AGRICOVER CREDIT IFN SA

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

AGRICOVER CREDIT IFN SA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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KPMG Audit SRL
Victoria Business Park
DN1, Soseaua Bucuresti-Ploiesti nr. 69-71
Sector 1

P.O. Box 18-191
Bucharest 013685
Romania
Tel: +40 (372) 377 800
Fax: +40 (372) 377 700
www.kpmg.ro

Independent Auditors' Report

(free translation[1])

To the Shareholders of Agricover Credit IFN S.A.

2B Pipera, 6th floor, Cubic Center Office Building, Voluntari, Romania
Unique Registration Code: 13443360

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of Agricover Credit IFN S.A. ("the Company") and of its subsidiary, Clubul Fermierilor Romani Broker de Asigurare S.R.L. (hereinafter referred to as „the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. The consolidated financial statements as at and for the year ended 31 December 2020 are identified as follows:

- Total equity: Lei 342,071,509
- Profit for the year: Lei 42,110,199

3. In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

[1] TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

Fiscal registration code
RO12997279
Trade Registry
no.J40/4439/2000
Share Capital 2,000 RON

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing ("ISAs"), Regulation (EU) no. 537/2014 of the European Parliament and of the Council ("the Regulation") and Law no. 162/2017 ("the Law"). Our responsibilities under those standards and regulations are further described in the *Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group in accordance with *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code")* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Romania, including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to customers

As at 31 December 2020, the consolidated financial statements include gross loans and advances to customers of RON 1,694,692,036, related impairment allowances of RON 51,399,830 and, for the year then ended, impairment losses on loans and advances to customers recognized in the consolidated statement of total comprehensive income of RON 20,427,617 (31 December 2019: loans and advances to customers: RON 1,535,366,108, related impairment allowances: RON 33,947,406, impairment losses on loans and advances to customers recognized in the consolidated statement of profit or loss for the year then ended: RON 10,620,798).

See Notes 3g *Impairment of financial assets carried at amortized cost*, 4 *Financial risk management*, 11 *Loans and advances to customers* to the consolidated financial statements..

The key audit matter	How the matter was addressed in our audit
Impairment allowances represent management's best estimate of the expected credit losses ("ECLs") within loans and advances to customers (collectively, "loans", "exposures") at amortized cost at the reporting date. We focused on this area as the measurement of impairment allowances requires management to make complex and subjective judgements over the amount of any such impairment. Pursuant to the relevant standard, IFRS 9	Our audit procedures in the area, performed where applicable, assisted by our own valuation and financial risk management specialists, included, among others: • Inspecting the Company's ECL impairment provisioning methods and models, and assessing their compliance with the relevant requirements of the financial reporting standards. This included challenging management on whether the level of the methodology's sophistication is appropriate based on an assessment of portfolio-level factors; • On a sample basis, evaluating relevance and reliability of data used in the impairment

"Financial instruments" ("IFRS 9"), loans are allocated into one of three stages for the purposes of estimating the loss allowances. Impairment allowances for the performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) are determined by modelling techniques relying on key parameters such as the probability of default (PD), exposure at default (EAD) and loss given default (LGD), taking into account historical experience, identification of exposures with a significant increase in credit risk ("SICR"), and forward-looking information, among other things(together "collective impairment allowance"). For Stage 3 exposures, impairment allowances are determined on an individual basis by means of a discounted cash flows analysis. The process relies on a number of complex assumptions, in particular those in respect of the expected proceeds from the sale of the related collateral and minimum period for collateral disposal. In the wake of the COVID-19 pandemic and the drought conditions affecting a significant number of the Company's customers in the current year, and also the measures applied by the government of Romania to alleviate the effects of these events, including payment holiday moratoriums, measurement of ECLs was associated with additional complexities and an increased estimation uncertainty. In the light of the above factors, we considered the expected credit losses in relation to loans to customers to be associated with a significant risk of material misstatement in the financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.	allowance estimates, such as that for loan exposures, days past due, recoverable values of underlying collaterals, whether or not recovery procedures have been initiated against the debtors and restructuring status; • Evaluating the consistency of application of the SICR criteria and of the identification of objective evidence of impairment (default), and also, for a sample of exposures, independent determination of the loans' classification into the Stages; • For collective impairment allowance: — Evaluating the relevant forward-looking information and macroeconomic projections used in the ECL assessment by means of corroborating inquiries of the selected executive directors and inspecting publicly available information; — Challenging the PD, EAD and LGD parameters used in the collective ECL model, by reference to the supporting documentation, debt service status, repayment schedules, restructuring operations and underlying data for collections occurring after default; — Challenging any significant post-model adjustments, by evaluating the method applied, key underlying assumptions and tracing key data used back to its source. As part of this procedure, we assessed the reasonableness of the Company's treatment of the COVID-19 payment holidays for customers and the drought impact from a SICR perspective; — Considering the outcome of the preceding procedures, testing the application of the ECL model through independently reperforming the Company's ECL model calculations and tracing the amounts recognized to the consolidated financial statements; • For impairment allowances calculated individually, for a sample of loans, challenging key assumptions applied in the estimates of future cash flows used in the impairment estimate, such as discount rates, collateral values and recovery period, where relevant, and performing independent recalculations. Also recomputing the amounts of ECLs at the reporting date. • Examining whether the loan impairment and credit risk-related disclosures in the consolidated financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Other Matter – Corresponding figures

6. The consolidated financial statements of the Group as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated statements on 7 May 2020.

Other information – Consolidated Directors' Report ("Consolidated Board of Directors' Report")

7. The Company's Board of Directors is responsible for the preparation and presentation of other information. The other information comprises the consolidated Board of Directors' Report, but does not include the consolidated financial statements and our auditors' report thereon.

   Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

   In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

   With respect to the consolidated Board of Directors' Report we read and report whether the consolidated Board of Directors' Report is prepared, in all material respects, in accordance with NBR Order no. 6/2015, article 234 of the accounting regulations in accordance with European Directives. Based solely on the work required to be undertaken in the course of the audit of the consolidated financial statements, in our opinion:

   a) The information given in the consolidated Board of Directors' Report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements;

   b) The consolidated Board of Directors' Report has been prepared, in all material respects, in accordance with NBR Order no. 6/2015, article 234 of the accounting regulations in accordance with European Directives.

   In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit we are required to report if we have identified material misstatements in the consolidated Board of Directors' Report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

8. The Company's Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

10. Those charged with the governance of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

11. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

12. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

    - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest

benefits of such communication.

Report on Other Legal and Regulatory Requirements

16. We were appointed by the General Shareholders' Meeting on 9 July 2020 to audit the consolidated financial statements of Agricover Credit IFN S.A. for the year ended 31 December 2020. Our total uninterrupted period of engagement is 1 year, covering the year ended 31 December 2020.

17. We confirm that:

 - Our audit opinion is consistent with the additional report presented to the Audit Committee of the Company, which we issued on 27 April 2021. We also remained independent of the audited entity in conducting the audit.
 - We have not provided to the Group the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014.

Refer to the original signed Romanian version

For and on behalf of KPMG Audit S.R.L.:

Grecu Tudor Alexandru

registered in the electronic public register of financial auditors and audit firms under no AF2368

registered in the electronic public register of financial auditors and audit firms under no FA9

Bucharest, 28 April 2021

AGRICOVER CREDIT IFN SA

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RON unless otherwise stated)

	Note	2020	2019
Interest income calculated using the effective interest method	5	69,416,145	56,802,863
Interest income using linear method		108,355,387	103,540,546
Interest and similar expense	5	(66,562,846)	(65,813,489)
Net interest income		111,208,686	94,529,921
Net expense from impairment losses on loans and advances to customers	4.1.7	(20,585,213)	(10,620,765)
Net interest income after net charge for expected credit losses on loans and advances to customers		90,623,473	83,909,156
Fee and commission income	6	4,742,224	3,240,256
Fee and commission expense	6	(2,826)	(238,576)
Net fee and commission income		4,739,398	3,001,681
Other operating income		40,337	156,066
General and administrative expenses	7	(38,566,312)	(37,409,073)
Other operating expenses	8	(3,869,914)	(3,063,388)
Net loss from derivative financial instruments	8	(1,892,026)	(1,310,206)
Foreign Exchange translation gains less losses		(2,501,805)	(2,580,813)
Profit before tax		48,573,149	42,703,424
Income tax expense	9	(6,462,950)	(5,893,236)
PROFIT FOR THE YEAR		42,110,199	36,810,188
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		42,110,199	36,810,188
Profit attributable to:			
- Equity holders of the Company		41,971,734	36,810,188
- Non-controlling interest		138,466	-
Total comprehensive income attributable to:			
- Equity holders of the Company		41,971,734	36,810,188
- Non-controlling interest		138,466	-

These consolidated financial statements were approved by the Board of Directors on 27.04.2021 and signed by:

Stefan Doru Bucataru permanent representant of VELDSTER INC
Administrator

Denisa Manoliu
Chief Financial Officer

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Semnat pentru identificare KPMG 28 APR. 2021 Initialised for identification

AGRICOVER CREDIT IFN SA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RON unless otherwise stated)

Semnat pentru identificare
KPMG
28. APR. 2021
Initialised for identification

	Note	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	10	87,236,628	76,568,296
Loans and advances to customers	11	1,643,269,520	1,501,418,702
Other financial assets	12	2,309,660	1,621,963
Other assets	12	1,623,525	1,111,543
Deferred tax assets	13	2,742,050	1,747,425
Intangible assets	14	1,614,966	346,002
Property, plant, equipment and right-of-use assets	15	5,071,524	4,083,809
TOTAL ASSETS		1,743,867,875	1,586,897,740
LIABILITIES			
Derivative liabilities held for risk management		1,368,452	980,536
Borrowings	16	1,384,820,722	1,283,294,433
Other financial liabilities	17,18	14,739,396	11,942,411
Current tax liability	19	710,336	863,050
Provision for off balance sheet commitment		157,458	
TOTAL LIABILITIES		1,401,796,365	1,297,080,430
EQUITY			
Share capital	20	117,924,970	107,924,970
Retained earnings		208,790,430	169,552,736
Legal and other reserves	20	15,073,644	12,339,604
TOTAL SHAREHOLDERS EQUITY		341,789,044	289,817,310
Non-controlling interests		282,466	
TOTAL EQUITY		342,071,509	289,817,310
TOTAL LIABILITIES AND EQUITY		1,743,867,875	1,586,897,740

These consolidated financial statements were approved by the Board of Directors on 27.04.2021 and signed by

Stefan Doru Bucataru permanent representant of VELDSTER INC
Administrator

Denisa Manoliu
Chief Financial Officer

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Semnat pentru identificare
KPMG
28. APR. 2021
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	Note	Attributable to the owners of the Company						
		Share capital	Retained earnings	Legal reserve	Other reserves	Total	Non-controlling interest	Total equity
Opening balance at 1 January 2019		**70,406,070**	**135,076,772**	**9,067,167**	**938,216**	**215,488,225**	**-**	**215,488,225**
Profit for the period / Total comprehensive income for the period		-	36,810,188	-	-	36,810,188	-	36,810,188
Total comprehensive income of the period		**-**	**36,810,188**	**-**	**-**	**36,810,188**	**-**	**36,810,188**
Transactions with equity holders of the Company								
Share capital increase	20	37,518,900	-	-	-	37,518,900	-	37,518,900
Transfer to legal reserve			(2,334,221)	2,334,221	-	-	-	-
Total contributions and distributions		**37,518,900**	**34,475,967**	**2,334,221**	**-**	**74,329,088**	**-**	**74,329,088**
Balance at 31 December 2019		**107,924,970**	**169,552,739**	**11,401,388**	**938,216**	**289,817,310**	**-**	**289,817,310**

These consolidated financial statements were approved by the Board of Directors on 27.04.2021 and signed by

Stefan Doru Bucataru permanent representant of VELDSTER INC

Administrator

Denisa Manoliu

Chief Financial Officer

AGRICOVER CREDIT IFN SA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RON unless otherwise stated)

Semnat pentru identificare
KPMG
28. APR. 2021
Initialised for identification

	Note	Attributable to the owners of the Company						
		Share capital	Retained earnings	Legal reserve	Other reserves	Total	Non-controlling interest	Total equity
Opening balance at 1 January 2020		107,924,970	169,552,736	11,401,388	938,216	289,817,310	-	289,817,310
Profit for the period / Total comprehensive income for the period		-	41,971,734	-	-	41,971,734	138,466	42,110,200
Total comprehensive income of the period		-	**41,971,734**	-	-	**41,971,734**	**138,466**	**42,110,200**
Share capital increase		10,000,000				10,000,000		10,000,000
Transfer to legal reserve			(2,705,240)	2,705,240				
Change in ownership interest								
Transfer to legal reserve			(28,800)	28,800				
Issue of shares in subsidiary, with change in NCI	20	-	-	-	-	-	144,000	144,000
Transactions with equity holders of the Company								
Total contributions and distributions		**10,000,000**	**39,237,694**	**2,734,040**	**-**	**51,971,734**	**289,466**	**52,254,200**
Balance at 31 December 2020		**117,924,970**	**208,790,430**	**14,135,428**	**938,216**	**341,789,044**	**282,466**	**342,071,510**

These consolidated financial statements were approved by the Board of Directors on 27.04.2021 and signed by

Stefan Doru Bucataru permanent representant of VELDSTER INC
Administrator

Denisa Manoliu
Chief Financial Officer

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

AGRICOVER CREDIT IFN SA

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RON unless otherwise stated)

	Notes	2020	2019
Operating activities			
Interest and commissions receipts		172,040,754	160,266,342
Interest and commissions payments		(66,641,800)	(64,430,438)
Brokerage fees cashed		4,569,551	2,916,982
Staff costs paid		(27,741,421)	(25,134,962)
Payments to suppliers		(13,456,120)	(13,235,505)
Other receivables		(3,015,265)	(2,130,215)
Net disbursements of loans and advances to customers		(158,664,652)	(248,019,846)
Net cash flows from/ (used in) operating activities before income tax		(92,908,953)	(189,767,642)
Income tax paid		(7,610,289)	(7,485,663)
Net cash flows from / (used in) operating activities		(100,519,243)	(197,253,305)
Investing activities			
Purchase of property, equipment and intangible assets		(1,854,850)	(376,284)
Net cash flows used in investing activities		(1,854,850)	(376,284)
Issued capital		10,000,000	37,518,900
Withdrawals from banks		2,936,586,215	2,133,782,117
Repayment of borrowings from banks		(2,834,269,687)	(1,931,441,385)
Net cash flows from financing activities		112,316,528	239,859,632
Positive exchange rate fluctuation on cash and cash equivalents		725,897	380,609
Net (decrease)/ increase in cash and cash Equivalents		**10,668,332**	**42,610,652**
Cash and cash equivalents at 1 January		76,568,296	33,957,644
Cash and cash equivalents at 31 December	10	87,236,628	76,568,296

These consolidated financial statements were approved by the Board of Directors on 27.04.2021 and signed by

Stefan Doru Bucataru permanent representant of VELDSTER INC
Administrator

Denisa Manoliu
Chief Financial Officer

The accompaning notes 1 to 26 form an integral part of these consolidated financial statements.

