AGRICOVER CREDIT IFN SA

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE SIX-MONTH PERIOD ENDED

30 JUNE 2022

Prepared in accordance with
IAS 34 Interim Financial Reporting as adopted by the European Union

Contents

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the six-month period ended 30 of June

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Note	2022	2021
Interest income		125,119	87,962
Interest and similar expenses		(54,947)	(31,247)
Net interest income	3	**70,172**	**56,715**
Net credit losses	4,8	(10,399)	(1,572)
Net interest income after credit losses		**59,773**	**55,143**
Fee and commission income		7,035	3,640
Fee and commission expense		(180)	(48)
Net fee and commission income	5	**6,855**	**3,592**
Other operating income		407	296
General and administrative expenses	6	(28,657)	(21,558)
Other operating expenses		(1,658)	(839)
Net gain/(loss) from derivative financial instruments		923	(3,279)
Net foreign exchange translation result		(45)	81
Profit before taxes		**37,598**	**33,435**
Income tax expenses	7	(6,173)	(4,977)
Profit for the period		**31,426**	**28,458**
Other comprehensive income for the period			
Total Comprehensive income for the period		**31,426**	**28,458**
Profit attributable to:			
- Equity holders of the company		29,603	27,645
- Non controlling interest		1,823	814
Profit for the period		**31,426**	**28,458**
Total comprehensive income attributable to:			
- Equity holders of the company		29,603	27,645
- Non controlling interest		1,823	814
Total comprehensive income for the period		**31,426**	**28,458**

Condensed Consolidated Statement of Financial Position
as at

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Note	30 June 2022	31 December 2021
Assets			
Cash and cash equivalents		127,831	90,699
Derivative assets held for risk management	12	4,815	116
Loans and advances to customers	8	2,532,492	1,943,480
Other financial assets		2,423	3,099
Other assets		1,680	2,040
Deferred tax assets		4,571	2,991
Intangible assets	13	9,837	5,718
Property, plant and equipment		6,165	3,959
Total Assets		**2,689,814**	**2,052,102**
Liabilities			
Derivative liabilities held for risk management	12	928	1,275
Borrowings	10	2,237,853	1,633,827
Other financial liabilities	11	14,305	16,268
Current tax liabilities		5,245	1,424
Provision for off balance sheet commitment		831	379
Total Liabilities		**2,259,161**	**1,653,173**
Equity			
Share capital		117,925	117,925
Retained earnings		290,722	261,119
Legal and other reserves		18,676	18,378
		427,323	**397,422**
Non-controlling interests		3,330	1,507
Total equity		**430,653**	**398,929**
Total equity and liabilities		**2,689,814**	**2,052,102**

Approved for issue and signed on behalf of the Board of Directors on 17.08.2022

Stefan Doru Bucataru permanent representat of Veldtster INC — Administrator

Denisa Manoliu — Chief Financial Officer

Digitally signed by
Stefan Doru Bucataru
Date: 2022.08.17 21:33:50

Digitally signed by
Mihaela-Denisa Manoliu
Date: 2022.08.17 18:16:45

Condensed Consolidated Statement of Changes in Equity
for the six-month period ended 30 June

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Attributable to owners of Agricover Credit IFN SA						
	Share capital	Legal reserves	Other reserves	Retained earnings	**Total**	**Non-controlling interest**	**Total equity**
at 1 January 2022	**117,925**	**17,440**	**938**	**261,119**	**397,422**	**1,507**	**398,929**
Profit for the period				29,603	29,603	1,823	**31,426**
Total comprehensive income for the period				**29,603**	**29,603**	**1,823**	**31,426**
Share option plan (note 14)			298		**298**		**298**
Total transactions with owners in their capacity as owners			**298**	**-**	**298**	**-**	**298**
Balance at 30 June 2022	**117,925**	**17,440**	**1,237**	**290,722**	**427,323**	**3,330**	**430,653**

	Attributable to owners of Agricover Credit IFN SA						
	Share capital	Legal reserves	Other reserves	Retained earnings	**Total**	**Non-controlling interest**	**Total equity**
at 1 January 2021	**117,925**	**14,135**	**938**	**208,790**	**341,789**	**282**	**342,072**
Profit for the period				27,645	27,645	814	**28,459**
Total comprehensive income for the period				**27,645**	**27,645**	**814**	**28,459**
Total transactions with owners in their capacity as owners				**-**	**-**	**-**	**-**
Balance at 30 June 2021	**117,925**	**14,135**	**938**	**236,435**	**369,434**	**1,096**	**370,530**

Condensed Consolidated Statement of Cash Flows
for the six-month period ended 30 June

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

	Note	2022	2021
Operating activities			
Interest received		55,421	44,564
Interest paid		(52,931)	(29,111)
Brokerage fees cashed		6,337	2,860
Staff costs paid		(21,395)	(17,038)
Payments to suppliers		(13,050)	(10,918)
Other receivables cashed		(2,438)	1,630
Net disbursements of loans and advances to customers		(530,905)	(305,392)
Net cash flow used in operating activities before income tax		**(558,961)**	**(313,405)**
Income pax paid		(3,931)	(2,614)
Net cash flow used in operating activities		**(562,892)**	**(316,019)**
Investing activities			
Purchase of equipment and intangible assets		(4,869)	(1,267)
Net cash flow used in investing activities		**(4,869)**	**(1,267)**
Financing activities			
Withdrawals from borrowings		3,674,094	845,197
Repayment of borrowings		(3,068,931)	(552,669)
Net cash flows generated from financing activities		**605,163**	**292,528**
Exchange (losses) / gains on cash and cash equivalents		(270)	628
Net increase in cash and cash equivalents		**37,132**	**(24,130)**
Cash and cash equivalents at 1 January		90,699	87,237
Cash and cash equivalents at 30 June		**127,831**	**63,107**

This section includes general information about the Group and its structure as well as material accounting policy information that relate to the condensed consolidated interim financial statements as a whole. Material accounting policy information and related estimates, judgements and assumptions in the application of those policies specific to a particular item are those applied in the Consolidated financial statements as at and for the period ended 31 December 2021.

1 GENERAL INFORMATION

Agricover Credit IFN SA (hereinafter referred to as "the Company") provides 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 30 June 2022 the Company owns 51% of the Subsidiary (31 December 2021: 51%).

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, having its registered office at 1B Pipera Blvd, Voluntari, Ilfov, Romania. The Group's shareholders are AGRICOVER HOLDING SA (99.999998%) and AGRICOVER DISTRIBUTION SA (0.000002%). The ultimate controlling party of the Group is Mr. Jabbar Kanani.

The Group offers four main categories of products: short term credit lines for working capital, discounting operations (denominated in RON), medium- or long-term loans for financing investment projects (capex products denominated in RON or EUR), and medium or 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 short term but another product with extended maturity of up to 10 years has been launched in March 2017. Discounting operations have maturities of maximum 12 months while most Capex products have 2 to 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 with the principal instalments – usually two instalments per year).

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.

2 BASIS OF PREPARATION

Compliance statement

The condensed consolidated interim financial statements of the Group have been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union, and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 December 2021 ('last annual financial statements').

They do not include all the information required for a complete set of consolidated financial statements prepared in accordance with the International Financial Reporting Standard adopted by the European Union ("IFRS"). However, selected explanatory notes are included to explain the changes in the

Group's financial position and performance as of the last annual financial statements.

Historical cost convention

These condensed consolidated interim financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which are carried at fair value.

