Thus, active risk management is the key task and will be an inalienable part of the bank's management. In order to determine, measure and manage risks in the most efficient way, Energbank has developed and implemented complex risk management, in which case the system is constantly being modernized. In particular, in addition to the legislative and regulatory requirements, the nature, amount and complexity of the bank's business and, consequently, the risks are taken into account. In addition, the risk management structure ensures that all key risks are measured and limited, and that, in general, the bank's business is assessed, taking into account the link between profitability and risk.

### **Principles of risk management**

The Bank has a system of risk management procedures and principles, aimed at detecting, measuring and controlling risks in order to control and manage them as significantly as possible. The principles of risk management shall be determined by the Council and shall include:

- ✓ risk awareness;
- ✓ accepting risks;
- ✓ risk management;
- ✓ legislative requirements;
- ✓ complex approach: based on the risk assessment, it was demonstrated that the main types of risk of ENERGBANK are credit risk, market risk, operational risk and liquidity risk. The Bank aims to integrate these risks into a single system for measuring risks through the value of capital;
- ✓ independent control: the bank separates the strict and clear actions of taking risks from their management and control. This functional and organizational separation is ensured by the existence in the management structure of the Council of a special committee responsible for risk management.
- ✓ new products: any launch of a new product, which includes taking risks, their analysis is performed in advance.

### **Organizing the risk management activity**

The risk management activity is the fundamental activity for the bank, and therefore almost all banking structures are involved in one way or another in this process. The basic organizational structures and their basic risk management obligations are set out below.

The ENERGBANK Board ensures the proper organization and continuous development of the risk management activity. He is constantly preparing and reviewing the business plan and general strategies regarding the bank's activity, he is responsible for this activity.

The Board's Audit and Risk Committee examines the general principles of risk management and ensures proper management through risk management policies, standards and methods, supporting risks within clearly defined limits. By monitoring the implementation of these policies, standards and methodologies, the Committee shall ensure that risks occur or, when they do occur, limit their action. The Risk and Liability Management Committee (ALCO) manages the bank's balance sheet structure, liquidity risk, sets and controls the limits of liquidity and market risk, and effectively manages the bank's capital in order to achieve sufficient revenue in accordance with risk parameters.

The credit committee shall manage the credit risk, be responsible for the credit policy and credit decisions in accordance with the powers established by the statement.

Quality assurance and internal control in risk management consists in ensuring the integrity, security and operation of processes, models, calculations and data sources in order to ensure compliance with all applicable legal rules and to achieve the highest standards in risk management. The two important functions for ensuring independent control are performed by the internal audit department and the compliance department. Internal audit is a legislative requirement and the basic system of internal control. The audit regularly evaluates all business processes and contributes to their consolidation and refinement. The compliance department is responsible for ensuring that the requirements of the legislation are complied with as an integral part of the internal control system. In addition, the objective and independent audit of potential issues is provided in the annual audit of the financial statements by independent audit firms.

## **SOCIAL RESPONSIBILITY, STAFF, ENVIRONMENTAL PROTECTION, OTHERS**

### **Social responsibility**

ENERGBANK permanently implements the measures, related to social responsibility, supporting annually directly or through specialized funds/associations of the group of low-income people.

The Bank also participates in supporting scientific, cultural, sporting, medical, study, environmental, national or regional events.

ENERGBANK does not have an integrated policy or procedure in the field of environmental or social management, it does not include the relevant aspects in this field in various applicable corporate documents, which include concrete business issues.

The fundamental (central) social task consists in the formation of the internal organizational culture through: the working conditions of the employees; reward system; work motivation systems; the means of evaluating the functions, the standardization of the work; information and management systems; permanence of mutual relations with customers through the quality, sustainability, price of the proposed products and services; availability to change; the existence of a desire to assume responsibility; complete and efficient use of working time; the mutual relationship of personal interests with the interests of the enterprise.

### **STAFF**

ENERGBANK has re-examined its personnel policy and the value of its work, trying to adapt to current needs, in order to respond to the changing banking environment.

In 2021, taking into account the economic context, labor migration, lack of qualified staff, the bank focused its attention on maintaining qualified staff, as well as on the training of newly recruited staff. Thus, in order to support the necessary qualification in the bank, actions were carried out to select the staff according to their professional training. The evolution of the structure of the level of education obtained by the bank's staff indicates the bank's interest in satisfying the staff's need by using collaborators with higher education. In order to improve the training, education and retraining of the bank's staff, the training process is carried out continuously and is planned through courses with the attraction of foreign lecturers or the use of local teachers. in accordance with the provisions of the collective agreement in force. The annual training plan is a systematic process of changing the behavior, knowledge and motivation of employees to improve the balance between personal characteristics and professional requirements.