Semnat pentru identificare KPMG 28. APR. 2021 Initialised for identification

1. REPORTING ENTITY

Agricover Credit IFN SA (hereinafter referred to as "the Company") provides for 12 years corporate lending services to agricultural customers and through its Subsidiary Clubul Fermierilor Romani Broker de Asigurare SRL ("the Subsidiary ") brokerage services in the field of agricultural insurance intermediation. As at 31 December 2020 the Company owns 51.02% of the Subsidiary (31 December 2019: 100%). The decrease in the percentage of direct holding in the Subsidiary is explained by the fact that in 4 Jun 2019 the Sole Shareholder of the Subsidiary (Agricover Credit IFN SA) approved the increase of the share capital with RON 144,000 by issuing 576 new shares (nominal value per share of RON 250) to be fully subscribed by Asociatia Clubul Fermierilor Romani Pentru Agricultura Performanta. The share capital increase of RON 144,000 was cashed in by the Subsidiary in 13 August 2019 however the approval of the share capital increase and the change in shareholding of the Subsidiary was approved by the regulator (the Financial Supervision Authority) on 29 April 2020.

Agricover Credit IFN SA Group (hereinafter referred to as „the Group" or "Agricover") comprises of Agricover Credit IFN SA and the Clubul Fermierilor Romani Broker de Asigurare SRL, set up by the Company during 2011. Agricover Credit IFN SA is the parent company of the Group and is subject to consolidation as a subsidiary of Agricover Holding SA Group.

The Company is a joint stock entity and is incorporated and domiciled in Romania. The Group's shareholders are AGRICOVER HOLDING SA (99.999998 %) and AGRICOVER SA (0.000002 %). Immediate parent of the Group is AGRICOVER HOLDING SA and the ultimate controlling party of the Group is Mr. Jabbar Kanani.

As at 31 December 2020 Agricover Credit IFN S.A employs 160 people (31 December 2019: 143). As at 31 December 2020 Clubul Fermierilor Romani Broker de Asigurare SRL employs 36 people (31 December 2019: 15)

The address of its registered office is as follows: Bdul Pipera, no. 2B, 6th floor, Cubic Center Office Building, Voluntari city, Romania.

As at 31 December and 31 December 2019 the Group is run by seven operating managers, as follows:

- Mr. Robert Rekkers , CEO
- Mrs. Denisa Manoliu, CFO
- Mrs. Oana Tatar, COO
- Mr. Lucian Neagu, CCO
- Mr. Dan Domniteanu, CRO
- Mr. Sorin Manolache, Legal Manager.

Clubul Fermierilor Romani Broker de Asigurare SRL is run by one operating manager, as follows:

- Mrs Rusu Georgeta- Executive Director

Semnat pentru identificare KPMG 28 APR 2021 Initialised for identification

1. REPORTING ENTITY

The members of the executive managers were remunerated during the 12-month period ended 31 December 2020 by RON 4,156,503 gross amount (2019: RON 5,346,759).

The activity of the executive managers is reviewed by the main governance body of the Group, the Board of Administrators, having the following three members:

- Mr. Jabbar Kanani
- Mr. Stefan Doru Bucataru, permanent representant of VELDSTER INC
- Mr. Martinus Johannes Elling, permanent representant of East West Biofarma LTD, until 31 March 2020
- Mr. Liviu Dobre starting with 1 April 2020.

The members of the Board of Administrators were remunerated during the 12-month period ended 31 December 2020 by RON 1,682,110 gross amount (2019: RON 1,534,133).

The Group offers four main categories of products: short term credit lines for working capital, discounting operations (denominated in RON), medium and long-term loans for financing investment projects (capex products), RON and EUR denominated, and medium and long term loans for working capital. These financing facilities are designed for farmers and have various tailored maturities which are usually correlated with the harvesting and sale of crops periods. Working capital is for the most part on short term but another product with extended maturity up to 10 years has been launched beginning with March 2017. Discounting operations have maturities of maximum 12 months while most Capex products have 2- 5 years' maturities with two yearly annuity payments and bear floating interest rate (interest is either payable on a monthly basis or capitalized monthly and payable once with the principal, usually two yearly payments dates, the same treatment been applied also for the administration commission).

The Subsidiary's activity is represented by brokerage of insurance policies, including but not restricted to policies related to collaterals took over by the Company for granted loans and advances to customers.

For the purpose of these consolidated financial statements, the Company consolidates the Subsidiary. The financial statements of the Subsidiary, used for the preparation of these financial statements, were prepared as of the Company's reporting date. In the process of consolidation all intercompany assets and liabilities, income and expense were eliminated.

The consolidated financial statements for the year ended 31 December 2020 have been approved for issue by the Board of Directors on 27.04.2021 Neither the entity's owners nor others have the power to amend the financial statements after issue.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.BASIS OF PREPARATION

a. Declaration of conformity

The Group's consolidated financial statements for the year ended 31 December 2020 comprise the financial statements of the Company and its subsidiary as at 31 December 2020. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB") and as adopted by the European Union ("IFRS"), as required by the Order of the Board of the National Bank of Romania No. 6/2015 for approval of accounting regulations in accordance with the European Directives and related amendments ("Order 6/2015"). Additional information required by the national regulations is included where appropriate. The financial statements of the subsidiary are prepared for the same reporting period, using consistent accounting policies.
The consolidated financial statements include the financial statements of Agricover Credit IFN SA and the following subsidiary: Clubul Fermierilor Romani Broker de Asigurare SRL (51.2% ownership, 2019: 100%).
The Company draws up individual statutory financial statements in accordance with the provisions of Order 6/2015 („RAS Financial Statements"). The Subsidiary draws up statutory financial statements in accordance with the provisions of the Norm of the Financial Supervisory Authority no. 36/2015 for approval of accounting regulations regarding the annual financial statements and annual consolidated financial statements applicable to the insurance and / or reinsurance brokers ("FSA Norm no. 36/2015"). The major changes from the statutory financial statements of the Company -and Subsidiary prepared under domestic law (Romanian Accounting Standards, or "RAS") in order to line up with the IFRS are:

- different methodology for the calculation of allowances for impairment of loans and advances to customers;
- fair value adjustments and impairment of other financial instruments, as per IFRS 9;
- applying the IFRS 16 Leases standard and its related disclosure requirements;
- provision for deferred tax;
- the necessary IFRS disclosure requirements;
- consolidation adjustments.

In the consolidated cash flow statement, the cash flows from operating activities are determined by using the direct method. The major classes of gross cash receipts and gross cash payments are disclosed. The cash flows from investing and financing activities are determined by using the direct method. The Group's assignment of the cash flows to operating, investing and financing category depends on the Group's business model.
The preparation of financial statements in conformity with IFRS required the use of certain critical accounting estimates. It also required management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial

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2.BASIS OF PREPARATION

statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's consolidated financial statements therefore present the consolidated financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These financial statements as at and for the year ended 31 December 2020 represent the official translation of the Romanian binding version and have been authorized for issue by the Company's Board of Directors on 27 April 2021."

b. Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for the following:

- Loans and advances to customers are measured at amortized cost;
- Derivative financial instruments are measured at fair value through profit or loss;
- Interest bearing loans and advances to customers, cash and bank balances and borrowings are measured at amortized cost.

c. Functional and presentation currency

The items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the entities within the Group is the Romanian leu "RON". The consolidated financial statements are presented in Romanian lei "RON", rounded to the nearest RON.

d. Use of estimates and judgements

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5. Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and assumptions are reviewed on an ongoing basis.
The review of the accounting estimates are recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods.

2.BASIS OF PREPARATION

The Group makes estimates and assumptions that affect the amounts of assets and liabilities reported within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the given circumstances.

e. Comparatives

These consolidated financial statements include the comparatives whenever such disclosures were applicable. Restatement of prior year amounts was necessary in order to align prior year presentation to current year presentation.

The consolidated financial statements were affected by the following presentation reclassifications:

i. Commission related to borrowings was reclassified from Fee and commission expenses to interest and similar expenses category.

	As reported 31 December 2019	As restated 31 December 2019	Difference
Interest and similar expenses	65,652,997	65,813,489	160,492
Fee and commission expenses	1,573,216	1,412,724	(160,492)

ii. Fee and commission related to financial services from Fee and commission expenses to General and administrative expenses

	As reported 31 December 2019	As restated 31 December 2019	Difference
Fee and commission expenses	1,412,724	802,685	(610,039)
General and administrative expenses	36,799,034	37,409,073	610,039

iii. Income from derivative financial instruments from Foreign Exchange translation gains less losses to Net gain/(loss) from derivative financial instruments

	As reported 31 December 2019	As restated 31 December 2019	Difference

Net gain from derivative financial instruments	4,360,444	1,310,206	3,050,238
Foreign exchange translation	469,425	2,580,813	(3,050,238)

f. Going concern

These consolidated financial statements have been prepared using the going concern principle, which assumes the Group will continue its operations in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently by the Group throughout all the periods presented in these consolidated financial statements.

a. Basis of consolidation

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee.

In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has *de-facto* power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries (other than those acquired from parties under common control). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

During 2011, the Company set up Clubul Fermierilor Romani Broker de Asigurare SRL ("the Subsidiary"). As at 31 December 2020 the Company holds 51.02% of the share capital of the Subsidiary (31 December 2019: 100%).

The Subsidiary has increased the activity since setting up and along 2020 also and for the purpose of these financial statements, it was consolidated (2019: consolidated).

The Subsidiary's activity is represented by brokerage of insurance policies, including but not restricted to policies related to collaterals took over by the Company for granted loans and advances to customers.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the purpose of these consolidated financial statements, the Company consolidates the Subsidiary. The financial statements of the Subsidiary, used for the preparation of these consolidated financial statements, were prepared as of the Company's reporting date. In the process of consolidation all intercompany assets and liabilities, income and expense were eliminated.

The financial position of the Subsidiary as at 31 December 2020 and the financial results for the year then ended were as follows (unaudited figures):

-	Total assets	RON	3,118,041.
-	Equity	RON	989,687
-	Total income	RON	4,769,971
-	Total expense	RON	4,104,284
-	Net profit	RON	665,687

The financial position of the Subsidiary as at 31 December 2019 and the financial results for the year then ended were as follows (unaudited figures):

-	Total assets	RON	1,788,045
-	Equity	RON	1,366,113
-	Total income	RON	3,250,112
-	Total expense	RON	2,063,999
-	Net profit	RON	1,186,113

Non- Controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, have been eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

interest in the enterprise. Unrealized gains arising from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency translation.

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary and the Group's presentation currency is the national currency of the Romania (RON). Monetary assets and liabilities are translated into currency at the official exchange rate of the NBR at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the NBR, are recognized in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

The exchange rate for the major foreign currency (EUR) was:

Currency	**31 December 2020**	**31 December 2019**	**Fluctuation %**
Euro (EUR)	1: RON 4.8694	1: RON 4.7793	1.02 %

c. Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest income' and 'interest expense' in the consolidated statement of total comprehensive income using the effective interest method for non-revolving contracts and the linear method for all revolving contract.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.
The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.
Once a financial asset or a Group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.
Interest income and expense on all trading assets and liabilities are considered incidental to the Group/Company's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income. Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

d. Fee and commission income and expense

Fee and commission income consist mainly insurance brokerage commission income the benefit realized by the Group intermediation of insurance products to clients.

Fee and commission expense consist mainly of fee and commissions expenses for transactions with banks and other expenses related to leasing activity

e. Financial assets and financial liabilities

i. Initial recognition and measurement of financial instruments.

Financial assets and liabilities are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transactions costs are expensed in the income statement.
Purchases and sales of financial assets are recognized when the Group advances money to purchase or sell the asset.
Derivatives are represented by forward foreign exchange contracts. Derivatives are initially recorded at fair value and carried as assets when their fair value is positive and as liabilities when fair value is negative.
Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

POCI assets (purchased originated credit impaired assets) are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit- adjusted effective interest rate. Expected credit losses are only recognized or released to the extent that there is a subsequent change in the asset recoverable value.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognized when the entity becomes a party to the contractual provisions of the instrument.

ii. Classification

Financial Assets

The Group classifies its financial assets as measured at amortized cost, Fair Value through Other Comprehensive Income ("FVOCI") or at Fair value through Profit or Loss ("FVTPL"). Management determines the classification of its investments at initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets and to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest ("SPPI").

(ii) Financial assets at fair value through other comprehensive income ("FVOCI")

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

As at 31 December 2020 and 31 December 2019, the Group has no financial assets at fair value through other comprehensive income.

(iii) Financial assets measured at FVTPL

All other financial assets that are not included in the above categories are classified at FVTPL.
As at 31 December 2020, the Group has derivatives classified as FVTPL, which include currency forwards and currency swaps, and are non-qualifying hedge instruments.

Business model assessment

The business model assessment is one of the two steps to classify financial assets. An entity's business model reflects how it manages its financial assets in order to generate cash flows; its business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. This assessment is performed on the basis of scenarios that the entity reasonably expects to occur. This means, the assessment excludes so-called 'worst case' or 'stress case' scenarios. For example, an entity expects it will sell a particular portfolio of financial assets only in a stress case scenario. This scenario would not affect the entity's assessment of the business model for those assets if the entity does not reasonably expect it to occur.

An entity's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This does not need to be the reporting entity level. The entity's business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation. However, a single entity may have more than one business model for managing its financial instruments (for example, one portfolio that it manages in order to collect contractual cash flows and another portfolio that it manages in order to trade to realize fair value changes).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Hold to collect business model*

Financial assets that are held within a business model with the objective of holding assets in order to collect contractual cash flows are measured at amortized cost (provided the asset also meets the contractual cash flows characteristics test). Such assets are managed to realize cash flows by collecting contractual payments over the life of the instrument. In determining whether cash flows are going to be realized by collecting the financial assets' contractual cash flows, it is necessary to consider the frequency and value of sales in prior periods, whether the sales were of assets close to maturity, the reasons for those sales, and expectations about future sales activity.

Financial assets covered: loans and receivables, cash and cash equivalents, other financial assets;
Business strategy: the entity offers a variety of loan products to meet borrowers' needs. These assets are held by the entity up until they reach maturity;
Business objective: holding the assets in order to collect the contractual cash flows;

- *Hold to collect and sell model*

Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (provided the asset also meets the contractual cash flow test).

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Contractual terms that introduce a more than the minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL.

iii. Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. All estimates and judgments used in fair value measurement are described in Note 4.

iv. Derecognition of financial assets.

The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

v. Write Off

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering the exposure in its entirety or a portion thereof. The first step taken by the Group in this instance is to repossess the financed asset, for which the Group is the legal owner and the leasing contract represents the executory title. The write off action intervened when the Group finalized all the legal actions to recover the financed assets and amounts due. This assessment is carried out at the level of each debtor or contract.

f. Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortized cost.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Impairment of financial assets carried at amortized cost

The Group recognizes loss allowances for Expected Credit Loss ("ECL") on the following financial instruments that are not measured at FVTPL:

- Loans and advances to customers
- Placements to banks (current accounts, deposits, etc.)
- Other financial assets

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortized cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognized through an allowance account to decrease the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred). The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Overview of the expected credit losses ("ECL") principles

The adoption of IFRS 9 resulted in a forward-looking ECL approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as "financial instruments". Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss ("12mECL")

The 12mECL is the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both lifetime ECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 as described below:

- Stage 1: When loans are first recognized, the Group recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2 and loans for which credit risk has not increased significantly since initial recognition.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

- Stage 3: Loans considered credit impaired. The Group records an allowance for the lifetime ECLs.

• POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition.

The calculation of ECLs

The Group calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of Default ("PD")

The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio;

- Exposure at default ("EAD")

The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- Loss given default ("LGD")

The Loss Given Default is an estimate of the loss arising where a default occurs at a given time. The Group decided to apply in the ECL calculation the value of the collaterals allocated to the accounts, discounted as per the type of collateral.

- Forward looking adjustments of the PD

Starting 2020, the Group incorporates forward-looking information into the measurement of ECL.

Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to ensure that future payments continue to be likely to occur.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Financial assets that are not credit impaired at reporting date: as the present value of all cash shortfalls (the difference between the cash flows due to entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit impaired: as the present value of the difference between the gross carrying amount and the present value of estimated future cash flows;

- Undrawn loan commitments: as the present value of the difference the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.

Credit-Impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group/Company on terms that the Group/Company would not consider otherwise;
- Foreclosure;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market;
- Public information sources.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For loan commitments and financial guarantee contracts: generally, as a provision;

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3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Derivative financial instruments and hedge accounting

Derivative financial instruments, including foreign exchange contracts, are carried at their fair value. All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives).

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss.

These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. The Group did not identify any embedded derivatives.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group did not designate any derivative transaction as a hedging instrument during the years 2020 and 2019 and did not use hedge accounting. Consequently all the fair value gains or losses have been recognized by the Group through profit or loss.

i. Assets held for sale

Assets held for sale represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognized at fair value when acquired and included in other assets and are subsequently measured of fair value less cost to sell and cost.

j. Commitments, contingent assets and liabilities

Off-balance-sheet operations comprise commitments given and received representing rights and obligations the effects of which are conditioned upon the realization of future transactions as well as goods and transactions which cannot be yet recognized as assets or liabilities.

The Group issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans.

Financial guarantees and commitments to provide a loan are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized in the income statement on a straight-line basis over the life of the commitment.

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3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

A contingent asset is a potential asset that arises from past events and whose existence will be confirmed only by the occurrence or not of one or more uncertain future events that cannot be totally controlled by the Group.

Contingent assets are not recognized in the statement of financial position but are disclosed in the notes to the financial statements if it is probable that future economic benefits will flow to the entity.

If the realization of an income is virtually certain, the contingent asset is an asset and it will be recognized on balance-sheet. Contingent assets are reviewed at each balance sheet date in order to determine if a change in circumstances that would require the recognition of an asset and related income has occurred. If the inflow of economic benefits becomes certain, then the asset and related revenue will be recognized in the financial statements in the period when the change occurred.

Contingent liabilities

A contingent liability is:

- a possible obligation, that arises from past events and whose existence will be confirmed by future events not wholly under the control of the Group/Company, or
- a present obligation that arises from past events, but is not recognized because either:
  - it is not sure that it will take resources embodying economic benefits to settle the debt, or
  - amount of debt cannot be measured reliably enough.

Contingent liabilities are not recognized in the statement of financial position, they are included in the elements off balance-sheet. If the Group has assumed an obligation together with other parties, the portion assumed by the other parties is presented as a contingent liability.

Contingent liabilities are assessed continuously to determine whether an outflow of resources embodying economic benefits has become probable. If it is probable that an outflow of resources embodying economic benefits will occur for a previously recognized contingent liability, a provision will be recognized in the financial statements of the period when the change occurred, except where a reliable estimation cannot be made, in which case a contingent liability will be disclosed.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Costs of repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalized, and the replaced part is retired.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss for the year (within other operating income).

Depreciation

Land and construction in progress are not depreciated. Depreciation on other items of premises and equipment, as well as of right-of-use asset, is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

-	Software	3 years;
-	Computers and other IT equipment	3 years;
-	Motor vehicles	4 years;
-	Other equipment	4 years;
-	Buildings (improvements)	5 years
-	Right-of-use assets	according to lease term.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

k. Intangible assets

Intangible assets comprise separately identifiable intangible items arising mainly from computer software licenses. Intangible assets are recognized at cost. Intangible assets with a definite useful life are amortized using the straight-line method over their estimated useful economic life, 3 years. The identified intangible assets of the Group have a definite useful life. At each date of the statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits.

If such indications exist, the intangible assets are analyzed to assess whether their carrying amount is fully recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount.

l. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

m. Leasing

The Group has applied IFRS 16 for contracts entered into (or changed) on or after 1 January 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise of fixed payments.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group presents right-of-use assets in “Property, plant and equipment” and “Lease liabilities” in “Other financial liabilities” in the statement of financial position.
For leases of branches and office premises, the Group has elected to separate non-lease components and account for them in other operating expenses. The Group treated VAT associated to operating lease payments as a tax that is levied on the Group and collected by the lessor, who is acting as an agent for the tax authority. Consequently, the VAT is not a lease payment nor a non-lease component and is booked by the Group as a payable to the state when the invoice for the lease expenses is received.

n. Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognized in profit or loss for the year, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorized prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.
Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.
Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets and liabilities are netted only within the individual companies of the Group.
Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

o. Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. Share capital. Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Group's shareholders. Dividends for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note.

q. Dividend income

Dividend income is recognized in the income statement, based on statutory requirements, when the Group's right to receive payment is established and inflow is probable.

r. Offsetting

Financial assets and liabilities are offset, and the net amount reported in the consolidated statement of financial position, only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

s. Staff costs and related contributions

Wages, salaries, contributions to the Romanian state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

t. Presentation of statement of financial position in order of liquidity

The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

u. Implementation of new or reviewed standards and interpretations

The following new standards and interpretations came into force on January 1, 2020:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020) The reviewed conceptual framework for financial reporting includes a new chapter on measurement, guidance on reporting financial performance, improved definitions - particularly of a liability, - and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting

"Definition of a Business" - Amendments to IFRS 3 (issued on 22 October 2018 and applicable to acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020) The amendments revise the definition of a business. A business must have the inputs and a substantive process that together significantly contribute to the ability to

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). The presence of an organized workforce is a condition for the classification as a business, even if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020) The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards, Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities and hedge accounting. The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. The amendments will require the Group to disclose additional information to enable users to understand the effect of interest rate benchmark reform on a company's financial instruments, including information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities. The Group plans to apply the amendments from 1 January 2021. Application will don't have impact amounts reported for 2020 or prior periods.

Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions (Effective for annual periods beginning on or after 1 June 2020) The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. The resulting accounting will depend on the details of the rent concessional lessee applies the amendments retrospectively and recognizes the cumulative effect of initially applying them in the opening retained earnings of the reporting period in which they are first applied. The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements .

New or amended standards and interpretations that are effective as of annual period or after 1 January 2021, not yet endorsed by EU Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current (Effective for annual periods beginning on or after 1 January 2023 early application is permitted) The amendments

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

clarify that the classification of liabilities as current or non-current shall be based solely on the Entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the Entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability. The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Amendment to IAS 16 Property, Plant and Equipment Property, Plant and Equipment – Proceeds before Intended Use (Effective for annual periods beginning on or after 1 January 2022 early application is permitted) The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary). The Group does not expect that the amendments, when initially applied, will have a material impact on its financial statements

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract (Effective for annual periods beginning on or after 1 January 2022 early application is permitted) An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The Group does not expect that the amendments, when initially applied, will have a material impact on its financial statements.

4.FINANCIAL RISK MANAGEMENT

The Group's business involves taking on risks in a targeted manner and managing them effectively. The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations.
The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.
The Group's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The Risk management is carried out by the following Group's committees:

- Credit Risk Committee;
- Management Committee;
- Assets Liabilities Committee;
- Collection Committee;
- Monthly Analysis of the Results Committee;
- Audit Committee;
- Management of Significant Risks Committee ("CARS")

in collaboration with the financial department, under policies approved by the Board of Directors.
The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk. In addition, internal audit is responsible for the independent review of risk management and the control environment.
The risks arising from financial instruments to which the Group is exposed are financial risks, which include credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate risk and other pricing risk.

4.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfill their contractual obligations to the Group.

Credit risk measurement

The Group is presenting below inputs, assumptions and techniques used for estimating expected credit losses.
Definition of default

4.FINANCIAL RISK MANAGEMENT(CONTINUED)

When defining default for the purposes of determining the risk of a default occurring, the Group applies a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate. The definition of default used for these purposes is applied consistently to all financial instruments.

An asset is be considered as defaulted whenever one of the following circumstances occurs:

- The asset is more than 90 days past due
- Subjective default: the Group considers the borrower is unlikely to pay considering:
    - Initiation of legal procedures against the borrower.
    - Decisions of the Collection Committee based on public information, information available within the Group but also from other entities within the Agricover Holding SA Group.
    - The customer is in nonperforming forbearance.

Determining whether credit risk has increased significantly

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes information and analysis done based on the Group's historical experience and expert credit assessment and including forward-looking information. The Group uses the below criteria for determining whether there has been a significant increase in credit risk:

- Over 30 DPD at reporting date.
- Different triggers signaled by the Credit Risk Committee as: payment incidents, significant increase in customer debt to other financial institutions, increase of indebtedness by 50% compared to the previous monitoring.
- Significant financial degradation.
- Clients with restructured outstanding and less 30 days past due registered in probation period.

Segmentation

In order to assess the staging of exposures and to measure the expected credit losses (ECL) on a collective basis, it is necessary to group the exposures into risk drivers based on shared credit risk characteristics. The risk drivers applied by the Group, considering that the default behavior is different between them, refers to:

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

- Type of client (referring to: i) the surface of agriculture land worked by the client, i.e. above, respectively below 400 hectares; ii) clients that perform other agriculture activities than work of land)
- type of product, respectively: “Exploatare”, “Imobiliare”, “Factoring”, “ST loans”

Incorporation of forward-looking information

Starting 2020, the Group incorporates forward-looking information into the measurement of EC through the PD parameter. External information considered includes economic data and forecasts published by National Commission for Strategy and Prognosis, forecast for 2021.

The Group has identified and documented key drivers of credit risk using an analysis of historical default data and macro-economic variables. The predicted relationships have been developed based on analysing historical data over the past 5 years. For the forward-looking adjustment, the Probability of Default curve was put into correlation with the contribution of the Agriculture sector in total gross domestic product.

The incorporation of forward-looking information reflects the expectations of the Management and involves the creation of scenarios (base case, optimist and pessimist), including the assignment of probability weights for each scenario as presented below. Following application of the probability weight scenarios Management expectation is that the contribution of the Agriculture sector in total gross domestic product for 2021 would be of 7.3%.

Indicator / Weights of scenarios	Base	optimist	pessimist
Contribution of the Agriculture sector in total gross domestic product	14% growth	26% growth	9% decline
Weights of scenarios	54%	11%	35%

Sensitivity analysis

If the pessimist case scenario was assigned a probability of 100%, the allowance account would increase by 1.2 million RON as at 31 December 2020.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD).
- loss given default (LGD); and
- exposure at default (EAD).
-

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.
The methodology of estimating PDs is presented above, in "Segmentation" paragraph.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the estimated recoverable value of collaterals, allocated at each loan ID, calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected parent exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default.

The EAD is based on the expected balance of the loan, according to the reimbursement schedule. For each loan, an exposure curve should be developed based on the reimbursement schedule and the Group's historical experience of exposure. At each moment t, the expected exposure is the exposure at the beginning of t.
For loans without a reimbursement schedule (i.e. revolving, overdraft, etc), the EAD is considered constant up to "expected maturity".

Subject to using a maximum of a 12-month PD for Stage 1 loan exposures, the Group measures ECL considering the risk of default over the maximum contractual period, except for loans without a reimbursement schedule (i.e. revolving, overdraft, etc) where the ECL is computed considering the Group's historical experience of exposure over such facilities.
Credit risk arises mainly from loans and advances and loan commitments arising from lending activities, but can also arise from credit enhancement provided, such as financial guarantees as well as from other transactions with counterparties giving rise to financial assets.
Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

Impact of Covid-19 over the Loans and advances to customers

During the period covered by these financial statements the Group rescheduled the contractual payments for 21 customers, under the legal requirements of the moratoria; a breakdown of the related loans exposure is presented below. The Group classified the related loans exposures to stage 2 at 31 December 2020, the moratoria requests being assessed by the management and considered as a trigger for significant increase in credit risk.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Product	No of clients	Exposure to credit risk	ECL	Adjusted collateral	Stage as of December 2020	Stage as of December 2019
Capex	4	276,997	604	200,924	2	1
Credit lines	17	3,924,265	293,227	2,758,072	2	1
Total	**21**	**4,201,262**	**293,831**	**2,958,995**		

Impact of drought over the Loans and advances to customers.

For the 2020 draught impact on credit risk, the Group considered an increase in credit risk for the clients impacted by the draught, these clients were classified in Stage 2 at 31 December 2020. Below is presented a breakdown of the related loans exposure:

Collective:

Product	No of clients	Exposure to credit risk	ECL	Adjusted collateral	Stage as of 31 December 2020	Stage as of 31 December 2019
Capex	3	8,001,701	144,611	690,735	2	1
Credit lines	39	34,308,001	322,086	31,892,034	2	1
Facility	1	148,984	68	-	2	1
Total	**43**	**42,458,686**	**466,765**	**32,582,769**		

Individual:

Product	No of clients	Exposure to credit risk	ECL	Adjusted collateral	Stage as of 31 December 2020	Stage as of 31 December 2019
Capex	3	2,318,935	559,976	2,045,080	2	1
Credit lines	28	38,096,182	4,312,632	21,348,536	2	1
Total	**31**	**40,415,117**	**4,872,608**	**23,393,616**		

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group performed an analysis of a sample of loan exposures with potential impact from the drought, considering observable data indicating that there is a measurable decrease in the estimated future cash flows, such as: the crop status of the customer, unfavorable changes in the payment behavior of the customer or in the customer's economic circumstances. For the individual cases where an increased risk was identified the loan exposures were classified in the stage 2.

Credit risk exposure are monitored on a monthly basis by the Risk Director.

This process has two main components:

1) Standard exposure monitoring, automatic process applied to all credit risk exposures. Risk indicators to be controlled:
    - Insolvency (Insolvency Register): on the portal list of courts are monitored legal matters: commercial and bankruptcy;
    - Public information (i.e. based on Central Credit Register ("CRC");
    - Debts to the state budget that should not exceed to Company's exposure to the client.
2) Intensive monitoring process applied for clients with exposure over 2 million RON
3) Risk indicators controlled in addition to standard monitoring:

- Company status at the National Trade Register Office
- Information from the Office of Payment Incidents for Romanian Companies
- Significant increase in client debt to other financial institutions. Sensitive threshold: greater than 50%

Loan portfolio monitoring and classification of exposures based on the internal grading system

A key element of the credit risk management policy is the monitoring of the customers' financial condition and the legal status of the entity. This is done by accessing public information sources like the Ministry of Justice, Trade Registry, Ministry of Finance, Payments Incidents Registry (CIP), Central Credit Registry (CRC) as well as COFACE reporting. An important alert criterion is that a customer's debt to the state budget should not exceed the Company's exposure to that respective client. Additionally, for major customers where the Company has an exposure exceeding RON 2 million or for high risk customers, intensive monitoring procedures are implemented, an increase of the debt level towards another financial institution being considered as an alert indicator.