Consistent application of accounting policies

The material accounting policies information applied in these condensed consolidated interim financial statements are consistent with those of the previous financial year. The preparation of condensed consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, requires the use of judgements and estimates. The areas involving a higher degree of judgment or complexity, or areas where estimates are significant to the condensed consolidated interim financial statements, are disclosed in the relevant Notes to these condensed consolidated interim financial statements if changed significantly during the interim period as compared to the last annual financial statements. Such areas include:

- expected credit losses on loans and advances to customers – note 8;
- forward looking scenarios considered in the Group's calculation of expected credit losses on loans and advances to customers – note 8;

Standards and amendments applicable for periods starting January 1st, 2022

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after January 1st, 2022. These have been analysed by the Group and do not have a significant impact on the Group's condensed consolidated interim financial statements.

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards and interpretations.

- ***Amendment to IFRS 16, "Leases"-*** COVID-19 related rent concessions Extension of the practical expedient

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

- ***Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16***

The amendment to *IAS 16 Property, Plant and Equipment* (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

- ***Reference to the Conceptual Framework – Amendments to IFRS 3***

Minor amendments were made to *IFRS 3 Business Combinations* to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* and *Interpretation 21 Levies*. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

- ***Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37***

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

- ***Annual Improvements to IFRS Standards 2018–2020***
    - *IFRS 9 Financial Instruments* **–** clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
    - *• IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.*
    - *• IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.*
    - *• IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring* fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

New IFRS standards effective for annual periods beginning after January 1st, 2022, not early adopted by the Group

A number of amended standards are required to be applied for annual periods beginning after January 1st, 2022, and that are available for early adoption in periods beginning on January 1st, 2022.

The Group has not early adopted any of the forthcoming new amended standards effective for annual periods beginning after January 1st, 2022, in preparing these condensed consolidated interim financial statements.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Romanian New Lei ("RON"), which is the functional currency of the Company and its subsidiary. All amounts are presented in thousands RON and rounded to the nearest unit, unless otherwise stated.

Going concern

After consideration of the Group's liquidity, gearing level, budgeted cash flows and related assumptions, management believes that the Group has adequate resources to continue as a going concern for the foreseeable future and these condensed consolidated interim financial statements are prepared on this basis.

Notes to the Condensed Consolidated Interim Financial Statements
Financial Performance

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section provides information about the financial performance of the Group. The section covers, as applicable, changes or new aspects, as compared to the last annual financial statements, regarding material accounting policy information with a focus on those areas where IFRS either allow a choice or do not deal with a particular type of transaction, and significant judgements and estimates made in relation to particular items with significant impact on financial performance.

3 NET INTEREST INCOME

The Group offers a range of financing products, including working capital and investment loans tailored to the needs of the farmers. To finance its loans granting activity, the Group has access to a diverse range of capital sources, including debt agreements with international financial institutions, local banks and related parties.

All interest income and expenses are measured and recognised using the effective interest method, as prescribed by IFRS 9.

Significant components of interest income and expense as included in the profit or loss for the six-month period ended June 2022 and June 2021 are presented below:

	June 2022	June 2021
Interest Income		
Credit lines	107,772	78,416
Factoring	9,214	3,873
Capex	7,986	5,653
	124,973	**87,942**
Other interest income	147	20
Interest Expense	(54,947)	(31,247)
Net interest income	**70,172**	**56,715**

As of June 2022, interest income recognised on impaired financial assets amounts to RON 3,291 (June 2021: RON 1,407).

4 NET CREDIT LOSSES

Credit losses on financial assets are represented by the movements in expected credit losses calculated for existing and new loans, advances to customers (such movements are detailed in Note 8). Net credit losses include also expected credit losses on off balance sheet commitments and guarantees granted by the Group (refer to Note 16), as follows:

	June 2022	June 2021
Net credit losses on loans and advances to customers	(9,947)	(1,570)
Net credit losses on commitments and guarantees	(452)	(2)
Total net credit losses	**(10,399)**	**(1,572)**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

5 OTHER SIGNIFICANT EXPENSES AND INCOME

Net fee and commission income

Fee and commission income mainly represents commission income for brokerage of insurance products. Brokerage fees are generally recognised on an accrual basis when the service has been provided, i.e. when the policy is written and the premium is cashed.

	June 2022	June 2021
Insurance brokerage commission	7,035	3,640
Fee and commission expense	(180)	(48)
Net fee and commission income	**6,855**	**3,592**

6 GENERAL AND ADMINISTRATIVE EXPENSES

Breakdown of significant general and administrative expenses is included below:

	June 2022	June 2021
Employees' cost	(19,821)	(16,098)
Depreciation	(1,550)	(1,149)
Advertising expenses	(950)	(188)
Fuel expenses and maintenance	(688)	(439)
Consulting and audit expenses	(677)	(867)
Software expenses	(648)	(450)
Protocol expenses	(340)	(289)
Other administrative expenses	(3,984)	(2,078)
Total	**(28,657)**	**(21,557)**

As at 30 June 2022 Agricover Credit IFN S.A employs 181 people (31 December 2021: 179). As at 30 June 2022 Clubul Fermierilor Romani Broker de Asigurare SRL employs 34 people (31 December 2021: 31). The increase in other administrative expenses is generated by services performed by third parties for ongoing projects (e.g. Card “Fermier”, SAP migration, self-care)

The fee for the interim review services as of 30 June 2022 has been 11,000 EUR, equivalent plus VAT. The fee for the audit of the statutory financial statements for the year ended 31 December 2021 has been 80,500 EUR, equivalent plus VAT. The fee for the non-audit services rendered by the statutory auditor for financial year 2021 has been 13,000 EUR, equivalent plus VAT.

7 CURRENT INCOME TAX

The Group’s consolidated effective tax rate for the six months ended 30 June 2022 was 16.4% (six months ended 30 June 2021: 14.9%). The change in effective tax rate was caused mainly by the change in the taxation regime applicable to Clubul Fermierilor Romani Broker de Asigurare, the Company’s subsidiary. Beginning with the third quarter of 2021 CFRO Broker pays income tax at a tax rate of 16%. Prior to that, including during the 6 month-period ended 30 June 2021, instead of income tax it paid a levy of 1% on its turnover.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section presents risks arising from financial instruments to which the Group is exposed if significant changes in exposures or in the way that those risks are managed occurred during the interim period, including specific information about:

- credit risk, presenting changes in estimates and additional drought related estimates;
- market risk, presenting the Group's exposure to foreign exchange and interest rate risks in consideration of the volatile macroeconomic environment, with increasing interest rates and weaking of the EUR against the US dollar.

Practices and patters around liquidity risk management remain similar to the ones disclosed in the Group's last annual financial statements.

8 FINANCIAL RISKS MANAGEMENT

The Group's strategy for growth and development has the farmers and their needs at its core. The Group's aim is to support its clients in achieving their potential and, in the process, to support the Romanian agriculture in its important role in the European and global food chain. With that in mind the Group have perfected a business model which follows the seasonality of the agricultural year and financing both working capital and investment needs of the farmers.

This business model involves taking on and managing financial risks in a targeted manner. 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 related capital allocations.

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and with consideration of best market practice.

Under policies approved by the Board of Directors and in collaboration with the risk and finance departments the risk management is carried out by the following 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")

The Group internal audit function, including the audit committee of three independent members all with significant financial experience and at least one with accounting background, is responsible for the independent review of the risk management and the internal control environment.

