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**Independent auditors' report on the financial statements of**  
**EUROCREDITBANK SA**  
**for the year ended on December 31, 2022**  
**prepared in accordance with the International Financial Reporting Standards**

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**INDEPENDENT AUDITORS' REPORT**

To the Shareholders of B.C. EUROCREDITBANK S.A.

**Report on the Individual Financial Statements****Opinion**

- [1] We have audited the accompanying individual financial statements of B.C. EUROCREDITBANK S.A. (hereinafter referred to as ("the Bank")), which comprise the individual statement of financial position as at December 31, 2022 and the individual statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.
- [2] In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

- [3] We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Moldova, 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**

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

Key audit matter	Audit approach
<b>Allowance for impairment of loans to customers</b>	
Refer to Note 8.  The Bank has developed a complex model which uses statistical data and input parameters obtained from internal and external sources to calculate the expected credit losses ("ECL") on its loans and advances to customers. The application of these models for calculating the ECLs, requires significant judgements and estimates from management.	In order to obtain sufficient audit evidence during our audit, we obtained an understanding of the processes for calculation of impairment of loans, applied by the Bank.  During this process: a) We assessed the adequacy of the policies, procedures and implemented controls in the process, in order to design our procedures in such way as to be able to address the risks of material misstatement in this area.

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Key audit matter	Audit approach
<p><b>Allowance for impairment of loans to customers</b></p> <p>As described in note 8 to the financial statements, the Bank has recorded as at December 31, 2022 expected credit losses on loans to customers amounting to MDL'000 8,342.</p> <p>In accordance with the requirements of IFRS 9 Financial Instruments, the Bank distinguishes three stages of impairment, where the criteria for classification to individual stages are based on an assessment of the objective characteristics of loans and the relevant debtors and subjective judgments of the Bank.</p> <p>The ECLs are calculated using available historical data and anticipated future development determined using macroeconomic indicators.</p> <p>The statistical models used are based on the probability of default and the estimated amount of the loss given default. Input data for the model and the calculation methodology and its comprehensiveness depend on the judgment of Bank's management.</p> <p>We determined this to be a key audit matter due to the significant judgement exercised by management and the complexity in making the estimate including:</p> <ul style="list-style-type: none"> <li>a) The interpretation and assumptions used to build the model for ECLs.</li> <li>b) The completeness and accuracy of the data used to calculate ECLs.</li> <li>c) The assumptions and judgments, with regards to identifying quantifying loans impairment.</li> <li>d) The allocation of loans and advances from customers to stages, as per the criteria of the standard.</li> </ul>	
<ul style="list-style-type: none"> <li>b) We assessed the adequacy of the methodology used by the Bank to identify loan impairment and calculate ECLs for the significant loan portfolios.</li> <li>c) We tested the design and operating effectiveness of key controls management of the Bank has established over the impairment assessment processes. The testing focused on controls related to: <ul style="list-style-type: none"> <li>- timely identification of significant increase in credit risk and correct classification of loans to corresponding impairment stages,</li> <li>- regular client creditworthiness review processes,</li> <li>- approval of experts' collateral valuation and</li> <li>- management review and approval of the impairment evaluation results.</li> </ul> </li> <li>d) We involved auditor's experts in the areas which required specific expertise.</li> </ul> <p>We reviewed the quality of the historical data used in the computation of the risk parameters and recalculated the ECLs on a sample of exposures based on the risk parameters resulted from the models. On a sample of exposures, we evaluated the appropriateness of impairment methodologies and their application.</p> <ul style="list-style-type: none"> <li>e) We formed an independent view on the levels of impairment allowances required by examining available external and internal information.</li> <li>f) We performed detailed substantive procedures on a sample of loans in order to verify the classification of loans and to identify any indications for impairment and whether additional allowances for ECLs should be recorded.</li> <li>g) We applied our professional judgment to assess the inputs used in the calculation of impairment losses and compared our assessment to the estimates applied by the Bank.</li> <li>h) We analyzed the financial condition of the borrowers and inquired about any breaches of contracts and/ or changes from the original terms and conditions of the contract. We have considered the impact of the current economic conditions, the valuation of collaterals, and other factors that may affect the recoverability of loans.</li> <li>i) We assessed the completeness, appropriateness and adequacy of the disclosures in the Bank's</li> </ul>	

Key audit matter	Audit approach
<b>Allowance for impairment of loans to customers</b>	
	financial statements with regard to the measurement of loans.