However, from the credit risk management processes perspective, the key differentiation element factor against other non-specialized credit institutions refers to monitoring clients' financial condition through regular visits by the Company's mobile sales teams. Mobile sales team employees have clear responsibilities concerning health checks and monitoring of customers' business. Practically, the Company's mobile sales teams visit clients at least twice a year (when financing autumn main crops, respectively spring main crops).

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

As a result, the early understanding of potential problems that customers may face during the farming year and the preventive intervention allow the Company, in most cases, to identify solutions together with customers to resume the potentially restructured payment schedule. At the same time, in case the farmer cannot meet his obligations, early identification of payment default risk and preventive intervention allow the Company to initiate collateral liquidation procedures with high debt recovery probability. Usually, in the case of pledged agricultural land, silos, or agricultural equipment, subject to forced execution, the Company quickly identifies potential buyers even among the existing important clients with whom the Group has long-lasting relationships. As a consequence, accessing an extended customer base enables a fast and efficient collateral liquidation process, at market conditions resulting in 100% debt recovery or anyway very close to debt nominal value.

As a result of the permanent monitoring of the loans portfolio, customers receive an internal grade for exposures classification, and based on their quality are grouped into the following categories:

1. "Green" category customers, classified as stage 1 for purpose of ECL

These are customers with invoices having less than 30 days overdue to the Company. An early warning monitoring, named "standard monitoring" applies to these customers. For this category of customers, exposures are monitored through automated processes interrogating public or publicly-derived databases such as listed below:

- Insolvency Register: the client must not be listed in the register
- Legal courts' portal: no insolvencies/defaults
- Trade registry status: active
- Central Credit Registry (CRC): debt service < 60 days
- State Budget liabilities should be below the client's exposure
- Fiscal inactivity

For customers with exposure over 2 million RON, an "intensive monitoring" is performed, as described below for the "orange" category clients, to identify early any potential future payment problems.

2. "Orange" category customers, classified as stage 2 for purpose of ECL

These are clients with days past due having between 31 days and 90 days overdue to the Company, as well as customers with restructured loans with less than 30 days overdue detected during the testing period. "Intensive monitoring" is applied to these customers. For these customers, the results of the automated processes monitoring (mentioned above) are checked, to detect significant increases of the credit risk (for example the increase of indebtedness in the Central Credit Registry by more than 50% over the prior month, payment incidents, etc.). Received monitoring alerts will be transmitted for clarification to the commercial team and if the information received shows an increase of default risk for a customer, the data will be analyzed in a collection committee. The collection committee may decide to change the internal grading of the customers.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

3. "Red" category customers, classified as stage 3 for purpose of ECL

These are customers with days past due having more 90 days overdue to the Company, whose contracts have not been terminated, solutions for amiable collection having been identified, or clients whose financial situation may lead to the opening of foreclosure legal procedures. A "high risk of default" monitoring is applied to these clients. Customers are monitored from a collection perspective by the legal collection team, these accompanying the commercial team during the site visits with the objective to identify solutions for the debit collection, either amicable payment, or existing collateral execution or consolidation of existing guarantees.

4. "Legal" category customers, classified as stage 3 for purpose of ECL

These are customers for which legal proceedings for foreclosure and collateral execution have been started via a bailiff, customers with over 90 days overdue invoices, or customers in insolvency/default. A "high risk of default" monitoring is applied to these customers. They are monitored by the legal collection team

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties and groups.

The Group structures the classes of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

Actual exposures against limits are monitored monthly. Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

Some other specific control and mitigation measures are outlined below:

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral for loans and advances to customers, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advanced are:

- Mortgages over agricultural land (arable land);
- Other mortgages over residential and commercial, respectively agricultural properties.
- Pledge over business assets such as premises, inventory and accounts receivables.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as real estate, receivables, pledge on equipment, on stock, promissory notes.

The valuation of different types of collaterals is presented below:

- Mortgages: manly mortgage on arable land or farms, based on fair value of the collateral, yearly appraised by a certified external independent appraisal;
- Pledge on equipment, based on fair value of the collateral at the origination, updated yearly with an internal depreciation rate.
- Pledge on stock, based on fair value of the collateral given and updated by the CARS Committee, and inspected monthly by a certified external independent expert
- Pledge on crops, based on fair value of the collateral given and updated by the CARS Committee;
- Assignment of receivables and other guarantees received, usually represents the value of the receivables.

For purpose of ECL calculation the Group is adjusting the values of collateral, mentioned in valuation reports, with specific standard haircuts, considering the types of collateral, in order to reflect the management estimated recoverable value of the collateral.

Information about the fair value (as presented in the valuation report) of the collateral at 31 December 2020 is as follows:

	Loan type			
	Capex	**Credit lines**	**Factoring**	**Total**
Loans collateralized by:				
- Mortgage	66,956,233	693,352,676		760,308,909
- pledge on equipment	42,840,556	26,322,127		69,162,683
- pledge on stock	-	60,172,163		60,172,163
Total collateral	109,796,789	779,846,965	-	889,643,755
Total gross loans and advances to customers	118,187,872	1,523,445,061	53,059,103	1,694,692,036

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Information about the fair value (as presented in the valuation report) of the collateral at 31 December 2019 is as follows:

	Loan type Capex	Loan type Credit lines	Factoring	Total
Loans collateralized by:				
- mortgage	68,058,536	566,666,501		634,725,037
- pledge on equipment	18,851,852	21,684,372		40,536,225
- pledge on stock		47,852,987		47,852,987
Total collateral	86,910,388	636,203,861		723,114,249
Total gross loans and advances to customers	127,279,286	1,346,599,520	61,487,301	1,535,366,108

Policies for expected credit losses

The table below shows the weight of the Group's loans and advances and the weight of associated expected credit losses for each of the Group's staging categories.

Stage	31 December 2020		31 December 2019	
	Credit risk exposure (%)	Impairment allowance (%)	Credit risk exposure (%)	Impairment allowance (%)
Stage 1	88.37%	20.16%	95.49%	25.09%
Stage 2	8.37%	11.89%	3.08%	16.61%
Stage 3	3.26%	67.94%	1.43%	58.29%
Total	100%	100%	100%	100%

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1.2 Maximum exposure to credit risk before collateral held or other credit enhancements

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position is as follows:

Financial Assets	31 December 2020	31 December 2019
Cash and bank balances	87,236,628	76,568,296
Loans and advances to customers	1,643,269,520	1,501,418,702
Other financial assets	2,309,660	1,621,963
Total financial assets	1,732,815,809	1,579,608,961

Related to the off-balance sheet positions also, as of 31 December 2020, the Group has financial guarantee contracts of RON 6.5 mil (31 December 2019: RON 12 mil) with a related party, namely Abatorul Peris S.A

The credit lines contracts include clauses referring to the uncommitted nature of the facility. The exposure reflected on the financial position represents the part drawn by the clients from the credit lines.

The Group's policy is to approve any withdrawals from the credit lines formally, based on analysis of the applicant and, especially, of developments after the initial approval of the credit limit. The analysis done by the Group for withdrawal purposes is more simplified in extent and nature as compared to the initial granting moment of the credit line.

The Group converts the amount of the undrawn part of the credit limit to an EAD using the credit conversion factor, calculated as the probability of drawing the undrawn portion in the next 12 months. The credit conversion factor estimated by the Group as of 31 December 2020 is 15%.

	December 2020	December 2019
Credit lines limit granted	1,029,413,241	1,105,245,816
Outstanding balance (drawn)	837,555,406	892,100,200
Undrawn balances	191,857,835	213,145,616
Credit Conversion factor	15%	15%
Undrawn balance after credit conversion factor	28,778,675	31,971,842
Provision for off balance sheet commitment	157,458	-

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1.3 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The geographical concentrations of the Group's financial assets and liabilities at 31 December 2020 and 31 December 2019 are set out below:

31 December 2020	Romania	Russian Federation	Portugal, Italy, Cyprus, Greece, Spain	Other OECD	Total
Financial assets					
Cash and bank balances	87,236,628	-	-	-	87,236,628
Loans and advances to customers	1,643,269,520	-	-	-	1,643,269,520
Other financial assets	2,309,660	-	-	-	2,309,660
Total financial assets	**1,732,815,810**	-	-	-	**1,732,815,810**
Financial liabilities					
Borrowings	814,265,869	65,111,923	50,333,605	455,109,326	1,384,820,724
Other financial liabilities	14,739,396	-	-	-	14,739,396
Total financial liabilities	**829,005,266**	**65,111,923**	**50,333,605**	**455,109,326**	**1,399,560,120**
Net position in on-balance sheet financial instruments	**903,810,544**	**(65,111,923)**	**(50,333,605)**	**(455,109,326)**	**333,255,689**
Financial guarantees issued (credit related commitments)	**6,500,000**	-	-	-	-

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

31 December 2019	Romania	Russian Federation	Portugal, Italy, Cyprus, Greece, Spain	Other OECD	Total
Financial assets					
Cash and bank balances	76,568,296	-	-	-	76,568,296
Loans and advances to customers	1,501,418,702	-	-	-	1,501,418,702
Other financial assets	1,621,963	-	-	-	1,621,963
Total financial assets	**1,579,608,961**	-	-	-	**1,579,608,961**
Financial liabilities					
Borrowings	701,700,708	73,312,725	62,785,888	445,495,112	1,283,294,433
Other financial liabilities	11,942,411	-	-	-	11,942,411
Total financial liabilities	**713,643,119**	**73,312,725**	**62,785,888**	**445,495,112**	**1,295,236,844**
Net position in on-balance sheet financial instruments	865,965,842	(73,312,725)	(62,785,888)	(445,495,112)	284,372,117
Financial guarantees issued (credit related commitments)	**12,000,000**	-	-	-	-

(b) Industry sectors

The only sector credited by the Group is agriculture.

(c) Other risk concentrations

Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% own funds of the parent Agricover Credit IFN calculated based on regulatory rules (issued by the National Bank of Romania).

The Group did not have any such significant risk concentrations at 31 December 2020 and 31 December 2019.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1.4 A reconciliation of changes in the gross carrying amount is, as follows:

	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Gross carrying amount at 01.01.2020	**1,466,135,902**	**47,264,189**	**21,966,017**	**1,535,366,108**
New assets originated	1,490,452,203			1,490,452,203
Increase in value of existing assets	481,655,375		5,171,000	486,826,375
Assets derecognized or repaid (excluding write off)	(1,798,438,485)	(14,603,000)	(1,935,972)	(1,814,977,457)
Transfers from Stage 1	(142,194,818)	142,194,818		-
Transfers from Stage 2		(33,072,034)	33,072,034	-
Transfers from Stage 3				-
Amounts written off			(2,975,193)	(2,975,193)
At 31 December 2020	**1,497,610,177**	**141,783,973**	**55,297,886**	**1,694,692,036**

	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Gross carrying amount at 01.01.2019	1,238,612,032	30,749,360	17,066,329	1,286,427,726
New assets originated or purchased	960,915,622		2,099,624	963,015,246
Increasing in value of existing assets	288,624,628			288,624,628
Assets derecognized or repaid (excluding write off)	(985,605,991)	(13,374,985)	(3,689,314)	(1,002,670,290)
Transfers from Stage 1	(36,410,389)	36,410,389	-	-
Transfers from Stage 2	-	(6,520,575)	6,520,575	-
Transfers from Stage 3	-	-	-	-
Amounts written off	-	-	(31,197)	(31,197)
At 31 December 2019	**1,466,135,902**	**47,264,189**	**21,966,017**	**1,535,366,108**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1.5 A reconciliation of changes in expected credit losses by stage is as follows:

	Stage 1	Stage 2	Stage 3	Total
Impairment allowances as at 01.01.2020	**8,518,563**	**5,639,495**	**19,789,348**	**33,947,406**
New assets originated or purchased	7,124,144			7,124,144
Increase in value of existing assets	6,000,648	9,322,072	1,179,962	16,502,682
Assets derecognized or repaid (excluding write offs)	(1,973,209)	(399,988)	(826,012)	(3,199,209)
Transfers from stage 1	(9,305,634)	5,968,380	3,337,254	-
Transfers from stage 2		(14,416,784)	14,416,784	-
Transfers from stage 3				-
Amounts written off			(2,975,193)	(2,975,193)
At 31 December 2020	**10,364,512**	**6,113,175**	**34,922,143**	**51,399,830**

	Stage 1	Stage 2	Stage 3	Total
Impairment allowances as at 01.01.2019	**6,323,659**	**3,009,099**	**14,025,047**	**23,357,805**
New assets originated	7,542,429	-	2,011,990	9,554,419
Increase in value of existing assets	2,309,005			2,309,005
Assets derecognized or repaid (excluding write offs)	(4,991,637)	(359,036)	(1,123,659)	(6,474,332)
Transfers from stage 1	(2,664,893)	4,249,069	-	1,584,176
Transfers from stage 2		(1,259,637)	4,907,167	3,647,530
Transfers from stage 3		-		-
Amounts written off	-	-	(31,197)	(31,197)
At 31 December 2019	**8,518,563**	**5,639,495**	**19,789,348**	**33,947,406**

4.1.6 Credit quality analysis

The following tables set out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the exposures set out below are based on net carrying amounts.

The categories for credit quality classification are as follows:

- Low-fair risk- is represented by financial assets measured at amortized cost included in Stage 1;
- Medium risk - is represented by financial assets measured at amortized cost included in Stage 2;
- Substandard - is represented by financial assets measured at amortized cost included in Stage 3 with 0-180 days past due;
- Doubtful- is represented by financial assets measured at amortized cost included in Stage 3 with

- 181-360 days past due;
- Loss is represented by financial assets measured at amortized cost included in Stage 3 with more than 360 days past due.