The Group's risk management policies are consistent with those disclosed in the last annual financial statements.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

i. 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 arises mainly from loans and advances and loan commitments granted by the Group but can also arise from other sources such as financial guarantees as well as from other transactions with counterparties giving rise to financial assets.

Credit risk is the largest financial risk for the Group's business. The Group’s maximum exposure to credit risk is reflected by the carrying amounts of financial assets on the condensed consolidated statement of financial position.

i.1. Forward-looking information incorporated in the ECL model

The Group incorporates forward-looking information into the measurement of expected credit losses (“ECL”). External information considered includes economic data and forecasts published by National Commission for Strategy and Prognosis, forecast for 2022.

The Group has identified the macro-economic key drivers of credit risk using an analysis of most recent 7 years historical default data and their respective correlation with macro-economic variables. For the forward-looking adjustment purposes, the contribution of the Agriculture sector in total gross domestic product was found to be highly correlated with the probabilities of default of the Group’s exposure to loans and advances granted.

The following related scenarios were used in the calculation of expected credit losses:

	base scenario	optimistic scenario	pessimistic scenario
30 June 2022			
Contribution of Agriculture in GDP	0.4% decline	15% growth	20% decline
scenario weight	15%	5%	80%
31 December 2021			
Contribution of Agriculture in GDP	3% growth	15% growth	30% decline
scenario weight	15%	5%	80%
30 June 2021			
Contribution of Agriculture in GDP	14% growth	15% growth	9% decline
scenario weight	50%	20%	30%

Significant estimate – forward looking scenarios

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. In the application of the probability weighted scenarios the management estimated that the Agriculture sector gross domestic product for 2022 would decresse with 15.3% compared with 2021.

The following are sensitivities of the results to reasonably possible alternatives to the management's best estimates:

- As of June 2022, if the pessimistic scenario was assigned a probability of 100%, the allowance account would have increased by 0.8 million RON
- As of June 2022, if the optimistic scenario was assigned a probability of 100%, the allowance account would have decreased by 5.06 million RON
- As of June 2022, if the base scenario was assigned a probability of 100%, the allowance account would decreased by 2.9 million RON
- For 2021, if the pessimistic scenario was assigned a probability of 100%, the allowance account would have increased by 0.7 million RON
- For 2021, if the optimistic scenario was assigned a probability of 100%, the allowance account would have decreased by 2.9 million RON
- For 2021, if the base scenario was assigned a probability of 100%, the allowance account would decreased by 2.1 million RON

The Group constantly monitors the local, regional and global macroeconomic developments and assesses posible impacts of recent or foreseen developments on its business. In order to address possible negative efects of general inflation, surging commodity prices and drought on the default rates, the Group recognised as at 30 June 2022 the following management overlays:

- increased commodity prices impact the Group's clients directly (e.g. increased costs with fuel) or indirectly (e.g. oil, gas and electricity represent significant inputs in the production of both fertilisers and crop protection products). To identify clients that are more vulnerable to increased inputs prices the management has considered those clients with a significant increase in credit risk since initial recognition (i.e. classified as Stage 2 as at 30 June 2022) with a high indebtness per productive unit (i.e. debt per hectar was considered). For such exposure the Group recognised additional expected credit losses of 3.5 million RON. If the indebtness rate considered would have been 10% higher or lower the resulting allowance would have been (0.8 million RON lower respectively 0.9 million RON higher);
- general economic context and its impact on agriculture might lead to decreases in the values of assets held as collateral by the Group (refer to note below for the type of assets held as collateral and their valuation). To account for such possible decreases the Group has stressed the haircuts applied to the fair values of collaterals as part of the expected credit losses estimation process. The additional allowance booked based on the weighted average of scenarios considered amounts to 2.1 million RON. The managements does not expect higher losses from decreased value of assets held as collateral as the Group is in a strong position to execute its collateral due to its close relationships with large and medium farmers across the country;

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

- drought impact on spring crops – mostly maize – will affect, as per management assessment, income of the Group's clients, depending on their irrigation practices and mix of crops (between spring and autumn crops). To account for the impact of drought the Group has considered the following:
  - ✓ exposures to clients located in areas significantly affected by the drought, as based on periodic reports issued by the National Meteorological Administration (i.e. Administrația Națională de Meteorologie – "ANM");
  - ✓ crops structure of impacted clients whereby based on market conditions as at the date of the condensed consolidated interim financial statements the management has estimated that drought related losses on maize crops would be offset by gains on autumn crops for clients with at least 65 to 75% autumn crops in portfolio, depending on the severity of drought in respective areas;
  - ✓ financial standing of the drought impacted clients, as perceived by the Group, whereby the management assessed that clients with a strong financial positions (as based on their latest financial information) are not significantly impacted by the drought, especially when it arrives after the record production levels in 2021;
  - ✓ irrigation practices of clients (clients which irrigate more than 30% of the operated areas were assessed to no have been significantly impacted by the drought)

After considering the above criteria and the 2020 drought experience, maize crops financing to clients a lower credit quality and with operations in drought impacted areas and with 50% or more maize crops in their portfolio, totalling 112 million RON were assessed by the managment as having a significant increase in credit risk. The additional allowance booked by the management to account for the impact of the drought on spring crops amounts to 2 million RON.

i.2. Collateral and other credit enhancements

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The main collateral types for loans and advances are:

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

The valuation methodologies for different types of collaterals is consistent with that presented in the Group's last annual financial statements.

Information about the fair value of the collateral used in the ECL measurement as at 30 June 2022 is as follows (fair value of the guarantee is limited to the exposure value):

Collateral \ Loan type	**CAPEX**	**Credit Line**	**Factoring**	**Total**
Loans collateralised by:				
Mortgage	74,746	757,160		**831,906**
Pledge on equipment	92,837	17,954		**110,791**
Pledge on stock		17,670		**17,670**
Total value of collaterals	**167,583**	**792,784**		**960,367**
Gross loans and advances granted	198,530	2,171,813	225,357	2,595,700

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information as at 31 December 2021 is as follows:

Collateral \ Loan type	CAPEX	Credit Line	Factoring	Total
Loans collateralised by:				
Mortgage	67,028	679,261		**746,289**
Pledge on equipment	66,227	17,786		**84,013**
Pledge on stock		164,994		**164,994**
Total value of collaterals	**133,255**	**862,041**	-	**995,296**
Gross loans and advances granted	150,210	1,714,050	133,748	1,998,009

As at 30 June 2022, the Group has no asset (land or other) obtained by taking possession of collateral held as security (31 December 2021: nil) as a result of foreclosure procedures. Repossessed assets (generally represented by inventories – agricultural products) are sold as soon as practicable.

i.3. Loss Allowance

The increase in the expected credit losses for exposures classified as Stage 2 is linked to the management overlay booked by the Group to account for increased cost of inputs (e.g. fertilisers, crop protection products, fuel) and drought, as detailed above.