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

- [5] Management of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS's) and related regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- [6] In preparing the financial statements, management is responsible for evaluating the Bank's ability to continue as a going concern, for disclosure, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

- [7] Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 aggregated, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.
- [8] 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 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 controls relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required

to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

## **Report on Other Legal and Regulatory Requirements**

[9] The Management is responsible for preparation and presentation of the other information. The other information comprises the President's report but does not include the financial statements and our auditors report thereon.

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

In connection with our audit of the financial statements for the year ended December 31, 2022, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the President's report, we read and report if this has been prepared, in all material respects, in accordance with the article 23 from the Accounting and Financial Reporting Law nr. 287/2017.

On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

- a) the information included in the president's report for the financial year for which the financial statements have been prepared are consistent, in all material respects, with these financial statements;
- b) the president's report has been prepared, in all material respects, in accordance with the article 23 from the Accounting and Financial Reporting Law nr.287/2017.

Moreover, based on our knowledge and understanding concerning the Bank and its environment gained during the audit on the financial statements prepared as at December 31, 2022, we are required to report if we have identified a material misstatement of this President's report. We have nothing to report in this regard.

[10] 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.

[11] We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

[12] From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prohibits 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.

The engagement partner on the audit resulting in this independent auditor's report is Alexandr Polomosnih.

18 April, 2023

on behalf of

**ICS Baker Tilly Klitou and Partners SRL**

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**Alexandr Polomosnih**

Licensed Auditor

Certificate of Qualification of Auditors of  
Financial Institutions Series AIF 0014 of April  
2, 2012

**Natalia Voloșciuc**

Administrator





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**BC “EuroCreditBank” SA**

***Financial Statements***

**for the year ended on December 31, 2022**

**prepared in accordance with the International Financial Reporting Standards**

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## PRESIDENT'S REPORT

The main results of the activity of BC "EuroCreditBank" S.A. (hereinafter – "the Bank") for 2022, are defined by the following indicators:

- ✓ According to the results for 2022, the Bank's efficiency indicators comply with the limits and norms set by the NBM;
- ✓ The Own funds as of 31.12.2022 amounted to 267 843,6 thousand MDL (256 202,5 thousand MDL as of 31.12.2021). After the external auditor reviews the annual financial statements of the Bank and the subsequent approval of the General Shareholders' Meeting, the Bank's actual own funds, including the total profit for 2022, will amount to 302 352,8 thousand MDL;
- ✓ Total own funds rate as of 31.12.2022 reached 33,56% (in the system 29,49 %) (NBM norm – no less than 10%);
- ✓ The Bank's current liquidity coverage ratio (LCR) by 31.12.2022 was 327,85 % (NBM norm -100%). This allowed the Bank to ensure timely the necessary volume of transactions and to honor its obligations;
- ✓ Total Assets amounted to 1 613 263,9 thousand MDL, increasing in comparison with the similar period of last year with 104 160,6 thousand MDL or 6,9% (an increase in the system by 10,9% or 12 942 625,9 thousand MDL);
- ✓ Bank's loan portfolio (main amount) as of 31.12.2022 amounted to 626 085,7 thousand MDL and increased in comparison with the similar period from last year with 13 353,5 thousand MDL or 2,2 % (an average increase in the system by 7,5%);
- ✓ Deposit portfolio as of 31 December 2022 amounted to 1 104 630,5 thousand MDL and increased by 41 657,5 thousand MDL or 3,9% in comparison with the similar period from last year (an average increase in the system by 5,5% or 4 998 318,9 thousand MDL).