				31 December 2020
Loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Stage 1: Low-fair risk	1,497,610,177			1,497,610,177
Stage 2: Medium risk		141,783,973		141,783,973
Stage 3.1: Substandard			39,011,331	39,011,331
Stage 3.2: Doubtful			428,527	428,527
Stage 3.3: Loss			15,858,028	15,858,028
Loss allowance			14,098,003	14,098,003
Total carrying amount	**1,497,610,177**	**141,783,973**	**55,297,886**	**1,694,692,036**

				31 December 2019
Loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Stage 1: Low-fair risk	1,466,135,902			1,466,135,902
Stage 2: Medium risk		47,264,189		47,264,189
Stage 3.1: Substandard			5,265,703	5,265,703
Stage 3.2: Doubtful			3,194,336	3,194,336
Stage 3.3: Loss			13,505,978	13,505,978
Loss allowance			12,831,145	12,831,145
Total carrying amount	**1,466,135,902**	**47,264,189**	**21,968,017**	**1,535,366,108**

4.1.7. Movement of impairment allowances

	12/31/2020	12/31/2019
Opening Balance	33,947,406	23,357,805
Reversal of impairment allowances	-9,834,858	-6,474,332
Charge of impairment allowances	30,262,475	17,095,130
Amounts written off	-2,975,193	-31,197
Provision for off balance sheet	157,460	-
FX	136	
Closing Balance	**51,557,426**	**33,947,406**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The exposure to credit risk for loans and advances to customers presented by type of products, as at 31 December 2020, are presented below:

	Capex	Credit lines	Factoring	Total
	Collective	**Collective**	**Collective**	
Stage 1	105,629,809	1,340,135,008	51,845,360	1,497,610,177
Stage 2	7,768,998	92,850,594	749,254	101,368,846
Stage 3	1,666,552	41,517,906	464,489	43,648,947
	Individual	**Individual**	**Individual**	
Stage 2	2,318,935	38,096,192	-	40,415,126
Stage 3	803,578	10,845,361	-	11,648,939
Total gross amount for loans and advanced to customers	**118,187,872**	**1,523,445,061**	**53,059,103**	**1,694,692,036**

The exposure to credit risk for loans and advances to customers presented by type of products, as at 31 December 2019, are presented below:

	Capex	Credit lines	Factoring	Total
	Collective	**Collective**	**Collective**	
Stage 1	120,793,840	1,280,015,061	60,712,925	1,461,521,826
Stage 2	5,551,296	31,700,086	-	37,251,382
Stage 3	443,203	11,922,422	774,376	13,140,001
	Individual	**Individual**	**Individual**	
Stage 1	-	4,614,074	-	4,614,074
Stage 2	204,261	9,808,546	-	10,012,807
Stage 3	286,686	8,539,331	-	8,826,017
Total gross amount for loans and advanced to customers	**127,279,286**	**1,346,599,521**	**61,487,301**	**1,535,366,108**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Gross value of loans and advanced granted to customers divided by ECL stage, as at 31 December 2020, are presented below:

	Exposures stage 1	Exposures stage 2	Exposures stage 3	Total
Capex	105,629,809	10,087,933	2,470,130	118,187,872
Credit lines	1,340,135,008	130,946,786	52,363,267	1,523,445,061
Factoring	51,845,360	749,254	464,489	53,059,103
Total gross amount	**1,497,610,177**	**141,783,973**	**55,297,886**	**1,694,692,036**

Gross value of loans and advanced granted to customers divided by ECL , as at 31 December 2019, are presented below:

	Exposures stage 1	Exposures stage 2	Exposures stage 3	Total
Capex	120,793,840	5,755,557	729,889	127,279,286
Credit lines	1,284,629,137	41,508,632	20,461,752	1,346,599,521
Factoring	60,712,925	-	774,376	61,487,301
Total gross amount	**1,466,135,902**	**47,264,189**	**21,966,017**	**1,535,366,108**

The expected credit losses divided by type of products as at 31 December 2020, are presented below:

	Capex	Credit lines	Factoring	Total
	Collective	**Collective**	**Collective**	
Stage 1	252,644	9,963,847	148,022	10,364,512
Stage 2	14,296	1,238,603	391	1,253,290
Stage 3	793,092	28,537,376	464,489	29,794,957
	Individual	**Individual**	**Individual**	
Stage 2	144,611	4,715,274	-	4,859,885
Stage 3	133,616	4,993,570	-	5,127,186
Total impairment allowances	**1,338,260**	**49,448,669**	**612,902**	**51,399,831**

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The impairment allowances divided by type of products as at 31 December 2019, are presented below:

	Capex	Credit lines	Factoring	Total
	Collective	**Collective**	**Collective**	
Stage 1	478,817	6,312,799	335,622	7,127,238
Stage 2	37,137	269,438	-	306,574
Stage 3	297,171	11,142,596	774,376	12,214,143
	Individual	**Individual**	**Individual**	
Stage 1	-	1,389,639	-	1,389,639
Stage 2	61,278	5,268,690	-	5,329,968
Stage 3	183,646	7,396,197	-	7,579,844
Total expected credit losses	**1,058,049**	**31,779,359**	**1,109,998**	**33,947,406**

The impairment allowances divided by ECL stage as at 31 December 2020, are presented below:

	Expected credit losses stage 1	Expected credit losses stage 2	Expected credit losses stage 3	Total
Capex	252,644	158,907	926,709	1,338,260
Credit lines	9,963,847	5,953,877	33,530,946	49,448,669
Factoring	148,022	391	464,489	612,902
Total Expected credit losses	**10,364,512**	**6,113,175**	**34,922,143**	**51,399,831**

The impairment allowances divided by ECL stage as at 31 December 2019, are presented below:

	Expected credit losses stage 1	Expected credit losses stage 2	Expected credit losses stage 3	Total
Capex	478,817	98,415	480,817	1,058,049
Credit lines	7,704,124	5,541,081	18,534,154	31,779,359
Factoring	335,622		774,376	1,109,998
Total impairment allowances	**8,518,563**	**5,639,496**	**19,789,347**	**33,947,406**

4.1.8 Forborne loans and advances to customers

Restructuring activities include extended payment arrangements, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgment of local management, indicate that payment will most likely continue.

These policies are kept under continuous review. Repeated restructuring is one of the Group's impairment indicators.

Forborne loans and advances to costumers as of 31 December 2020	Capex	Credit lines	Factoring	Total
Collective				
Stage 2	29,110	4,110,576	-	4,139,685
Stage 3	505,456	13,915,952	-	14,421,407
Collective expected credit losses	**41,106**	**7,740,149**	**-**	**7,781,255**
Total gross amount for collective loans and advanced to customer	**534,565**	**18,026,527**	**-**	**18,561,093**
Individual				
Stage2	-	1,945,568		1,945,568
Stage 3	382,853	6,829,949		7,212,802
Individual expected credit losses	**76,571**	**4,976,716**		**5,053,286**
Total gross amount for individual loans and advanced to customer	**382,853**	**8,775,517**		**9,158,370**
Total expected credit losses	**117,677**	**12,716,865**		**12,834,541**
Total gross amount for loans and advanced to customer	**917,418**	**26,802,044**		**27,719,462**
Net exposure of forborne loans and advances to customer	**799,741**	**14,085,179**		**14,884,921**

Forborne loans and advances to costumers as of 31 December 2019	Capex	Credit lines	Factoring	Total
Collective				
Stage 2		4,726,134		4,726,134
Stage 3		3,436,672		3,436,672
Collective expected credit losses		**3,346,902**		**3,346,902**
Total gross amount for collective loans		**8,162,806**	**-**	**8,162,806**
Individual				
Stage2	204,261	5,107,599	-	5,311,860
Stage 3	15,462	2,446,966	-	2,462,428
Individual expected credit losses	**65,917**	**4,120,044**	**-**	**4,185,961**
Total gross amount for individual loans and advanced to customer	**219,723**	**7,554,565**	**-**	**7,774,288**
Total expected credit losses	**65,917**	**7,466,946**	**-**	**7,532,863**
Total gross amount for loans and advanced to customer	**219,723**	**15,717,371**	**-**	**15,937,094**
Net exposure of forborne loans and advances to customer	**153,806**	**8,250,425**	**-**	**8,404,231**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Repossessed collateral

As at 31 December 2020, the Group has no asset (land or other asset) obtained by taking possession of collateral held as security (31 December 2019 nil) as a result of foreclosure procedures.

Repossessed assets (generally represented by inventories – agricultural products) are sold as soon as practicable to other members of the Agricover Group, or third parties.

4.3 Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates.

4.3.1 . Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency, which is monitored periodically. The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December 2020 and 31 December 2019.

Included in the table are the Group's monetary financial assets and financial liabilities, presented at their carrying amounts, categorized by currency.

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

31 December 2020	EUR	RON	Total
Assets			
Cash and bank balances	5,060,298	82,176,330	87,236,628
Loans and advances to customers	48,055,858	1,595,213,662	1,643,269,520
Other financial assets	-	2,309,660	2,309,660
Total assets	**53,116,156**	**1,679,699,653**	**1,732,815,809**
Liabilities			
Borrowings	168,394,726	1,216,425,998	1,384,820,724
Other financial liabilities	-	14,739,395	14,739,395
Total Liabilities	**168,394,726**	**1,231,165,393**	**1,399,560,119**
Derivative financial instruments - notional	94,709,830	(94,709,830)	-
Net financial position	**(19,691,528)**	**352,947,218**	**333,255,690**

31 December 2019	EUR	RON	Total
Assets			
Cash and bank balances	9,592,245	66,976,051	76,568,296
Loans and advances to customers	34,672,825	1,466,745,877	1,501,418,702
Other financial assets	-	1,621,963	1,621,963
Total assets	**44,265,070**	**1,535,343,891**	**1,579,608,961**
Liabilities			
Borrowings	183,840,520	1,099,453,913	1,283,294,433
Other financial liabilities	-	11,942,411	11,942,411
Total Liabilities	**183,840,520**	**1,111,396,324**	**1,295,236,844**
Derivative financial instruments - notional	120,916,290	(120,916,290)	-
Net financial position	**(18,659,160)**	**303,031,277**	**284,372,117**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Notional value disclosed in respect of derivative financial instruments represents the contractual value in RON equivalent, at the end of the reporting period, before netting of positions and payments with the counterparty.

Sensitivity analysis

At 31 December 2020, if the RON had weakened/ strengthened 10% against the EUR currency with all other variables held constant, the Group's profit for the year, respectively total Equity at 31 December 2020 would have been RON 5,986,512 higher / lower (31 December 2019: RON 2,825,141).

31 December 2020	**Total sensitivity**	**Sensitivity of income statement**	**Sensitivity of Other comprehensive Income**
Foreign exchange (10% increase of RON against EUR currency)	5,986,512	5,986,512	-

31 December 2019	**Total sensitivity**	**Sensitivity of income statement**	**Sensitivity of Other comprehensive Income**
Foreign exchange (10% increase of RON against EUR currency)	2,825,141	2,825,141	-

4.3.2 Interest rate risk

The Group takes on exposures to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rates margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. For keeping the interest rate risk at minimum levels, the Group grants in major part loans and advances to customers with variable interest rates.

The Group grants also loans and advances to customers with fixed interest rates but in moderate volumes: as at 31 December 2020, RON 121.96 million fixed rate interest loans (31 December 2019: RON 166.41 million). Loans and advances to customers with variable interest rates as at 31 December 2020 amounts to RON 1.521 million (31 December 2019: RON 1.369 million).

The Groups' borrowings bear variable interest rates.

The tables below summarize the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual maturity and interest repricing.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The negative gaps related to 1-3 months' interest risk band is explained by the fact the Group's granted loans and advances to the customers with variable interest 6M ROBOR and 6M EURIBOR: loans at 6M ROBOR being repriced monthly and loans at 6M EURIBOR loans every six months. The borrowings for the mentioned interest risk bands are in majority 1M ROBOR and 3M ROBOR. The above indicators are in the normal course of business for the Group.

	Up to 1 month	1 -3 months	3 - 12 months	1 - 6 years	Non-interest bearing	Total
As at 31 December 2020						
Assets						
Cash and bank balances	87,236,628	-	-	-	-	87,236,628
Loans and advances to customers	1,011,239,480	-	632,030,040	-	-	1,643,269,520
Other financial assets	-	-	-	-	2,309,660	2,309,660
Total assets	**1,098,476,109**	**-**	**632,030,040**	**-**	**2,309,660**	**1,732,815,808**
Liabilities						
Borrowings	814,265,869	448,863,222	121,691,633	-	-	1,384,820,724
Other financial liabilities		4,271,899		-	10,467,496	14,739,395
Total liabilities	**814,265,869**	**453,135,121**	**121,691,633**	**-**	**10,467,496**	**1,399,560,119**
Total interest repricing GAP	**284,210,239**	**(453,135,121)**	**510,338,407**	**-**	**(8,157,836)**	**333,255,689**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Up to 1 month	1 -3 months	3 – 12 months	1 – 6 years	Non-interest bearing	Total
As at 31 December 2019						
Assets						
Cash and bank balances	76,568,296	-		-	-	76,568,296
Loans and advances to customers	1,048,512,105		452,906,597		-	1,501,418,702
Other financial assets					1,621,963	1,621,963
Total assets	1,125,080,401	-	452,906,597	-	1,621,963	1,579,608,961
Liabilities						
Borrowings	701,700,708	423,862,983	157,730,742			1,283,294,433
Other financial liabilities		3,287,049			8,655,362	11,942,411
Total liabilities	701,700,708	427,150,032	157,730,742		8,655,362	1,295,236,844
Total interest repricing GAP	423,379,693	(427,150,032)	295,175,854	-	(7,033,399)	284,372,116

4.FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

The interest rate sensitivity analysis has been determined based on the exposure to interest rate risk at the reporting date. At 31 December 2020, if interest rates on Group's assets had been higher/lower by 1 00 basis point on granted loans and interest rates on Group's liabilities had been higher/lower by 1 basis point on borrowings with all other variables held constant, the Group's profit for the year, respectively total Equity at 31 December 2020 would have been RON 1,522,260 higher / lower (31 December 2019: RON 517,155).

31 December 2020	**Total sensitivity**	**Sensitivity of income statement**	**Sensitivity of Other comprehensive Income**
Interest rate (+100 b.p. parallel shift)	1,522,260	1,522,260	-

31 December 2019	**Total sensitivity**	**Sensitivity of income statement**	**Sensitivity of Other comprehensive Income**
Interest rate (+100 b.p. parallel shift)	517,155	517,155	-

The Group monitors interest rates for its financial instruments. The tables below summarize interest rates at the 31 December 2020 and 31 December 2019 based on reports reviewed by key management personnel.

	2020				**2019**			
	RON	**USD**	**Euro**	**Other**	**RON**	**USD**	**Euro**	**Other**
Assets								
Cash and cash equivalents	0.00%	-	0.00%	-	0.00%	-	0.00%	--
Loans and advances to customers	9.51%	-	5.11%	-	10.06%	-	5.28%	--
Other financial assets	-	-	-	-	-	-	-	--
Liabilities								
Borrowings	5.17%	--	2.7 %	-	5.61%	--	2.7 %	--
Other financial liabilities	-	--	-	-	-	-	-	--

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due, as cash from contractual commitments are withdrawn, or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for client lending and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfill lending commitments.

4.4.1 Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by a separate team in the Financial department, includes:

- Funding managed by monitoring future cash flows to ensure that requirements can be met;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

As part of the management of the liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents which can be readily used to meet liquidity requirements, at least 5% of the current liabilities.

In addition, in order to assure available resources for client lending the Group maintains sufficient unused borrowing lines with the lenders and holds unencumbered eligible assets for use as collateral, equivalent of the next three months of loan productions.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows.

The table below shows the maturity analysis of non-derivative and derivative financial assets and liabilities based on the undiscounted cash-flow at their future payments/receipts and based on their contractual maturities and the liquidity gap of each period analyzed.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Loans and advances to customers and borrowings are presented at their net book value and contain future cash flows from interest.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The total outstanding contractual amount of financial guarantees issued, included as of balance sheet date into total potential future payments of financial obligations, does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded (as at the below end of the reporting period).