The following tables explain the changes in the loss allowance between the beginning and the end of June 2022:

	Stage 1	Stage 2	Stage 3	Total
ECL at 1 Jan 2022	**10,339**	**9,901**	**34,289**	**54,529**
New assets originated	11,199			11,199
Increase of existing assets	4,378	2,540	1,527	8,445
Assets derecognized or repaid (excluding write off)	(6,268)	(20)	(3,410)	(9,697)
Transfers from Stage 1	(1,103)	1,103		
Transfers from Stage 2		(3,161)	3,161	
Transfers from Stage 3				
Amounts written off			(1,268)	(1,268)
ECL at 30 June 2022	**18,544**	**10,363**	**34,301**	**63,208**

Comparative information for the year ended 31 December 2021 is included below:

	Stage 1	Stage 2	Stage 3	Total
ECL at 1 Jan 2021	**10,365**	**6,113**	**34,922**	**51,400**
New assets originated	8,303			8,303
Increase in value of existing assets	2,036	11,838	1,311	15,185
Assets derecognized or repaid (excluding write off)	(10,325)	(4,860)	(5,174)	(20,359)
Transfers from Stage 1	(58)	58		
Transfers from Stage 2	18	(8,161)	8,339	
Transfers from Stage 3		4,913	(4,913)	
Amounts written off			(196)	(196)
ECL at 31 Dec 2021	**10,339**	**9,901**	**34,289**	**54,529**

The Group originated a credit-impaired loan with an outstanding nominal value of 4.9 million RON and

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

a related allowance of 1.5 million RON as at 30 June 2022 (no credit-impaired financial assets were purchased or originated during 2021). For the purpose of these credit risk related disclosures the loan is classified as Stage 3.

Significant changes in the gross carrying amount ("GCA") of loans and advances that contributed to changes in the respective loss allowance were as follows:

	Stage 1	Stage 2	Stage 3	Total
GCA at 1 Jan 2022	**1,791,695**	**153,089**	**53,225**	**1,998,009**
New assets originated	**798,110**			798,110
Increase of existing assets	234,890	27,273	4,904	267,067
Assets derecognized or repaid (excluding write off)	(459,346)	(1,233)	(5,638)	(466,218)
Transfers from Stage 1	(122,525)	122,525		
Transfers from Stage 2		(5,986)	5,986	
Transfers from Stage 3				
Amounts written off			(1,268)	(1,268)
GCA at 30 June 2022	**2,242,824**	**295,667**	**57,209**	**2,595,700**

Comparative information for the year ended 31 December 2021 is included below:

	Stage 1	Stage 2	Stage 3	Total
GCA at 1 Jan 2021	**1,497,610**	**141,784**	**55,298**	**1,694,692**
New assets originated	1,769,464			1,769,464
Increase of existing assets	459,744	89,323		549,067
Assets derecognized or repaid (excluding write off)	(1,932,212)	(72,478)	(10,329)	(2,015,019)
Transfers from Stage 1	(5,136)	5,136		
Transfers from Stage 2	2,225	(23,478)	21,253	
Transfers from Stage 3		12,801	(12,801)	
Amounts written off			(196)	(196)
GCA at 31 Dec 2021	**1,791,695**	**153,089**	**53,225**	**1,998,009**

Loans and advances by type of product, stage classification and type of credit risk assessment are detailed below:

30 June 2022	Capex		Credit lines		Factoring	
	GCA	**ECL**	**GCA**	**ECL**	**GCA**	**ECL**
Collective analysis						
Stage 1	174,158	1,996	1,860,633	16,167	208,033	381
Stage 2	17,834	321	193,859	3,335	15,535	88
Stage 3	1,172	832	39,943	29,312	274	274
Individual analysis						
Stage 2	4,878	165	62,046	6,289	1,515	165
Stage 3	487	40	15,333	3,842		
Total	**198,530**	**3,354**	**2,171,813**	**58,945**	**225,357**	**909**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information for the year ended 31 December 2021 is included below:

31 Dec 2021	Capex		Credit lines		Factoring	
	GCA	**ECL**	**GCA**	**ECL**	**GCA**	**ECL**
Collective analysis						
Stage 1	139,869	343	1,520,369	9,258	131,457	738
Stage 2	6,462	21	81,973	1,060	1,104	1
Stage 3	2,432	725	34,261	27,134	275	275
Individual analysis						
Stage 2	1,320	133	61,317	8,531	913	154
Stage 3	129	39	16,128	6,117		
Total	**150,212**	**1,259**	**1,714,049**	**52,100**	**133,748**	**1,169**

Sections below include a presentation of loans and advances to customers, separately for each significant class of products and type of customers, by credit quality, whereby credit quality is defined as:

- Low risk – loans and advances to customers included in Stage 1;
- Medium risk – loans and advances to customers included in Stage 2;
- Substandard – loans and advances to customers included in Stage 3 with 0-180 days past due;
- Doubtful – loans and advances to customers included in Stage 3 with 181-360 days past due;
- Loss – loans and advances included in Stage 3 with more than 360 days past due.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

i.3.1. Credit lines

The table below shows the credit quality and the exposure to credit risk from Credit lines type of loans granted, by the Group's probability of default, as at 30 June 2022.

Internal classification / Stage	Credit quality	Stage 1	Stage 2	Stage 3	Total
Performing					
below 400HA					
	Low risk	483,521			**483,521**
	Medium risk		47,243		**47,243**
above 400HA					**-**
	Low risk	1,319,925			**1,319,925**
	Medium risk		204,897		**204,897**
others					**-**
	Low risk	57,187			**57,187**
	Medium risk		3,765		**3,765**
Non-performing					**-**
below 400HA					**-**
	Substandard			7,951	**7,951**
	Doubtful			2,444	**2,444**
	Loss			5,254	**5,254**
above 400HA					**-**
	Substandard			23,790	**23,790**
	Doubtful			2,140	**2,140**
	Loss			1,811	**1,811**
others					**-**
	Substandard			610	**610**
	Doubtful			73	**73**
	Loss			11,202	**11,202**
Total GCA		**1,860,633**	**255,905**	**55,276**	**2,171,813**

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(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information for 31 December 2021 is presented below:

Internal classification / Stage	Credit quality	Stage 1	Stage 2	Stage 3	Total
Performing					
below 400HA					
	Low risk	326,048			**326,048**
	Medium risk		29,428		**29,428**
above 400HA					
	Low risk	1,152,097			**1,152,097**
	Medium risk		108,999		**108,999**
others					
	Low risk	42,226			**42,226**
	Medium risk		4,863		**4,863**
Non-performing					
below 400HA					
	Substandard			255	**255**
	Doubtful			633	**633**
	Loss			13,339	**13,339**
above 400HA					
	Substandard				
	Doubtful			88	**88**
	Loss			21,804	**21,804**
others					
	Substandard			17	**17**
	Doubtful			157	**157**
	Loss			14,095	**14,095**
Total GCA		**1,520,371**	**143,290**	**50,388**	**1,714,049**

The tables below summarise the ageing of Stage 2 and Stage 3 Credit lines granted, as follows:

- Stage 2 – loans less than 30 days past due (dpd) irrespective of the criteria that triggered their classification in Stage 2 (see note 8.).
- Stage 3 – loans less than 90 dpd, thus presenting the loans classified as Stage 3 due to criteria other than aging (see note 8).

30 June 2022	Stage 2		Stage 3		Total	
	GCA	ECL	GCA	ECL	GCA	ECL
Less than						
Collective analysis						
30 dpd (for Stage 2)	193,859	3,335	16,535	7,611	210,394	10,946
90 dpd (for Stage 3)			101	101	101	101
Individual analysis					-	-
30 dpd (for Stage 2)	62,046	6,289	14,156	2,675	76,202	8,965
90 dpd (for Stage 3)					-	-
Total	**255,905**	**9,624**	**30,791**	**10,387**	**286,696**	**20,011**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information for the year ended 31 December 2021 is included below:

31 Dec 2021	Stage 2		Stage 3		Total	
	GCA	**ECL**	**GCA**	**ECL**	**GCA**	**ECL**
Less than						
Collective analysis						
30 dpd (for Stage 2)	81,256	1,053	10,112	5,270	91,368	6,323
90 dpd (for Stage 3)			3,137	2,095	3,137	2,095
Individual analysis						
30 dpd (for Stage 2)	61,258	8,527	12,583	2,571	73,841	11,098
90 dpd (for Stage 3)					-	-
Total	**142,514**	**9,580**	**25,831**	**9,936**	**168,346**	**19,516**

i.3.2. Factoring

The table below shows the credit quality and the exposure to credit risk from Factoring type of loans granted, by the Group's probability of default, as at 30 June 2022.