### **Fighting corruption**

The Bank has implemented internal regulations, additional controls, oriented in the fight against corruption, its main purpose:

- determining the principles and rules necessary to detect and prevent potential corruption for the protection of the integrity and reputation of the bank
- to provide general information to employees on the measures taken by the bank to detect, mitigate and manage risks related to corruption.

The anti-corruption program includes such elements as regular assessment of the risk of corruption, appropriate rules in specific areas, ensuring secure and accessible channels of information through which employees can report on the violation of the principles of corruption in a confidential manner (whistle-blowing), reports of bodies driving.

The bank is not tolerant to acts of corruption. Acts of corruption are prohibited regardless of how they are committed and whether they have been committed directly or indirectly. The bank does not allow the participation of its employees or third parties in corruption schemes. The Bank is oriented towards the implementation of the anti-corruption program to fight the risks of corruption and to ensure the creation of the appropriate culture, which ensures the exclusion of acts of corruption as such.

### **Environmental protection**

ENERGBANK complies with the current legal and environmental basis for environmental protection and is constantly working to reduce the influence of its operational activity on the environment.

### **Respecting the human rights**

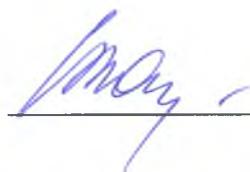
ENERGBANK has reaffirmed its commitment to respect for human rights through its actions, undertaken along the way, with its own set of values, principles and rules. The Bank is taking this question seriously, first and foremost, in order not to provoke or contribute to the violation of human rights in any way through its day-to-day business. At the same time, the bank aims to maximize its positive impact on human rights issues through such actions as the development of fair financial products and services, compliance with the code of conduct, support for charity, and so on. Last but not least, in its activity ENERGBANK maintains an open and permanent dialogue with its shareholders in order to guarantee that it takes into account their legal expectations.

Chairman of the Board



Balanov G.

Chairman of the Management Committee



Vasilachi Iu.

## ANNEX 2 CORPORATE GOVERNANCE STATEMENT "RESPECTS OR EXPLAINS"

No. crt.	Question	Yes	NO	If NO, explain:
1	Does C.B "ENERGBANK" J.S.C. have a personal web page? Indicate its name.	Yes <a href="http://energbank.com/">http://energbank.com/</a>		
2	Has C.B "ENERGBANK" J.S.C. developed the Corporate Governance Code, which describes the principles of governance, including changes to it?	Yes		
3	The corporate governance code is posted on own website of C.B."ENERGBANK" J.S.C., with the date of the last change?	Yes		According to art. 36 of the Law on the activity of banks no. 202 of 06.10.2017, the Censors Commission was excluded from the organizational structure of the Bank
4	The Corporate Governance Code sets out the functions, powers and responsibilities of the board, the executive body and the C.B."ENERGBANK" J.S.C.?	Yes		
5	Does the annual report of the Management Committee (the executive body) contain a chapter on corporate governance, which describes all the relevant elements, related to corporate governance, recorded during the record period?	Yes		
6	Does C.B. "ENERGBANK" J.S.C. ensure an equal attitude towards all shareholders, including minority and foreign owners, owners of simple and/or preferential shares?	Yes		
7	C.B. "ENERGBANK" J.S.C. has it developed, proposed and approved the procedures for convening and holding the regular and efficient holding of general meetings of shareholders, without infringing on the right of each shareholder to express their opinion freely on all the questions discussed?	Yes		
8	C.B. "ENERGBANK" J.S.C. publishes information on the following aspects of corporate governance on its website:	Yes		
	1) general information about C.B. "ENERGBANK" J.S.C. - historical information, types of activity, registration data and others;	Yes		
	2) C.B. "ENERGBANK" J.S.C. report on compliance with corporate governance principles and legislation;	Yes		
	3) The Statute of C.B. "ENERGBANK" J.S.C.;	Yes		