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 December 2020	up to 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-6 Years	Total
Cash and cash balances	87,236,628	-	-	-	-	-	87,236,628
Loans and advances to customers	100,605,006	52,042,929	231,580,952	640,218,887	300,430,680	613,855,664	1,938,734,117
Other financial assets	2,309,660						2,309,660
Derivative assets held for risk management	-	-	-	-	-	-	-
Assets	**190,151,295**	**52,042,929**	**231,580,952**	**640,218,887**	**300,430,680**	**613,855,664**	**2,028,280,406**
Borrowings	15,562,374		96,205,288	436,080,358	137,124,709	823,492,762	1,508,465,491
Derivative liabilities held for risk management	1,238,292	44,275	85,885				1,368,452
Other financial liabilities	10,606,259	282,236	432,409	372,150	397,609	2,648,732	14,739,395
Total liabilities	**27,406,925**	**326,511**	**96,723,582**	**436,452,508**	**137,522,318**	**826,141,494**	**1,524,573,338**
Off balance sheet items							
Derivative notional amount(inflow)	77,666,930	3,895,520	13,147,380				94,709,830
Derivative notional amount(outflow)	(77,666,930)	(3,895,520)	(13,147,380)				(94,709,830)
Financial guarantee			6,500,000				6,500,000
Total potential future payments for financial obligations	**27,406,925**	**326,511**	**103,223,582**	**436,452,508**	**137,522,318**	**826,141,494**	**1,531,073,338**
Liquidity surplus/(shortfall)	**162,744,370**	**51,716,418**	**128,357,370**	**203,766,379**	**162,908,362**	**-212,285,830**	**497,207,068**
Cumulative surplus/(shortfall)					**709,492,899**	**-212,285,830**	**497,207,069**

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 December 2019	up to 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-6 Years	Total
Cash and cash balances	76,568,296	-	-	-	-	-	76,568,296
Loans and advances to customers	64,707,510	44,170,679	230,900,475	648,111,470	273,530,258	472,546,589	1,733,966,981
Other financial assets	1,621,963	-	-	-	-	-	1,621,963
Derivative assets held for risk management	-	-	-	-	-	-	-
Total Assets	**142,897,769**	**44,170,679**	**230,900,475**	**648,111,470**	**273,530,258**	**472,546,589**	**1,812,157,240**
Borrowings	13,124,385	52,966,889	276,379,173	231,775,158	235,092,550	593,161,290	1,402,499,443
Derivative assets held for risk management	808,677	120,137	45,813	5,909	-	-	980,536
Other financial liabilities	8,655,362	377,223	359,923	342,350	340,620	1,866,933	11,942,411
Total liabilities	**22,588,424**	**53,464,249**	**276,784,909**	**232,123,417**	**235,433,170**	**595,028,223**	**1,415,422,390**
Off balance sheet items							
Derivative notional amount (inflow)	59,741,250	52,094,370	9,080,670	-	-	-	120,916,290
Derivative notional amount (outflow)	(59,741,250)	(52,094,370)	(9,080,670.0)	-	-	-	(120,916,290)
Financial guarantees	-	-	12,000,000	-	-	-	12,000,000
Total potential future payments for financial obligations	**22,588,424**	**53,464,249**	**288,784,909**	**232,123,417**	**235,433,170**	**595,028,223**	**1,427,422,390**
Liquidity surplus/(shortfall)	**120,309,345**	**(9,293,570)**	**(57,884,434)**	**415,988,053**	**38,097,088**	**(122,481,634)**	**384,734,850**
Cumulative surplus/(shortfall)					**507,216,482**	**(122,481,633)**	**384,734,849**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

	December 2020	December 2019
Undrown borrowings,		
out of which	**538,950,332**	**287,307,569**
Commitment	66,760,250	-
Un-commitment	472,190,082	287,307,569
Undrown credit lines,		
out of which	**191,857,835**	**213,145,616**
Un-commitment	191,857,835	213,145,616

Liquidity reserve

	December 2020	December 2019
Cash and balances	87,236,628	76,568,296
Undrawn borrowings	539,344,015	287,483,456
Total available resources	**626,580,643**	**364,051,752**
Unencumbered eligible assets*	428,388,900	456 692 401

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4.4.2 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value; fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The level in the fair value hierarchy into which the recurring fair value measurements are categorized as follows:

RON

	31 December 2020				31 December 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
Other financial assets:								
- *Foreign exchange forward contracts*	-	(1,368,452)	-	(1,368,452)	-	(980,536)	-	(980,536)
TOTAL RECURRING FAIR MEASUREMENTS	-	(1,368,452)	-	(1,368,452)	-	(980,536)	-	(980,536)

As at 31 December 2020 the Group had thirteen forward contracts outstanding RON 94,709,830) with a total negative fair value of RON 1,368,452 and seventeen forward contracts (outstanding RON 120,916,290) with a total negative fair value 980,536 RON as of 31 December 2019. The fair value was estimated based on discounted cash flows model, using observable inputs (i.e.: NBR exchange spot rate, market interest rates). As such, the fair value of the derivative is classified as Level 2 in the fair value hierarchy.

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions. Derivatives have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments not measured at fair value but for which fair value is disclosed

All financial assets and liabilities presented on the Group's statement of financial position (except derivative financial instruments measured at fair value) have their fair value approximately equal to the carrying amount as most of the loans and advances to customers bear variable interest rates with short re-pricing periods.

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value are as follows:

RON

	31 December 2020				31 December 2019			
Financial Assets	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carrying value**	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carrying value**
Cash and bank balances	85,988,675	-	-	85,988,675	71,574,574	-	-	71,574,574
Deposits with maturities < 3 months	1,247,953	-	-	1,247,953	4,993,722	-	-	4,993,722
Loans and advances to customers:								
Capex	-		116,849,612	116,853,904	-	-	126,221,237	126,221,237
Credit lines	-		1,473,973,706	1,475,219,261	-	-	1,314,820,161	1,315,661,152
Factoring	-		52,446,202	52,460,958	-	-	60,377,304	60,422,363
Other financial assets, trade debtors	-	-	2,309,660	2,309,660	-	-	1,621,963	1,621,963
Total financial assets not measured at fair value	**87,236,628**		**1,645,579,180**	**1,646,843,783**	**76,568,296**	-	**1,503,040,665**	**1,580,495,012**

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

RON

	31 December 2020				31 December 2019			
	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value
Financial Liabilities								
Borrowings from local banks	-	-	814,265,869	814,265,869			701,700,708	701,700,708
Borrowings from international financial institutions	-	-	570,554,854	570,554,854			581,593,723	581,593,723
Other financial liabilities:			14,739,395	14,739,395			11,942,411	11,942,411
Total financial liabilities not measured at fair value	-	-	**1,399,560,118**	**1,399,560,118**			**1,295,236,842**	**1,295,236,842**

The fair value information borrowings is a reasonable approximation of carrying amount, as the borrowings interest rates are floating rates. The Borrowings are mainly yearly renewable, usually renewed at the same price.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

i. *Loans and advances to customers*

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Given that applicable rates are most variable and most of the loans have short maturities (i.e.: less than one year), the carrying amounts approximates the fair value of loans and advances to customers (average residual maturity of outstanding loans as at 31 December 2020 is 15.96 months (10.50 months as at 31 December 2019).

The assumptions and methodology underlying the calculation of the fair value of for loans and advances to customers are as follows: for loans and advances to customers, the quoted prices are not valid, since they are not traded in active markets. The fair value is estimated by discounting future cash flows for the period of time these are expected to be recovered using the interest rates that would be currently offered by the Group to customers for similar products. Loans are grouped into homogenous assets with similar characteristics, namely, products, types of borrowers and debt service, in order to increase the accuracy of the result. In estimating future cash flows, the Group assumes that reimbursements will be made according to reimbursement schedules for loans not impaired. For impaired loans the Group takes account of the estimated recoveries and the resulting loan loss allowance.

ii. *Borrowings*

The fair value of borrowings is approximated by the carrying amount of such instruments given that are bear variable interest rates with re-pricing periods of up to 6 months.

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.5 Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- to comply with the capital requirements set by the regulator (i.e.: National Bank of Romania, "NBR");
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Regulatory capital are monitored by the Company's management, employing techniques based on the guidelines developed and implemented by the National Bank of Romania, for supervisory purposes. The required information is filed with the NBR on a quarterly basis by the Company at stand-alone level. The Company has complied with all externally imposed capital requirements throughout 2020 and 2019.
The table below shows regulatory capital measures of the Company, Agricover Credit IFN SA, as reported to the NBR in line with the requirements of Regulation 20/2009 regarding non-banking financial institutions ("Regulation 20/2009"). Regulation 20/2009 requires non-banking financial institutions to comply with a threshold of maximum 1,500%, representing the aggregate adjusted exposure compared to own funds.

Capital and aggregate exposure	**December 2020**	**December 2019**
Share capital	117,924,970	107,924,970
Legal reserve	14,076,627	11,371,387
Other reserves	938,217	938,217
Retained earnings	177,540,605	139,706,569
Net profit	46,687,110	40,168,257
1. Available capital	357,167,529	300,109,400
Distribution of profit	2,705,240	2,334,221
Intangibles	1,614,966	346,002
2. Deductions from available capital	1,614,966	346,002
I. Total capital	352,847,323	297,429,177
II. Investment capital	150,000	150,000
III. Own funds	352,697,323	297,279,177
Total aggregate exposure	**1,254,200,207**	**1,168,574,317**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.6 Critical accounting estimates and judgements in applying accounting policies

Management uses estimations and judgements that affect the application of accounting policies, as well as the reported value of assets, liabilities, incomes and expenses. The estimates and associated assumptions are based on historical data and various other factors that are believed to be relevant under the given circumstances, the result of which forms the basis of the judgements used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis.

The review of the accounting estimates are recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods.

The Group makes estimates and assumptions that affect the amounts of assets and liabilities reported within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the given circumstances.

Expected losses on loans and advances to customers

The Group reviews its loan portfolios to assess expected credit losses ("ECL") at least on a quarterly basis. In determining whether expected credit losses should be recognized in the statement of comprehensive income, the Group makes judgments as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows related to the portfolio of loans and advances to customers. The methodology and assumptions used for estimating the expected credit losses are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The measurements of expected credit losses are built upon IFRS 9 requirements and result in the appropriate and timely recognition of ECL in accordance with the applicable accounting framework. ECL measurement occurs at the individual level regardless of the stage allocation (taking into consideration aspects such as: impairment triggers identified by the management at the individual level based on an observable unfavorable changes in the payment behavior, restructured loans due to the conditions of significant financial difficulties, other market information observable at individual level) and also at the collective portfolio level (for the remaining population) by grouping exposures based on identified shared credit risk characteristics.

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Depending on the quality of the assets, exposures are classified in 3 stages: stage 1 includes the performing loans and advances to customers, stage 2 includes the performing portfolio with significant increase in credit risk since initial recognition and stage 3 includes the defaulted loans and advances to customers.
Under the collective approach, the expected credit losses are recognized based on either 12 months ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The simplified approach does not require the track of the changes in credit risk, but instead requires the recognition of expected credit losses based on lifetime ECLs right from origination.
Expected credit losses takes into account relevant factors and expectations at the reporting date that may affect the collectability of remaining cash flows over the life of a group of exposures or a single exposure. The Group considers information that goes beyond historical and current data, and takes into account reasonable and supportable forward-looking information, including macroeconomic factors, which are relevant to the exposures being evaluated in accordance with the applicable accounting framework.
The estimation of expected credit losses involves forecasting future economic conditions over 1 year The incorporation of forward-looking elements reflects the expectations of the Group.

5. NET INTEREST INCOME

	2020	2019
Interest income		
Interest calculated using the effective interest rate method	69,416,145	56,802,863
Interest calculated using linear rate method	108,321,751	103,516,974
Deposits and current accounts	33,636	23,572
Total interest income	177,771,532	160,343,410
Interest Expense		
Interest and similar expense for Borrowings	66,488,803	65,717,609
Interest expenses for lease contract	74,043	95,880
Total interest and similar expense	66,562,846	65,813,489
Net interest income	111,208,686	94,529,921

Interest income includes RON 6,555,242 of interest income on impaired financial assets (2019: RON 5,885,621).

6. NET FEE AND COMMISSION INCOME

	2020	2019
Fee and commission income		
Insurance brokerage commission	4,742,224	3,240,256
Total fee and commission income	4,742,224	3,240,256
Fee and commission expense		
Total other fees expense	2,826	238,576
Net fee and commission income	4,739,398	3,001,681

Insurance brokerage commission represents commission earned by the insurance broker subsidiary: 4,742,224 RON at for 2020 financial year (2019: RON 3,240,256).

7.GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses include personnel expenses, other general administrative expenses and depreciation and amortization expenses, as follows:

a) PERSONNEL EXPENSES

	2020	2019
Salaries and other benefits	27,384,006	26,072,241
Social security costs, of which	605,734	551,640
Total personnel expenses	27,989,740	26,623,881

7. GENERAL ADMINISTRATIVE EXPENSES (CONTINUED)

Further split of personnel related expenses is presented in the table below:

	2020	2019
Salaries expenses	19,774,660	17,742,640
- Front Office	8,865,172	8,322,005
- Back Office	7,784,192	6,251,844
- Directors (including Operational and Commercial)	3,125,296	3,168,791
Bonuses expenses	5,988,246	7,420,561
- Front Office	2,659,311	3,445,847
- Back Office	2,008,773	1,796,746
- Directors (including Operational and Commercial)	1,320,163	2,177,968
Social security charges:	605,734	551,640
TOTAL	26,368,640	25,714,841
Meal tickets expenses	845,636	801,041
Expenses with other benefits	775,463	108,000
Total salary expenses	27,989,740	26,623,881

b) OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Fuel expenses and maintenance	624,193	817,980
Advertising expenses	632,886	962,647
Consulting and audit expenses	1,325,940	865,956
Commission related to external services	893,991	610,039
Software expenses	891,501	1,218,124
Telecommunication and postage	289,214	298,755
Protocol expenses	766,640	827,371
Insurance expenses	294,463	369,023
Travel expenses	195,076	367,615
Repairs and maintenance	432,124	496,333
Other lease related expenses	315,159	265,242
Other	1,746,401	1,631,431
Total other general and administrative expenses	8,407,589	8,730,517

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7. GENERAL ADMINISTRATIVE EXPENSES (CONTINUED)

The fee for the audit of the statutory financial statements for the year ended 31 December 2020 has been 35,500 EUR, equivalent plus VAT (2019: 32,500 EUR, equivalent plus VAT). The fee for the non-audit services rendered by the statutory auditor for financial year 2020 has been 21,000 EUR, equivalent plus VAT (2019: 6,000 EUR equivalent, plus VAT).

c) DEPRECIATION AND AMORTISATION

	2020	2019
Depreciation and impairment of property, plant and equipment and right of used assets	1,956,276	1,805,504
Depreciation of software and other intangible assets	212,708	249,171
Total depreciation and amortization expenses	2,168,984	2,054,675

8. OTHER OPERATING EXPENSES AND NET LOSS FROM DERIVATIVE INSTRUMENTS

a) OTHER OPERATING EXPENSES

	2020	2019
Taxes except income tax	2,005,765	1,887,410
Other operating expenses	589,148	142,178
Sponsorship expenses	1,275,001	1,033,800
Total other operating expenses	3,869,914	3,063,388

b) NET LOSS FORM DERIVATIVE INSTRUMENTS

	2020	2019
Net loss from derivative financial instruments	(1,892,026)	(1,310,206)

The open position in EUR is covered by short term forward contrasts that generated a net loss for the Group for 2020 and 2019.

9. INCOME TAX EXPENSE

Further information about deferred income tax is presented in Note 13.