Internal classification / Stage	**Credit quality**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing					
below 400HA					
	Low risk	11,122			**11,122**
	Medium risk		757		**757**
above 400HA					
	Low risk	181,502			**181,502**
	Medium risk		16,293		**16,293**
others					
	Low risk	15,409			**15,409**
	Medium risk				
Non-performing					
below 400HA					
	Loss			93	**93**
above 400HA					
	Loss			182	**182**
Total GCA		**208,033**	**17,050**	**274**	**225,357**

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(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information for 31 December 2021 is presented below:

Internal classification / Stage	Credit quality	Stage 1	Stage 2	Stage 3	Total
Performing					
below 400HA					
	Low risk	7,442			**7,442**
	Medium risk				
above 400HA					
	Low risk	118,541			**118,541**
	Medium risk		2,016		**2,016**
others					
	Low risk	5,474			**5,474**
	Medium risk				
Non-performing					
below 400HA					
	Loss			94	**94**
above 400HA					
	Loss			182	**182**
Total GCA		**131,457**	**2,016**	**275**	**133,748**

The tables below summarise the ageing of Stage 2 and Stage 3 Factoring loans granted, as follows:

- Stage 2 – loans less than 30 days past due (dpd) irrespective of the criteria that triggered their classification in Stage 2 (see note 8.).
- Stage 3 – loans less than 90 dpd, thus,presenting the loans classified as Stage 3 due to criteria other than aging (see note 8.).

30 June 2022	Stage 2		Stage 3		Total	
	GCA	**ECL**	**GCA**	**ECL**	**GCA**	**ECL**
Less than						
Collective analysis						
30 dpd (for Stage 2)	15,535	88			15,535	88
90 dpd (for Stage 3)						
Individual analysis						
30 dpd (for Stage 2)	1,515	165			1,515	165
90 dpd (for Stage 3)						
Total	**17,050**	**253**			**17,050**	**253**

Comparative information for the year ended 31 December 2021 is included below:

31 Dec 2021	Stage 2		Stage 3		Total	
	GCA	**ECL**	**GCA**	**ECL**	**GCA**	**ECL**
Less than						
Collective analysis						
30 dpd (for Stage 2)	1,104	1			1,104	1
90 dpd (for Stage 3)						
Individual analysis						
30 dpd (for Stage 2)	913	154			913	154
90 dpd (for Stage 3)						
Total	**2,016**	**155**			**2,016**	**155**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

i.3.3. Capex

The table below shows the credit quality and the exposure to credit risk from Capex type of loans granted, by the Group's probability of default, as at 30 June 2022.

Internal classification / Stage	Credit quality	Stage 1	Stage 2	Stage 3	Total
Performing					
below 400HA					
	Low-fair risk	40,687			**40,687**
	Medium-risk		3,014		**3,014**
above 400HA					
	Low-fair risk	107,358			**107,358**
	Medium-risk		19,405		**19,405**
others					
	Low-fair risk	26,113			**26,113**
	Medium-risk		293		**293**
Non-performing					
below 400HA					
	Substandard			712	**712**
	Doubtful			45	**45**
	Loss			156	**156**
above 400HA					
	Substandard			376	**376**
	Doubtful			56	**56**
	Loss			94	**94**
others					
	Substandard			37	**37**
	Doubtful			131	**131**
	Loss			51	**51**
Total GCA		**174,158**	**22,713**	**1,659**	**198,530**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information for 31 December 2021 is presented below:

Internal classification / Stage	Credit quality	Stage 1	Stage 2	Stage 3	Total
Performing					
below 400HA					
	Low risk	29,245			**29,245**
	Medium risk		1,819		**1,819**
above 400HA					
	Low risk	93,103			**93,103**
	Medium risk		5,619		**5,619**
others					
	Low risk	17,522			**17,522**
	Medium risk		344		**344**
Non-performing					
below 400HA					
	Loss			607	**607**
above 400HA					
	Loss			1,736	**1,736**
others					
	Loss			217	**217**
Total GCA		**139,870**	**7,782**	**2,560**	**150,212**

The tables below summarise the ageing of Stage 2 and Stage 3 Capex loans granted, as follows:

- Stage 2 – loans less than 30 days past due (dpd) irrespective of the criteria that triggered their classification in Stage 2 (see note 8.).
- Stage 3 – loans less than 90 dpd, thus presenting the loans classified as Stage 3 due to criteria other than aging (see note 8).

30 June 2022	**Stage 2**		**Stage 3**		**Total**	
	GCA	**ECL**	**GCA**	**ECL**	**GCA**	**ECL**
Less than						
Collective analysis						
30 dpd (for Stage 2)	17,834	321	611	380	18,445	700
90 dpd (for Stage 3)					-	-
Individual analysis					-	-
30 dpd (for Stage 2)	4,878	165	103	39	4,981	203
90 dpd (for Stage 3)					-	-
Total	**22,713**	**485**	**714**	**418**	**23,426**	**904**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information for the year ended 31 December 2020 is included below:

31 Dec 2021	Stage 2 GCA	Stage 2 ECL	Stage 3 GCA	Stage 3 ECL	Total GCA	Total ECL
Less than						
Collective analysis						
30 dpd (for Stage 2)	6,462	21	1,904	327	8,366	348
90 dpd (for Stage 3)			138	75	138	75
Individual analysis					-	-
30 dpd (for Stage 2)	1,320	133	129	39	1,449	171
90 dpd (for Stage 3)					-	-
Total	**7,782**	**154**	**2,171**	**365**	**9,952**	**519**

i.4. Modified 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 management, indicate that collection will most likely continue. These policies are kept under continuous review. Repeated restructuring is one of the Group's impairment indicators. As at 30 June 2022, the modified net exposure was of RON 12,292 thousand (31 December 2021: RON 8,626 thousand).

An analysis of the restructured loans and advances to customers as at 30 June 2022 and 31 December 2020, per types of loans, is presented in the table below:

	30 June 2022		31 December 2021	
	Capex	**Credit lines**	**Capex**	**Credit lines**
Collective analysis				
Stage 2	929	3,379	882	2,945
Stage 3	358	16,722	340	10,555
Collective expected credit losses	343	10,217	215	8,029
Total GCA for collectively analysed loans and advanced to customers	**1,287**	**20,101**	1,221	13,500
Individual analysis				
Stage 2		834		1,637
Stage 3		1,999		4,484
Individual expected credit losses		1,369		3,974
Total GCA for individually analysed loans and advanced to customers		**2,833**		6,121
Totals				
Total expected credit losses	343	11,586	215	12,002
Total gross exposure	1,287	22,934	1,221	19,622
Total net exposure	**944**	**11,348**	**1,007**	**7,619**

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for fifteen consecutive months or more.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Other financial assets which potentially subject the Group to credit risk consist mainly of cash equivalents and other receivables. On cash and cash equivalents the credit risk is low, since cash and cash equivalents are placed with financial institutions which are considered to have minimum risk of default.

ii. Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The Group is exposed market risks arising from its open positions in interest rate and currency products. Quantitative and qualitative information about the Group's exposure to these risks as well as related risk management policies and practices withing the Group are discussed in this note.

ii.1. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on the net positions the Group can hold in foreign currencies, including foreign exchange positions of subsidiaries and both accounting and economic hedges. Such limits are especially relevant for the Group, where part of borrowings from international financial institutions and other debt agreements are EUR denominated. According to the limits set by the Group and to certain financial covenants imposed by borrowing agreements, the open currency position of the Group should not exceed 10% of its Total Capital (see note 9).