	4) C.B. "ENERGBANK" J.S.C. rules and C.B. "ENERGBANK" J.S.C. board rules, of the executive body and the board of auditors, as well as the remuneration policy for the members of the management bodies and the regulation of the procedure for convening and holding the general meeting of shareholders, if this procedure has been approved;		No	The normative acts are published in the manner provided by the legislation of the Republic of Moldova
	5) the financial reports and annual reports of B.C. ENERGBANK S.A. ;	Yes		
	6) information on the internal audit (audit committee) and the external audit of the C.B. "ENERGBANK" J.S.C.;	Yes		
	7) information on the members of the executive body, the members of the board of C.B. "ENERGBANK" J.S.C. and the members of the board of auditors (separately for each member). Indicate work experience, positions held, information on the number of shares belonging to them, as well as an indication of their independence;	Yes		
	8) the shareholders, who hold at least 5% of the shares of C.B. "ENERGBANK" J.S.C., as well as the information regarding the changes introduced in the shareholders 'lists;	Yes		
	9) any other information to be published by C.B. "ENERGBANK" J.S.C. in accordance with the large transactions, any other important information, press releases of C.B. "ENERGBANK" J.S.C., archiving information regarding the company's reports for the previous periods;	Yes		
	10) Corporate governance statement.	Yes		
9	Can the shareholder use the electronic information regarding the convening of the general meeting of shareholders (at his request)?	Yes		
10	C.B. "ENERGBANK" J.S.C. publishes on its own website (in a separate chapter) the information about the general meetings of shareholders:	Yes		
	1) the decision to convene the general meeting of shareholders?	Yes		
	2) the draft decisions to be examined (agenda materials / documents), as well as any other information related to the questions on the agenda?	Yes		
	3) approved decisions and voting results?	Yes		
11	Is there a corporate secretary position within C.B. "ENERGBANK" J.S.C.?	Yes		
12	Is there a specialized subdivision/person within C.B. "ENERGBANK" J.S.C. for maintaining relations with investors?	Yes		
13	Is the Board convened at least once a semester to monitor the activity of C.B. "ENERGBANK" J.S.C.?	Yes		
14	Are all transactions with the interested parties opened through the website of C.B. "ENERGBANK" J.S.C.?	Yes		

15	Has the Board of C.B. "ENERGBANK" J.S.C./ the executive body approved the procedure for detecting and properly resolving situations with the presence of conflict of interest?	Yes		
16	Does the person concerned comply with the provisions of the law and the provisions of the Corporate Governance Code relating to transactions with the presence of a conflict of interest?	Yes		
17	Does the structure of the board of C.B. "ENERGBANK" J.S.C. ensure a sufficient number of independent members?	Yes		
18	Is the election of the board members of C.B. "ENERGBANK" J.S.C. based on the transparent procedure (objective criteria regarding professional qualification, etc.)?	Yes		
19	Is there a remuneration committee within C.B. "ENERGBANK" J.S.C.?		No	According to art. 44 (2) "Law on the activity of banks", the existence of a remuneration committee is not mandatory.
20	Is the remuneration policy of C.B. "ENERGBANK" J.S.C. approved by the general meeting of shareholders?		No	The internal regulations related to the remuneration of the members of the Bank's Board of Directors are approved by the General Meeting of Shareholders, those related to the remuneration of the employees' work - by the Board and the Board of Directors of the Bank.
21	Is the remuneration policy of C.B. "ENERGBANK" J.S.C. presented in the Statute/Internal Regulations and/or the Internal Regulations and / or the Corporate Governance Code?	Yes		
22	Does C.B."ENERGBANK" J.S.C. publish information in Russian and/or English on its website?	Yes		In Russian
23	Is there an Audit Committee within C.B. "ENERGBANK" J.S.C.?	Yes		
24	Does BC „ENERGBANK" SA, the financial instruments of which are admitted to auction on the regulated market, present to the regulated market its Declaration regarding the coordination or non-coordination with the provisions of the Corporate Governance Code?	Da		

## ANNEX 3 LIST OF BRANCHES

No. d/o	Name of the subdivision	Address
1	Balti branch	Balti municipality, str. Stefan cel Mare si Sfant, 6/3
2	Ocnita branch	Ocnita city, str.50 ani ai Biruintei, 19/B
3	Cahul branch	Cahul municipality, str.Republicii, 15/6-1
4	Criuleni branch	Criuleni city, bd. Biruința, 12
5	Rascani branch	Chisinau municipality, bd. Moscova, 5
6	Ciocana Noua branch	Chisinau municipality, bd. Mircea cel Batran, 4/4
7	Leova branch	Leova city, str. Stefan cel Mare, 50
8	Hancesti branch	Hancesti municipality, str. Chisinaului, 10
9	Briceni branch	Briceni city, str. Stefan cel Mare, 2
10	Floresti branch	Floresti city, str. 31 August, 59
11	Cricova branch	Cricova city, str. Chisinaului, 84
12	Taraclia branch	Taraclia city, str.Lenin, 143/5
13	Anenii Noi branch	Anenii Noi city, str.Concilierii Nationale, 2A, No. 36,
14	Donduseni branch	Donduseni, str. Lazo S., 16
15	Botanica branch	Chisinau municipality, bd.Decebal,76
16	Buiucani branch	Chisinau municipality, str. Lazo S., 40
17	Edinet branch	Edinet municipality, str. Independentei, 106
18	Centru branch	Chisinau municipality, str. Vasile Alecsandri,78
19	Comrat branch	UTA Gagauzia, Comrat municipality, str. Biruintei, 47
20	Orhei branch	Orhei municipality, str. Mahu Vasile, 137
21	Drochia branch	Drochia city, str. 31 August, 33
22	Soroca branch	Soroca municipality, str. Independentei, 75, no.11