	2020	2019
Profit before income tax	**48,573,149**	**42,703,424**
Theoretical tax calculated at tax rate of 16%	**7,771,704**	**6,832,548**
Tax effect on:		
Legal reserves	(432,838)	(373,475)
Income tax facilities (sponsorship)	(1,275,001)	(1,033,800)
Other profit tax exemption	(138,466)	(176,505)
Other permanent income tax differences	537,552	644,468
Income tax expenses (at effective tax rate 13.3% in 2020 and 13,8% in 2019)	**6,462,950**	**5,893,236**

Note: The Subsidiary meets the conditions for income tax system specific to micro-enterprises.
Income tax facilities are related to tax reliefs for sponsorships granted by the Group. These are eligible to be booked as deductions from the Group income tax.

10.CASH AND CASH EQUIVALENTS

	2020	2019
Current accounts	85,988,675	71,574,574
Placements with banks with maturities less than 3 months	1,247,953	4,993,722
Total cash and cash equivalents	87,236,628	76,568,296

Bank	**Cash and cash equivalents 2020**	**Cash and cash equivalents 2019**
Banca Comerciala Romana S.A	36,112,929	7,822,215
CEC Bank S.A	17,418,165	24,474,500
Garanti Bank S.A	10,698,060	15,886,298
Alpha Bank Romania S.A	10,285,240	5,650,967
Banca Transilvania- Suc Buzau	4,230,343	12,608,399
Other banks	7,243,938	5,132,196
Placements with banks with maturities less than 3 months	1,247,953	4,993,722
Total	**87,236,628**	**76,568,296**

The current accounts and placements with banks are held with local Romanian banks, the amounts being neither past due nor impaired.

11. LOANS AND ADVANCES TO CUSTOMERS

As per type, the loans and advances to customers are structured as follows:

	2020	2019
Credit lines	1,497,610,177	1,346,599,520
Capex	141,783,973	127,279,286
Factoring	55,297,886	61,487,301
Gross loans and advances to customers	1,694,692,036	1,535,366,108
Less:		
- Deferred tax related capex	(22,685)	
- Impairment allowances	(51,399,830)	(33,947,406)
Net loans and advances to customers	1,643,269,520	1,501,418,702
Maturity less than 12 months	1,138,178,323	1,118,233,386
Maturity more than 12 months	505,091,197	383,185,316

12. OTHER FINANCIAL ASSETS AND OTHER ASSETS

Other financial assets	2020	2019
Receivables from clients	2,309,660	1,621,962
Total other financial assets	2,309,660	1,621,962

Other assets		
Prepaid expenses	1,297,232	764,974
Other	326,293	346,569
Total other assets	1,623,525	1,111,543

The balance of Other financial assets represents financial assets for which the credit risk has not increased significantly from initial recognition (i.e. Stage 1)

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13.DEFERRED TAX ASSET

Deferred taxes are calculated on all temporary differences as per the balance sheet method using an effective tax rate of 16 % for 2020 (2019: 16 %).

Deferred tax assets of RON 2,742,050 as at 31 December 2020 (31 December 2019: RON 1,747,425) are attributable mainly to the impairment losses on loans and advances to customers.

As at 31 December 2020 and 31 December 2019, the Group did not offset deferred tax liabilities against deferred tax asset.
The movement on the deferred tax asset is as follows:

	2020	2019
As at 1 January	1,747,425	1,091,991
Income statement charge, of which:		
- On differences between statutory and IFRS impairment losses on loans and advances to customers	971,449	654,730
- On differences between statutory and IFRS 16	(2,017)	704
- On differences for provision for off balance sheet commitments	25,193	
As at 31 December	2,742,050	1,747,425

14. INTANGIBLE ASSETS

The movements in intangible assets were as follows:

Cost	
Balance at 1 January 2019	**2,742,975**
Additions	295,569
Disposals	109,188
Balance at 31 December 2019	**2,929,357**
Balance at 1 January 2020	2,929,357
Additions	1,481,671
Disposals	-
Balance at 31 December 2020	**4,411,027**
Accumulated depreciation	
Balance at 1 January 2019	2,334,845
Depreciation for the year	248,508
Disposals	-
Balance at 31 December 2019	**2,583,354**
Balance at 1 January 2020	2,583,354
Depreciation for the year	212,708
Impairment loss	-
Disposals	-
Balance at 31 December 2020	**2,796,062**
Carrying amounts	
Balance at 1 January 2019	408,129
Balance at 31 December 2019	346002.47
Balance at 31 December 2020	**1,614,966**

The intangible assets include computer software licenses.
The Group booked no impairment for intangible assets in 2020 (2019: nil).

15.PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USED ASSETS

The movements in of property, plant and equipment were as follows:

	Equipment	Building improvement	Right of used assets	Total
Cost				
Balance at 1 January 2019	1,723,405	1,424,810	2,670,563	5,818,778
Additions	177,653	12,252	1,923,963	2,113,867
Disposals				-
Balance at 31 December 2019	**1,901,058**	**1,437,061**	**4,594,526**	**7,932,645**
Balance at 1 January 2020	**1,901,058**	**1,437,061**	**4,594,526**	**7,932,645**
Additions	291,976	28,876	2,570,814	2,891,667
Disposals				-
Balance at 31 December 2020	**2,193,034**	**1,465,937**	**7,165,340**	**10,824,312**
Accumulated depreciation				-
Balance at 1 January 2019	1,016,824	1,026,507		2,043,331
Depreciation for the year	241,280	252,346	1,311,878	1,805,504
Disposals				-
Balance at 31 December 2019	**1,258,104**	**1,278,853**	**1,311,878**	**3,848,835**
Balance at 1 January 2020	**1,258,104**	**1,278,853**	**1,311,878**	**3,848,835**
Depreciation for the year	204,586	109,591	1,589,775	1,903,952
Disposals				-
Balance at 31 December 2020	**1,462,690**	**1,388,445**	**2,901,653**	**5,752,787**
Carrying amounts				-
Balance at 1 January 2019	**706,581**	**398,303**	**2,670,563**	**3,775,446**
Balance at 31 December 2019	**642,954**	**158,208**	**3,282,648**	**4,083,810**
Balance at 31 December 2020	**730,344**	**77,493**	**4,263,687**	**5,071,524**

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16. BORROWINGS

Borrowings includes financial instruments classified as liabilities at amortized cost.

The borrowings are floating rate. The borrowings from local banks are mainly yearly renewable, usually renewed at the same price.

According to payment criteria, borrowings on short term payable on maximum one year and borrowings on long term, payable over a year time horizon.

Borrowings as at 31 December 2020	Payable on short term*	Payable on long term	Total	Maturity
Banca Transilvania SA- Suc Buzau	77,550,683	-	77,550,683	11/18/2021
UniCredit Bank SA	99,224,766	-	99,224,766	10/2/2021
BRD Groupe Societe Generale	57,193,269	-	57,193,269	8/31/2021
ING Bank N.V Amsterdam- Suc Bucuresti	561,889	150,068,626	150,630,515	11/5/2022
OTP Bank Romania S.A	5,707,633	-	5,707,633	12/16/2021
Alpha Bank Romania S.A	19,970,391	-	19,970,391	8/26/2021
Garanti Bank S,A	46,925,975	-	46,925,975	7/1/2021
Garanti Bank S.A	12,440,000	2,500,000	14,940,000	1/31/2022
Banca de Export-Import a Romaniei Eximbank SA	925,469	83,763,043	84,688,512	30/08/2022
Banca Comerciala Romana S.A	98,545,174	-	98,545,174	10/12/2021
CEC Bank S.A	-	19,807,083	19,807,083	19/03/2022
Banca Comerciala Intesa Sanpaolo Romania S.A	100,896,397	-	100,896,397	31/08/2021
Credit Europe Bank (Romania) S.A	8,272,203	-	8,272,203	15/11/2021
Banca Romaneasca S.A	103,267	29,810,000	29,913,267	8/5/2022
International Finance Corporation	12,717,980	20,000,000	32,717,980	15/01/2024
The European Fund for Southeast Europe S.A., SICAV-SIF	4,506,039	-	4,506,039	15/06/2021
The European Fund for Southeast Europe S.A., SICAV-SIF	8,446,592	8,470,589	16,917,181	15/12/2022
The European Fund for Southeast Europe S.A., SICAV-SIF	13,174,614	53,142,860	66,317,474	30/11/2025
The European Fund for Southeast Europe S.A., SICAV-SIF	132,799	13,920,000	14,052,799	12/15/2027
European Bank for Reconstruction and Development	93,173	46,317,837	46,411,010	20/04/2023
European Bank for Reconstruction and Development	48,779	23,113,777	23,162,556	3/20/2024
European Bank for Reconstruction and Development	222,911	24,202,995	24,425,906	7/1/2022
Black Sea Trade and Development	12,423,150	37,910,455	50,333,605	19/12/2024
International Investment Bank	13,397,064	4,426,723	17,823,787	13/07/2022
International Investment Bank	8,404,045	38,884,091	47,288,136	19/03/2026
International Investment Bank	70,362	47,627,389	47,697,751	27/02/2027
European Investment Bank	10,522,379	27,825,143	38,347,522	25/11/2024
European Investment Bank	3,492,843	15,651,643	19,144,486	18/06/2026
European Investment Bank	1,987,662	15,980,580	17,968,242	7/12/2027
European Investment Fund	5,664,026	28,643,530	34,307,556	30/09/2026
European Investment Fund	132,383	19,963,888	20,096,271	5/15/2028
Responsibility Sicav (Lux)	12,516,055	36,520,500	49,036,555	9/6/2024
Total borrowings	636,269,972	748,550,750	1,384,820,722**	

with maturity less than 12 months

*** please be informed that the total borrowings included: principal+ accrued interest adjusted with prepaid borrowings*

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16. BORROWINGS (CONTINUED)

Borrowings as at 31 December 2019	Payable on short term*	Payable on long term	Total	Maturity
Banca Transilvania SA- Suc Buzau	97,350,558	-	97,350,558	19/11/2020
UniCredit Bank SA	67,156,412	-	67,156,412	10/2/2020
BRD Groupe Societe Generale	74,356,012	-	74,356,012	31/08/2020
ING Bank N.V Amsterdam- Suc Bucuresti	97,883,519	-	97,883,519	1/10/2021
OTP Bank Romania S.A	3,886,990	-	3,886,990	5/22/2020
Alpha Bank Romania S.A	19,972,291	-	19,972,291	6/30/2020
Garanti Bank S.A	46,911,875	-	46,911,875	5/1/2020
Banca de Export-Import a Romaniei Eximbank SA	1,069,809	88,864,358	89,934,167	8/30/2021
Banca Comerciala Romana S.A	65,802,558	-	65,802,558	10/12/2020
CEC Bank S.A	29,725,000	-	29,725,000	3/21/2020
Banca Comerciala Intesa Sanpaolo Romania S.A	99,479,707	-	99,479,707	8/31/2020
Credit Europe Bank (Romania) S.A	9,241,621	-	9,241,621	10/15/2020
International Finance Corporation	-	40,222,356	40,222,356	15/01/2024
International Finance Corporation	70,152,889	-	70,152,889	6/6/2020
The European Fund for Southeast Europe S.A., SICAV-SIF	8,319,290	4,500,000	12,819,290	15/06/2021
The European Fund for Southeast Europe S.A., SICAV-SIF	8,319,370	16,941,177	25,260,547	15/12/2022
The European Fund for Southeast Europe S.A., SICAV-SIF	3,293,179	66,428,572	69,721,751	30/11/2025
European Bank for Reconstruction and Development	194,506	46,224,767	46,419,273	20/04/2023
European Bank for Reconstruction and Development	-	23,168,263	23,168,263	3/20/2024
Black Sea Trade and Development Bank	12,238,615	50,547,273	62,785,888	19/12/2024
International Investment Bank	13,075,326	13,034,452	26,109,778	13/07/2022
International Investment Bank	-	47,202,946	47,202,946	19/03/2026
European Investment Bank	10,353,890	37,551,644	47,905,534	25/11/2024
European Investment Bank	3,413,787	18,775,820	22,189,607	18/06/2026
European Investment Fund	5,834,298	33,736,239	39,570,535	30/09/2026
Responsibility SICAV (LUX)	-	48,065,066	48,065,066	9/6/2024
Total borrowings	**748,031,500**	**535,262,933**	**1,283,294,433****	

**with maturity less than 12 months*

please be informed that the total borrowings included: principal+ accrued interest adjusted with prepaid borrowings

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16. BORROWINGS (CONTINUED)

Lender	31 December 2020	31 December 2019
Banca Transilvania SA -Suc Buzau	77,550,683	97,350,558
UniCredit Bank SA	99,224,766	67,156,412
BRD Groupe Societe Generale	57,193,269	74,356,012
ING Bank N.V Amsterdam -Suc România	150,630,515	97,883,517
OTP Bank S.A	5,707,633	3,886,992
Alpha Bank Romania S.A	19,970,391	19,972,291
Garanti Bank S.A	61,865,975	46,911,875
Banca de Export-Import a Romaniei Eximbank SA	84,688,512	89,934,167
Banca Comercială Română S.A	98,545,174	65,802,558
CEC Bank S.A	19,807,083	29,725,000
Banca Comerciala Intesa Sanpaolo Romania S.A	100,896,397	99,479,707
Credit Europe Bank (Romania) S.A	8,272,203	9,241,621
Banca Romaneasca S.A	29,913,267	-
International Finance Corporation	32,717,980	110,375,244
The European Fund for Southeast Europe S.A., SICAV-SIF	101,793,493	107,801,588
Black Sea Trade and Development Bank	50,333,605	62,785,888
European Bank for Reconstruction and Development	93,999,472	69,587,536
International Investment Bank	112,809,674	73,312,725
European Investment Bank	75,460,250	70,095,141
European Investment Fund	54,403,827	39,570,535
Responsibility Sicav (Lux)	49,036,555	48,065,066
Total borrowings	**1,384,820,722**	**1,283,294,433**

16. BORROWINGS (CONTINUED)

Borrowings as at 31 December 2020	Total available line	Drawn	Undrown
Banca Transilvania SA -Suc Buzau	124,000,000	77,809,016	46,190,984
UniCredit Bank SA	133,000,000	99,120,313	33,879,687
BRD Groupe Societe Generale	130,000,000	57,344,935	72,655,065
ING Bank N.V Amsterdam -Suc România	200,000,000	150,162,314	49,837,686
OTP Bank S.A	22,000,000	5,781,383	16,218,617
Alpha Bank Romania S.A	20,000,000	20,000,000	-
Garanti Bank S.A	62,000,000	62,000,000	-
Banca de Export-Import a Romaniei Eximbank SA	200,000,000	84,771,377	115,228,623
Banca Comercială Română S.A	165,000,000	98,600,972	66,399,028
CEC Bank S.A	70,000,000	20,000,000	50,000,000
Banca Comerciala Intesa Sanpaolo Romania S.A	121,800,000	101,046,407	20,753,593
Credit Europe Bank (Romania) S.A	9,300,000	8,273,201	1,026,799
Banca Romaneasca S.A	30,000,000	30,000,000	-
International Finance Corporation	32,500,000	32,500,000	-
The European Fund for Southeast Europe S.A., SICAV-SIF	87,869,749	87,869,749	-
The European Fund for Southeast Europe S.A., SICAV-SIF	48,000,000	14,500,000	33,500,000
Black Sea Trade and Development Bank	50,547,274	50,547,274	-
European Bank for Reconstruction and Development	94,157,200	94,157,200	-
International Investment Bank	113,305,906	113,305,906	-
European Investment Bank	57,389,356	57,389,356	-
European Investment Bank	36,420,000	18,159,750	18,260,250
European Investment Fund	34,372,237	34,372,237	-
European Investment Fund	35,000,000	20,000,000	15,000,000
Responsibility Sicav (Lux)	48,694,000	48,694,000	-
Total borrowings	**1,925,355,722**	**1,386,405,390**	**538,950,332**