The Group's strategy is to monitor open positions on a daily basis and apply hedging strategies to ensure it manages itself against currency risk. Positions are maintained within established limits by either balancing the assets and liabilities in the relevant currencies, or taking out foreign currency swaps or forwards and converting the exposures into RON.

The Group's exposure to foreign currency risk at the end of the reporting period, showing the Group's monetary financial assets and financial liabilities, at their carrying amounts, by denomination currency, was as follows:

	30 June 2022 EUR	**31 December 2021 EUR**
Assets		
Cash and bank balances	58,721	380
Loans and advances to customers	164,057	105,907
Total assets	**222,778**	**106,287**
Liabilities		
Borrowings	397,658	332,611
Total Liabilities	**397,658**	**332,611**
Derivative financial instruments (notional)	149,846	205,487
Net financial position	**(25,034)**	**(20,837)**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in EUR exchange rates relative to the functional currency. The rate used are based on the market estimamtion and the year end rates. The sensitivities are calculated by applying the changes in the exchange rates to the above net financial position, in case of gain / (loss) before tax of, respectively by considering tax effect in case of equity impact.

	June 2022 *EUR strengthening by 3%*	*June 2021* *EUR strengthening by 1.6%*
Gain / (loss) before tax of:	(894)	(80)
Equity	(751)	(68)

ii.2. Interest rate risk

The Group's main interest rate risk arises from the mismatch between the repricing frequency of loans and advances granted with variable rates, on the asset side, and the repricing frequency of browings together with the fixed rate bonds issued on the liabilities side. This mismatch exposes the Group to cash flow interest rate risk. The Group's strategy is to monitor and, depending on the market conditions and anticipated trends, partly manage the risk of open repricing gap using floating-to-fixed interest rate swaps.

The bank borrowings contracted by the Group bear floating interest rate and fixed interest rate and are measured at amortised cost. During 2021 the Group contracted a 40 million EUR fixed rate loan with 5 years maturity from Agricover Holding SA, the Company's parent. The loan increases the Group's exposure to both currency and interest rate risks. The following table provides an analysis of the Group's interest rate risk exposure on financial assets and liabilities as at 30 June 2022. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or remaining maturity dates.

asset / liability class	**up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 year and above**	**Total**
Loans and advances to customers	**1,379,487**	**102,735**	**1,005,013**	**45,258**	**2,532,492**
Other financial assets	2,423				**2,423**
Cash and cash equivalents	127,831				**127,831**
Total financial assets	**1,509,740**	**102,735**	**1,005,013**	**45,258**	**2,662,746**
Borrowings	1,025,330	849,329	50,834	312,361	**2,237,853**
Other financial liabilities	8,953	5,352			**14,305**
Total financial liabilities	**1,034,283**	**854,681**	**50,834**	**312,361**	**2,252,158**
Interest repricing gap	**475,458**	**(751,946)**	**954,179**	**(267,103)**	**410,588**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information as at 31 December 2021 is included below:

asset / liability class	up to 1 month	1 to 3 months	3 to 12 months	1 year and above	Total
Loans and advances to customers	795,094	12,027	1,110,791	25,569	**1,943,480**
Other financial assets	3,099				**3,099**
Cash and cash equivalents	90,699				**90,699**
Total financial assets	**888,892**	**12,027**	**1,110,791**	**25,569**	**2,037,279**
Bank borrowings	656,807	685,275	94,991	196,754	**1,633,827**
Other financial liabilities	13,173	3,096			**16,269**
Total financial liabilities	**669,980**	**688,371**	**94,991**	**196,754**	**1,650,095**
Interest repricing gap	**218,913**	**(676,344)**	**1,015,800**	**(171,185)**	**387,183**

Derivatives held by the Group for risk management purposes are fixed-for-fixed (i.e. both counterparties pay each other a fixed interest rate on the principal amount negotiated) and have no significant impact on the interest rate risk open position.

The gaps in up to one year risk bands are explained by the fact that 62% of the the Group's granted loans and advances to the customers bear floating interest with 6M tenor base rates and monhtly repricing frequency. Remaining portfolio is either priced at a six months frequence or bears fixed interest rates. The Group's bank borrowings bear floaring interest with 6M, 1M or 3M tenor base rates with repricing frequencies that match the tenor of the respective base rates. Such risk exposure is in the normal course of business for the Group.

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in interest rates. The sensitivities are calculated by applying the changes in the floating rates to the floating rate financial assets and liabilities outstanding at the reporting date.

	June 2022 Interest rate (+160 b.p parallel shift)	*June 2021 Interest rate (+100 b.p parallel shift)*
Gain / (loss) before tax of:	2,125	1,284
Equity	1,784	1,078

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section includes information about the Company's share capital, the Group's equity, what is managing as capital and capital management practices within the Group.

9 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to:

- comply with the capital requirements set by the National Bank of Romania ("NBR");
- 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
- maintain a strong capital base to support the development of its business.

Regulatory capital is monitored by the Company's management, employing techniques based on the guidelines developed 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 individual Agricover Credit IFN level. The Company has complied with all externally imposed capital requirements throughout the six month period ended June 2022 and June 2021.

The table below shows regulatory capital measures of Agricover Credit IFN SA as reported to the NBR and in line with the requirements of the Regulation No 20 issued in 2009 by the National Bank of Romania, Regulation regarding non-banking financial institutions, with subsequent ammendments and modifications ("Regulation 20"). Regulation 20 requires non-banking financial institutions to comply to keep the ratio between aggregated adjusted exposures to own funds below 1,500%.

Capital management	**June 2022**	**June 2021**
Capital and aggregate exposure		
Share capital	117,925	117,925
Legal reserve	17,381	14,077
Other reserves	938	938
Retained earnings	275,359	221,522
Net profit	39,689	28,174
1. Available capital	**451,292**	**382,636**
Distribution of profit	-	-
Intangibles	9,592	2,475
2. Deductions from available capital	**9,592**	**2,475**
I. Total capital	**441,700**	**380,161**
II. Investment capital	150	150
III. Other elements deducted (difference between regulatory credit risk provisions and IFRS 9 expected credit losses)	16,993	10,917
IV. Own funds	**424,557**	**369,094**
Total aggregate exposure	**2,207,039**	**1,594,330**
Aggregate adjusted exposure compared to own funds	**520%**	**432%**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

10 BORROWINGS

	30-June-22	31-Dec-21
Borrowings from local banks	1,457,109	910,618
Borrowings from international financial institutions	581,201	520,173
Borrowings from related parties	199,543	203,036
Total borrowings	**2,237,853**	**1,633,827**

Borrowings from banks and international financial institutions

Borrowings from local banks are denominated in RON, bear floating interest rates. Some are secured by assignment of loans granted to customers. The carrying amounts of assets pledged as security are disclosed in note 15.