### *Assets*

The weight of interest-bearing assets (the monthly average value as of 31.12.2022) accounted for 80,60% of the total assets (in the system 85,45%). Compared to the situation of 31.12.2021, the share of interest-bearing assets increased by 8,0 p.p. (per system increased by 1,95 p.p.).

Return on Assets was 2,33 % (in the system 2,89%), having a 0,92 p.p. increase compared with the previous year.

### *Liabilities and equity*

At the end of the reporting period, the total liabilities amounted to 1 613 263,9 thousand MDL, out of which the shareholders' equity amounted to 401 622,4 thousand MDL or 24,9% and liabilities - 1 211 641,5 thousand MDL or 75,1%.

Compared to 31.12.2021, there was an increase in the share capital by 8,9% (32 701,9 thousand MDL) and that of liabilities by 6,3% (71 458,8 thousand MDL). The increase in the equity capital (compared to the previous year) was done out of the undistributed profit, which increased by 29 646,6 thousand MDL.

The total balance of deposits by 31 December 2022 amounted to 1 104 630,5 thousand MDL and increased by 41 657,5 thousand MDL or 3,9%, compared to the same period from last year. The balance of the deposits from individuals increased by 89 269,5 thousand MDL or 13,0%, and the balance of deposits from legal entities decreased by 47 611,9 thousand MDL or 12,7%. The correlation between the Bank's debt and capital is 3,02 in 2022 (3,09 in 2021).

### *Financial results*

For the financial year of 2022, the net profit of the Bank amounted to 34 509,2 thousand MDL; 14 175,4 thousand MDL or 69,7% more, compared to the end of the previous year.

The Bank's total income for 2022 in accordance with FINREP (exclusively out of interests in deposits at main headquarters and branches) amounted to 193 024,2 thousand MDL, including interest income – 117 408,6 thousand MDL (60,9 % of total revenues), revenue from fees and commissions – 27 666,3 thousand MDL (14,3% of total revenues), income from foreign currency transactions – 43 044,5 thousand MDL (22,3 % of total revenues), and other income – 4 904,8 thousand MDL (2,5%). Compared to 31.12.2021, the total income has increased by 58 161,2 thousand MDL or 43,1%.

### *Financial results (continued)*

A significant share in the structure of income, coming from interests pertain to the interest income from loans and receivables – 68 164,3 thousand MDL (58,0% of total interest income), registering an increase comparing to previous year of 11 667,6 thousand MDL or 20,7 % more, and income from operations with investment securities at amortized cost – which for 2022 amounted to 24 757,1 thousand MDL (21, 1% of interest income), as compared to 2021 has increased with 13 995,4 thousand MDL or 130% (as a result of the increasing rate for monetary instruments.).

Total expenditure for 2022 amounted to 158 514,9 thousand MDL, and compared to the same period of the previous year

(12 months of 2021) increased by 43 985,7 thousand MDL or 38,4%. The share of interest expenses within total expenses amounted to 22,0 % or 34 873,2 thousand MDL. Compared to 2021, interest expenses increased by 13 255,7 thousand MDL or 61,3%. The share of non-interest expenses is 78,0% or 123 644,7 thousand MDL, the majority of which is paid for the wage expenses – 64 841,0 thousand MDL, which increased compared to 2021 by 10 863,6 thousand MDL or by 20,1%.

Other expenses by 31.12.2021 amounted to 22 125,3 thousand MDL for general and administrative expenses, 21 222,2 thousand MDL for taxes and commissions and 8 145,5 thousand MDL for amortization expenses.

Principle I of liquidity (long-term liquidity ratio) of the Bank as of December 31, 2022 amounted to – 0,64 (in the system – 0,67), (the norm being less than 1).