16. BORROWINGS (CONTINUED)

Borrowings as at 31 December 2019	Total available line	Drown	Undrown
Banca Transilvania SA -Suc Buzau	100,000,000	97,558,891	2,441,109
UniCredit Bank SA	100,000,000	67,100,000	32,900,000
BRD Groupe Societe Generale	105,000,000	74,496,012	30,503,988
ING Bank N.V Amsterdam -Suc România	150,000,000	97,507,558	52,492,442
OTP Bank S.A	28,000,000	3,916,157	24,083,843
Alpha Bank Romania S.A	20,000,000	20,000,000	-
Garanti Bank S.A	47,000,000	47,000,000	-
Banca de Export-Import a Romaniei Eximbank SA	150,000,000	89,764,358	60,235,642
Banca Comercială Română S.A	130,000,000	65,803,675	64,196,325
CEC Bank S.A	50,000,000	30,000,000	20,000,000
Banca Comerciala Intesa Sanpaolo Romania S.A	100,000,000	99,604,159	395,841
Credit Europe Bank (Romania) S.A	9,300,000	9,241,621	58,379
International Finance Corporation	110,000,000	110,000,000	-
The European Fund for Southeast Europe S.A., SICAV-SIF	108,061,765	108,061,765	-
Black Sea Trade and Development Bank	63,184,091	63,184,091	-
European Bank for Reconstruction and Development	69,800,000	69,800,000	-
International Investment Bank	73,593,907	73,593,907	-
European Investment Bank	69,982,607	69,982,607	-
European Investment Fund	39,358,941	39,358,941	-
Responsibility Sicav (Lux)	47,793,000	47,793,000	-
Total borrowings	**1,571,074,311**	**1,283,766,742**	**287,307,569**

17. LEASE LIABILITIES included in other financial liabilities

Maturity analyses of lease liabilities for vehicles as structured as follows:

	31 December 2020	31 December 2019
Less than one year	953,094	790,558
Between one and five years	1,220,554	894,905
More than five years		-
Total lease liabilities of vehicles	2,173,648	1,685,463

Maturity analyses of lease liabilities for office buildings is structured as follows:

	31 December 2020	31 December 2019
Less than one year	670,072	528,827
Between one and five years	1,403,333	966,798
More than five years	24,846	105,961
Total lease liabilities for building offices	2,098,251	1,601,586

18. OTHER FINANCIAL LIABILITIES

	31 December 2020	31 December 2019
Lease liabilities	4,271,899	3,287.049
Other financial liabilities, out of which:	10,467,496	8,655,362
- Employees	6,192,708	5,402,736
taxes and social contributions	1,091,966	1,110,129
VAT	437,781	338,885
others (suppliers)	2,745,041	1,803,612
Total other liabilities	**14,739,395**	**11,942,411**

Except for lease liabilities for which the maturity is presented above, other financial liabilities and other liabilities are expected to be settled within 12 months after 31 December 2020 (31 December 2019: all current).

19. CURRENT INCOME TAX LIABILITIES

	2020	2019
- Current income tax liabilities:	710,336	863,050
To be paid after more than 12 months	-	-
To be paid within 12 months	710,336	863,050

20. SHARE CAPITAL AND LEGAL AND OTHER RESERVES

The total number of authorized and issued ordinary shares as at 31 December 2020 was 11,792,497 shares (2019: 10,792,497 shares) with a par value of RON 10 per each share (2019: RON 10 per share). All shares are fully paid.

As at 31 December 2020 AGRICOVER HOLDING SA had 99,999992 % of Group's shares and Agricover SA had 0.000002 % of Group's shares (31 December 2019: AGRICOVER HOLDING SA had 99.99999 % of Group's shares and Agricover SA had 0.00001 % of Group's shares). In 2020 AGRICOVER HOLDING SA increased the share capital of Agricover Credit IFN with the amount of RON 10,000,000 in 2020 and with the amount of RON 37,518,900 in 2019, the amount was fully paid in cash.

a) Share capital

Movements in the Group's share capital are summarized as follows:

	2020		2019	
	Number of shares	**RON**	**Number of shares**	**RON**
Balance as at 1 January	10,792,497	107,924,970	7,040,607	70,406,070
Balance as at 31 December	11,792,497	117,924,970	10,792,497	107,924,970

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The holders of ordinary shares are entitled to receive dividends as declared in the General Shareholders Meetings and are entitled to one vote per share at the Annual General Meeting of the Group.

b) Legal and other reserves

As of 31 December 2020, the Group's legal reserves are constituted within the legal limit of 5% from gross profit.

21. DIVIDENDS PER SHARE

Dividends payable are not accounted for until they have been approved at the General Shareholders Meetings. In 2020 and 2019 no dividends have been distributed to shareholders.

22.CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

(a) *Legal proceedings*

In 2016, client AC AGROFAM UNIREA commenced allegation against the Group in respect of financial losses and moral damages said to be caused by the Group's request to be started insolvency procedures for AC AGROFAM UNIREA. Should the action against the Group be successful, the estimated losses are of RON 1,552,000. The claim has been rejected by both Bucharest Court and by the Court of Appeal; a third appeal was filed by the client to which a trial date has not yet been scheduled. The Group has been advised by its legal advisers than the plaintiff has no chance of winning the third appeal. Accordingly, no provision for any risks and charges has been made in these financial statements

The Group initiated a number of Court claims against its customers which arise in the ordinary course of business and are mainly related to the foreclosure of bad debts.

(b) *Credit related commitments*

The primary purpose of these instruments is to ensure that funds are available to customers as required and approved by the Group.

Commitments to extend credit represent unused portions of approved to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Group converts the amount of an undrawn credit line to an on balance exoposure using the credit conversion factor and calculates the probability of drawing the undrawn portion in the next 12 months. The credit conversion factor is 15% as at 31 December 2020 (31 December 2019: 15%).

	December 2020	December 2019
Credit lines limit granted	1,029,413,241	1,105,245,816
Outstanding balance (drawn)	837,555,406	892,100,200
Undrawn balances	191,857,835	213,145,616
Credit Conversion factor	15%	15%
Undrawn balance after credit conversion factor	28,778,675	31,971,842
Provision for off balance sheet commitment	157,458	-

23. TAXATION RISK

The Romanian tax legislation provides for detailed and complex rules and has suffered various changes in the recent years. Interpretation of the text and practical implementation procedures of tax legislation could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Group's treatment. The Group's management considers that the tax liabilities included in these consolidated financial statements are fairly stated.

The Romanian Government has a number of agencies that are authorized to conduct audits of companies operating in Romania. These audits are similar in nature to tax audits performed by tax authorities in many countries but may extend not only to tax matters but to other legal and regulatory matters. It is likely that the Group will continue to be subject to regular controls as new laws and regulations are issued. The Group's management considers that the Group will not be impacted by significant losses in case of a fiscal control. However, the impact of different interpretations by the tax authorities cannot be accurately estimated.

24. NON-IFRS MEASURES

The Company has included below certain non IFRS financial information (Return on assets and Return on Equity). These are considered key performance indicators monitored by the Group. Detailed calculation is presented below:

	2020	2019
1.Capital ratio	**28.12%**	**25.45%**

This capital ratio refers exclusively to the Company, Agricover Credit IFN SA, and was derived by the Management from the regulatory capital measures (i.e. Own Funds and Total Aggregated Exposure, please refer to note 3.4 "Capital management") of the Company based on the Regulation 20/2009 issued by NBR and using a formula described below and which is not part of the Regulation 20/2009. The capital ratio formula used by the Management is Own Funds / Total Aggregated exposure, A/C for 31 December 2019 and B/D for 31 December 2020 (for the requirement provided by the Regulation no 20/2009 please refer to note 2.7 "Capital management").

A. Own Funds 31 December 2019	297,429,177
B. Own Funds 31 December 2020	352,697,323
C. Total aggregate exposure 31 December 2019	1,168,574,317
D. Total aggregate exposure 31 December 2020	1,254,200,207

2. Non-Performing Loan Ratio **3.26%** **1.43%**

The figures below are extracted from on these financial statements. In monitorization of the Non-performing loans, the management uses the indicator "The Non-performing loan ratio" computed
as the Gross exposure Stage 3 / Total gross exposure, E/G for 31 December 2019 and F/H for 31 December 2020

E. Gross Loans Exposure Stage 3 December 2019	21,966,017
F. Gross Loans Exposure Stage 3 December 2020	55,297,886
G. Gross Loans exposure December 2019	1,535,366,108
H. Gross Loans exposure December 2020	1,694,692,036

	2020	2019
3. Risk earnings ratio	**18.51%**	**11.24%**

The figures below are extracted from on these financial statements. In monitorization of the loans portfolio performance, the management uses the indicator "the Risk earnings ratio" computed as Impairment losses on loans and advances to customers /Net Interest Income, K/I for 2019 and L/J for 2020

I. Net Interest Income December 2019	94,529,921
J. Net Interest Income December 2020	111,208,686
K. Impairment losses on loans and advances to customers December 2019	10,620,765
L. Impairment losses on loans and advances to customers December 2020	20,585,213

	2020	2019
4. Cost Income ratio	**36.59%**	**41.43%**

The figures below are extracted from these financial statements.
In monitorization of the performance of the Group, the management uses the "Cost Income ratio" indicator computed, without considering cost of credit risk (Impairment losses on loans and advances to customers), as per the following formula: Operating Expenses/Operating Revenues, (M+N)/(I+R+S) for 2019 and (O+P)/(J+T+V) for 2020

M. General and administrative expenses December 2019	37,409,073
N. Other operating expenses December 2019	3,063,388
O. General and administrative expenses December 2020	38,566,312
P. Other operating expenses December 2020	3,869,914
R. Net fee and commission income December 2019	3,001,681
S. Other operating income December 2019	156,066
T. Net fee and commission income December 2020	4,739,398

V. Other operating income December 2020	40,337

25. RELATED PARTY DISCLOSURES

The Group is controlled by AGRICOVER HOLDING SA which owns 99.999998 % of the ordinary shares of the Group. The remaining 0.000002 % are held by AGRICOVER SA. Ultimately, the Group is controlled by Mr. Jabbar Kanani.

A number of transactions are entered into with related parties in the normal course of business. These include mainly loans and placements.

The volumes of related-party transactions, outstanding balances at the year-end, and relating expense and income for the year are as follows:

(a) *Loans and advances, respectively off-balance sheet exposures to related parties*

	31 December 2020	31 December 2019
Loans and advances to customers		
Loans outstanding at 1 January	0	1,976,098
Loans issued during the year	11,009,088	14,355,579
Loan repayments during the year	(11,009,088)	(16,331,677)
Loans outstanding at 31 December	0	0
Credit line interest income earned	158,041	430,445
Letter of guarantee (off balance exposure	6,500,000	12,000,000

As at 31 December 2020 no provisions have been recognized in respect of loans given to related parties (31 December 2019: nil). No loans or other advances were granted to the parent or to the ultimate controlling party.

As at 31 December 2020 and 31 December 2019 all loans and advances to related parties are neither past due nor impaired.

25.RELATED PARTY DISCLOSURES (CONTINUED)

Loans issued during the year to related parties

	2020			2019		
	Shareholders	**Subsidiary**	**Other related parties**	**Shareholders**	**Subsidiary**	**Other related parties**
Agricover Holding S.A	-	-	-	137,000	-	-
Agricover SA	-	-	-	-	-	-
Granddis	-	-		-	-	
Net Farming (ex Agricover Ferme)	-	-	10,526,588	-	-	12,418,579
Agricola Cornatelu SRL	-	-	-	-	-	1,800,000
Barimpex SRL	-	-	-	-	-	-
Abatorul Peris S.A	-	-	57,500	-	-	-
Agricover Technology S.A	-	-	425,000	-	-	-
Total	-	-	**11,009,088**	**137,000**	-	**14,218,579**

The loans and advances to associated companies are secured with promissory notes and pledges on stock, carry variable interest rates and are repayable at maturity. All loans and advances to entities under common control are granted at market rates (i.e.: between a minimum rate of 6M ROBOR plus a 5% margin and a maximum rate of 12%); additionally all loans and advances to entities under common control bear a front-end fee of 0.5% of the granted amount.

25.RELATED PARTY DISCLOSURES (CONTINUED)

(a) *Interest income from related parties:*

	2020	2019
Net Farming SRL	82,805	178,191
Granddis	-	-
Agricover SA (shareholder)	11,885,488	11,717,675
Agricola Cornatelu SRL	-	38,087
Barimpex SRL	-	-
Agricover Holding S.A (shareholder)	-	36,337
Abatorul Peris S.A	74,615	177,830
Agricover Technology S.A	621	-
Total	12,043,529	12,148,120

Out of which, revenues from factoring contracts without recourse are in amount of:

Agricover S.A (shareholder)	11,885,488	11,717,675

(b) *Expenses with related parties:*

	2020	2019
Agricover SA (shareholder)	656,549	660,825
Agricover Technology	564,874	
Total	1,221,424	660,825

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28. APR. 2021
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25.RELATED PARTY DISCLOSURES (CONTINUED)

(c) *Other financial assets*

	Entities under common control	
	2020	**2019**
Agricover SA (shareholder)	1,417,792	1,000,754

(d) *Other financial liabilities:*

	Entities under common control	
	2020	**2019**
Agricover SA (shareholder)	17,735	65,447
Agricover Technology S.A	672,200	-
Total	698,935	65,447

(e) *Key management compensation:*

	2020	**2019**
Salaries	3,125,296	3,168,791
Bonuses	1,320,163	2,177,968
Social security charges	106,295	101,595
Total	4,551,754	5,448,354

26 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

The significant events after the balance sheet date are related to:

a) New financing:

- EUR 40 million was signed and drawn from Agricover Holding S.A in March 2021 , unsecured, unsubordinated, 5 years maturity, bullet repayment at maturity, fix interest rate, yearly payment of interest. On 1 February 2021, Agricover Holding completed a EUR 40,000,000 bond issue. According to the bond prospectus, the funds raised pursuant to the bond issue were to be applied towards financing the lending operations of Agricover Credit IFN SA.

- RON 33.5 million was drawn in March 2021 from the agreement signed with The European Fund For Southeast Europe S.A in 2020, unsecured, 7 years maturity, variable rate, quarterly payment of interest and principal

b) Principal repayments:

- repayment to International Investment Bank (January 2021) of EUR 0.909 million principal;
- repayment to International Financial Corporation (January 2021) of RON 2.1 million principal
- repayment to European Fund for Southeast Europe S.A (February 2021) of RON 3,321 million principal.
- repayment to European Fund for Southeast Europe S.A (March 2021) of RON 4,217 million principal
- repayment to International Investment Bank (March 2021) of RON 4,320 million principal
- repayment to European Investment Fund (March 2021) of EUR 0.627 million principal