Borrowings from international financial institutions bear floating interest rates, can be denominated in RON or EUR and are uncollateralised. Geographical concentration is as follows:

Borrowings from:	**30-June-22**	**31-Dec-21**
local banks	1,457,109	910,618
international financial institutions within European Union	480,880	401,839
International Investment Bank	82,565	95,644
International Finance Corporation	17,756	22,690
related parties (note 14)	199,543	203,036
Total borrowings	**2,237,853**	**1,633,827**

Borrowings from related parties

During 2021, the Company's parent (Agricover Holding SA) issued a 40 million EUR fixed rate bond with 5 years maturity. The proceeds were used to finance the loans granting activity of the Company through an intra-group loan with similar terms and conditions. Both are unsecured and include certain financial covenants that the Company and Agricover Holding SA and its other subsidiaries have to comply with.

Compliance with covenants

Under the terms of the major borrowing facilities, the Company is required to comply with financial covenants such as: capital adequacy ratios, non-performing loans ratios, economic group exposure/ large exposure ratios, related party exposure ratios or currency risk ratios.

The Group has complied with all financial covenants imposed by and by its borrowing facilities from local banks and international financial institutions during 2022 and 2021 reporting periods.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Changes in liabilities arising from financing activities

Significant changes in the Group's liabilities as arising from its financing activities are presented here:

	June 2022		2021	
	Borrowings	**Lease Liabilities**	**Borrowings**	**Lease Liabilities**
at 1 January	1,633,827	3,096	1,384,821	4,272
withdrawals	3,675,953		4,357,804	
new lease contracts		3,054		540
repayments	(3,068,931)	(759)	(4,116,853)	(1,696)
interest accrued	54,947	(34)	61,595	(62)
interest paid	(52,916)		(55,613)	
foreign exchange rate effect	(5,027)	(5)	2,072	42
at 31 December 2021/30 June 2022	**2,237,852**	**5,352**	**1,633,827**	**3,096**

11 OTHER FINANCIAL LIABILITIES

Breakdown of other financial liabilities is included below:

Other financial liabilities	**June 2022**	**2021**
Employees	5,279	7,687
taxes and social contributions	1,571	1,423
VAT	18	618
others (suppliers)	2,085	3,445
Lease liabilities	5,352	3,096
Total other financial liabilities	**14,305**	**16,268**

12 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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.

IFRS 13 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).

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

i. Financial instruments measured at fair value

The level in the fair value hierarchy into which the recurring fair value measurements are categorized is presented in the table below. 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.

	30 June 2022		**31 December 2021**	
	Level 2	**Total**	**Level 2**	**Total**
Financial assets at fair value:				
Derivatives held for risk management	4,815	4,815	116	116
Financial liabilities at fair value:				
Derivatives held for risk management	(928)	(928)	(1,275)	(1,275)

As at 30 June 2022 the Group had FX Forward contracts outstanding with a total negative fair value of RON 928 (31 December 2021: RON 1,275 . The fair value was estimated based on discounted cash flows model, using directly observable inputs (i.e.: market FX and 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. The Group does not take trading or speculative positions when entering into derivative transactions. All such transactions are initiated for risk management purposes.

ii. Financial instruments not measured at fair value but for which fair value is disclosed

The level in the fair value hierarchy into which the fair value measurements of financial assets and liabilities not measured at fair value but for which fair value is disclosed are categorized and presented in the table below. Fair value is disclosed for all financial assets and liabilities not measured at fair value and for which fair value is significantly different than the carrying amount.

30 June 2022	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying value**
Loans and advances to customers:					
Capex			195,176	195,176	195,176
Credit lines			2,104,979	2,104,979	2,112,868
Factoring			222,414	222,414	224,448
Total			**2,522,569**	**2,522,569**	**2,532,492**

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Comparative information as at 31 December 2020 is presented below:

31 December 2021	Level 1	Level 2	Level 3	Total	Carrying value
Loans and advances to customers:					
Capex			148,951	148,951	148,951
Credit lines			1,657,453	1,657,453	1,661,950
Factoring			131,016	131,016	132,579
Total			**1,937,420**	**1,937,420**	**1,943,480**

All other financial assets and liabilities in the Group's statement of financial position, those that are not included in the table above and for which the fair value is not disclosed, have their fair values approximated by the carrying value.

Techniques and inputs used to determine level 2 and level 3 fair values

Fair value of loans and advances to customers was estimated as follows:

- fair value of floating rate loans and advances was approximated by their net carrying amount as credit risk impact is already accounting for through the allowance for expected credit losses;
- in estimating the fair value of fixed rate loans and advances the Group has discounted contractual cash flows. The discount rate was estimated for each exposure individually by adjusting the contractual fixed rate with the change in the relevant floating rate benchmarks (e.g. 3M or 6M ROBOR) between the grant date of each respective loans and the valuation date. The net present value was adjusted with the credit loss allowance in case of assets impaired at the valuation date.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section provides information about the Group's non-financial assets and liabilities, including specific information about:

- Intangible assets (note 13);

and related key accounting policies, judgement and estimates.

13 INTANGIBLES

Intangibles of the Group are represented mainly by software licences acquired. The Group has no intangibles with indefinite useful life.

The reconciliation of the carrying amount of each significant class of intangibles is presented below:

	June 2022 Software licensees	**2021 Software licensees**
Gross book value	8,874	4,411
Accumulated amortization	(3,156)	2,796
Net book value at 1 January	**5,718**	**1,615**
Additions	4,778	4,463
Amortisation charge	(659)	(360)
Net book value at 31 December	**9,837**	**5,718**
Gross book value	13,652	8,874
Accumulated amortisation	(3,815)	(3,156)

Main additions of licenses are represented by the implementation of SAP 4Hana, which is currently being implemented within the Company. The new core system and operational modules are planned and expected to be live starting first semester of 2023.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to the Group's financial performance, its risk management or to individual line items in the financial statements.

14 RELATED PARTIES TRANSACTIONS

Significant related party transactions of the Group were conducted on terms equivalent to those prevailing in an arm's length transaction. The Group discloses below its significant transactions, related income, expenses and balances in respect of each of the following categories of related parties:

Category	Definition	Impact on the condensed consolidated interim financial statements
Parent	entity that controls the Group	the main shareholder of the Company is Agricover Holding SA.
Subsidiaries	entities controlled by the Company (refer to Note 1)	intragroup transactions and outstanding balances are eliminated, they do not form part of the condensed consolidated interim financial statements; consequently, such related party transactions and outstanding balances between group members are not disclosed under IAS 24 in the condensed consolidated interim financial statements.
Key management	persons having authority and responsibility for planning, directing and controlling the activities of the Group and its subsidiaries.	there are no significant transactions between the Group and key management. Key management compensation is disclosed below in this note.
Other related parties	related parties that do not fall under any of the above categories	significant transactions with other related parties are disclosed below in this note.

Ultimate controlling party

The ultimate beneficial owner of the Company is Mr. Kanani Jabbar, who owns 87,269% of the share capital of the Company's Parent (31 December 2021: 87,269%).

Key management compensation

During the six-month period ended 30 June 2022 compensation granted to key management personnel amounts to RON 5,298 thousands (June 2021: RON 3,630 thousands). It represents short term benefits, including monthly salaries, performace bonuses and share-based compensation. There are no other types of benefits or commitments granted by the Group to key management.

Share Option Plan

Under the Share Option Plan ("the SOP"), approved by shareholders at the 2022 annual general meeting, share options of the Parent are granted to senior managers (including executive directors) of the Company with more than 12 months' service for the Company, at the discretion of the Board of Directors (no individual has a contractual right to participate in the plan or to receive any guaranteed benefits).

The SOP is designed to provide short-term and long-term incentives for senior managers to deliver long-term shareholder returns. It includes two components:

a) short-term component, with options that vest after twelve months depending on the participants' achievements with respect to their individually assigned KPIs (non-market performance condition), and
b) long-term component, with options that vest over a three-year period (graded vesting, one third of the total number of granted options vesting each year) depending on the Parent's consolidated net profit (non-market performance condition).

Vesting under both components of the SOP is conditioned upon the participant remaining employed with the Company on such vesting date. The share options granted will not vest if the performance conditions are not met or if the participant leaves the Group before vesting date.

The fair value of the share options is estimated at the grant date by considering the Parent's consolidated net profit (as reported in its most recent annual consolidated financial statements) and average market multiples as published by the Bucharest Stock Exchange and / or other third-party data providers. Such multiples include:

- P/E or PER – price-to-earnings ratio, which measures the share prices relative to the net profits of entities listed on the Bucharest Stock Exchanges, and
- M&A market premium – which measures the degree with which market multiples on private equity transactions (i.e. mergers and acquisitions of companies which are not listed on the Bucharest Stock Exchanges) are higher than market multiples of public companies.

The performance conditions are only considered in determining the number of instruments that will ultimately vest and have no impact on the value of the options granted. The shares had a fair value of:

- 0.751 RON as at the grant date, and
- 0.872 RON as at the reporting date.

Options are granted under the SOP for no consideration and carry no dividend or voting rights. The share options are exercisable at 0.1RON/share within five days after vesting. There are no cash settlement alternatives at granting moment. However, the Group might accept, at the request of any participant, to repurchase all or part of the shares owned by the respective participant pursuant to the SOP. Any such repurchase will be operated at the market price of the shares as on the repurchase date and its cost might be recovered by the Parent from the Company through a recharge. The Company accounts for the SOP as an cash-settled plan.

The cost of equity settle transactions is determined by the fair value at the date when the grant is made and is recognized in employee benefits expense, together with a corresponding increase in equity, over the period in which the service and the performance conditions are fulfilled (the vesting period). As at 30 June 2022 and for the six-month period then ended the Group recognised and expense of 0.3 million RON in relation to the SOP

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of options that will ultimately vest. The Company has established a share-based payments reserve used to recognize the grant date fair value of options issued to employees but not exercised. This reserve is transferred to retained earnings on the exercise or lapse of options. Recharges are recognized directly in equity (retained earnings) as transactions with owners in their capacity as owners.

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

Set out below are details regarding the number of options granted, exercised or expired under the plan:

	6 months ending 30 June 2022	2021
beginning of period	-	-
granted during the period	3,956,691	-
end of period	**3,956,691**	**-**

All options outstanding are unvested and have an exercise price of 0.1RON/share. Weighted average remaining contractual life of options outstanding is 1.4 years.

Transactions with related parties

The following transactions were carried out as of June 2022 and 2021:

	June 2022	June 2021
Transactions with parent		
Interest expense	3,430	2,778
Transactions with other relates parties		
Interest income	11,483	6,182

During the six-month period ended 30 June 2022 Agricover Distribution SA, wholly owned by the Company's Parent, acted as an agent for the Company in relation to marketing, communication and other service with a total cost of thousand Ron 413 (30 June 2021: thousand RON 366).

Outstanding balances arising from transactions with related parties

The following balances are outstanding at the end of each the reporting periods in relation to transactions detailed above:

	June 2022	31 December 2021
Balances with parent		
Borrowings received	199,543	203,214
Balances with other relates parties		
Other financial assets	171	1,493
Other financial liabilities	46	939
Loans and advances to customers	6,414	6,096
Commitments to other related parties		
Letters of guarantees issued	6,000	5,500

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

15 ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	30-June-22	31-Dec-21
Pledge Assets with residual maturity lower than 1 year:		
Loans and receivables	1,265,979	1,226,885
Pledge Assets with residual maturity greater than 1 year:		
Loans and receivables	493,961	117,179

16 COMMITMENTS AND CONTINGENCIES

Letters of credit and guarantees

Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event that the customer cannot meets its contractual payment obligations. Guarantees and standby letters of credit carry a similar credit risk to loans. As at 30 June 2022, the Group has issued guarantee letters with expiry period within 1 year with a total nominal value of RON 6.000 thousand (31 December 2021: RON 5.500).

Commitments

To meet the financial needs of customers, the Group enters into various revocable and irevocable commitments to lend and similar contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Group (qualitative and quantitative details regarding risk management practices of the Group are detailed in note8).

The Group designed for and offers to farmers a new product range consisting of loans with a Mastercard credit card attached, addressed to legal entities active in the agricultural sector. As at 30 June 2022 total irrevocable commitments under the credit cards amounted to 65,5 million RON, of which 18,7 million RON were utilised.

Except for the credit card related limits detailed above, the Group does not grant irrevocable commitments. Under uncommitted credit lines it is the Group's policy to approve any withdrawals, based on an analysis of the applicant, including of developments after the initial approval of the 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. As at 30 June 2022 the undrawn balance of the credit lines granted by the Group amounts to 287.8 million RON (31 December 2021: 185.5 miilion RON).

Contingent liabilities

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its general operations and specifically to its financing activity. As a result, it is involved in various litigations and legal proceedings arising in the ordinary course of the its business. Management of the Group considers that these litigations will not have a significant impact on the operations or on the financial position of the Group

(all amounts in thousands RON, rounded to the nearest unit, unless otherwise stated)

This section includes certain performance measures that are monitored by its management, the regulator or its creditors. The section then concludes with significant events which have occurred after the yearend and have not impacted these consolidated financial statements but which have or might impact the financial performance of the Group in subsequent periods.

17 ALTERNATIVE PERFORMANCE MEASURES

The performance measures presented below, together with details of their calculation, are considered key performance indicators monitored by the Group.

Capital Ratio

The capital ratio refers exclusively to Agricover Credit IFN SA and is derived from the regulatory capital measures (i.e. Own Funds and Total Aggregated Exposure) of the Company. Such regulatory capital measures are based on the provisions of Regulation 20. These measure are then used to calculate the capital ratio, as detailed in the table below.

#	Performance indicator	30-Jun-22	30-Jun-21	30-Jun-20
=A/B*100%	**Capital ratio**	**19.24%**	**23.15%**	**21.97%**
A	Own funds	424,557	369,094	325,894
B	Total aggregate exposure	2,207,039	1,594,330	1,483,315

Other performance indicators

#	performance indicator	30-Jun-22	30-Jun-21	30-Jun-20
=C/D*100%	**Non-Performing loan ratio**	**2.20%**	**2.95%**	**2.52%**
C	Gross loans exposure Stage 3	57,209	60,251	47,395
D	Gross loans exposure	2,595,700	2,042,158	1,879,425
=F/E*100%	**Risk earnings ratio**	**14.82%**	**2.77%**	**24.07%**
E	Net interest income	70,172	56,715	54,323
F	Net credit losses	10,399	1,572	13,076
=(G+H)/(E+I+J)*100%	**Cost income ratio**	**39.15%**	**36.96%**	**31.38%**
E	Net interest income	70,172	56,715	54,323
G	General and administrative expenses	28,657	21,558	16,811
H	Other operating expenses	1,658	839	931
I	Net fee and commission income	6,855	3,592	2,184
J	Other operating income	407	296	37

18 EVENTS AFTER THE REPORTING PERIOD

No significant events.