The liquidity coverage ratio (LCR) as of 31.12.2022 was 327.85% (in the system – 267.85%) (NBM limit -100%). All the indicators described above correspond to the requirements stipulated in the normative acts of the National Bank of Moldova.

The policy of BC "EuroCreditBank" S.A. is oriented towards achieving positive results and ensuring stability in the development of the Bank, while maintaining its clients through transparent and high level services, as well as offering a wide range of services on beneficial terms.

#### ***The activity with the customers of the Bank***

For the 2022 year, emphasis was put on the following promotions:

- ✓ During 2022, the main activity was largely focused on maintaining the portfolio of existing clients, as well as attracting new clients and legal entities;
- ✓ As of October 2022, the promotion - Opening current accounts and connecting to the Telebank Business system - was launched free of charge;
- ✓ Starting from 26.08.2022, the "30th Anniversary - Advantageous promotion for attracting new deposits" promotion was launched, which allowed the bank to both restore and increase the deposit portfolio in MDL, which further allowed the bank's liquidity to be restored, the investment portfolio to increase in HVS, and as of 2023, it will allow the active relaunch of lending activity;
- ✓ Emphasis was placed on the launch of advertising regarding the permanent mediatization of new products and services provided by the bank for PF, PJ, namely Telebank Business, ATM cash-in, bank cards, international transfers;
- ✓ In 2022, 2 old ATMs were replaced. At the Bank's ATMs, the P2P function was implemented and the Card Less function was completed, through which any Bank card will be charged at the Bank's Cash IN type ATMs.

During 2022, 2 954 of which 2 829 individuals and 125 legal entities became clients of the Bank. During this period, 5 850 new accounts were opened, of which 352 by legal entities and 5 498 new accounts by individuals.

#### ***Lending activity***

As of 31.12.2022, the Bank's loan portfolio (basic amount) amounted to 634 141,8 thousand MDL, compared to the same period of the previous year, there was an increase of the gross loan portfolio by 10 218,1 thousand MDL or by 1,6% (by 7,5% on the system), while the net loan portfolio ("Loans and advances" – FIN 1) amounted to 626 085,7 thousand MDL, the increase in comparison with last year is by 13 353,5 thousand MDL or 2,2%.

The share of allowances for impairment losses (for basic amount) in total loans was 8,03% (in the system 6,35%) (according to NBM's Regulation) and 1,32% (depreciation on the basic amount formed in accordance with the Regulation on the measurement and calculation of the depreciation allowance for assets and contingent liabilities under IFRS).

Non-performing loans were 58 623,6 thousand MDL, their share within the total amount of loans is 9,24%, (average in the system is 6,44%), thus having increased with 3,31 p.p. compared to the end of the previous year. (as of 31.12.2021 ECB – 5,93%, system – 6,14%).

#### ***Lending activity (continued)***

The loan portfolio is classified in risk categories as it follows: standard loans (36,4%), supervised (54,4%), substandard (6,4%), doubtful (0,4%) and compromised (2,4%).

During 2022, there were granted loans amounting to 373 786,9 thousand MDL (excluding technical overdrafts), which compared to the 12 months of 2021, have decreased by 17,5% or 79 359,1 thousand MDL.

The profitability of the loan portfolio as of 31.12.2022 amounted to 11,0 %.

The income from the loan activity comprises one of the biggest shares within the total income of the bank – their share was 35,3% of the total amount of income by the end of 2022 (by 31.12.2020 – 41,9%).

The income from the loans activity for 2022 amounted to 68 164,3 thousand MDL. The aforementioned income, compared to the 12 months of 2021, increased by 11 667,6 thousand MDL.

#### ***Currency activity***

Another important aspect within the Bank's activity consists of purchasing/selling foreign currency. Throughout the 12 months of 2022, the bank gained income amounting to 43 044,5 thousand MDL, which represents 22,3% out of the total income of the Bank. For the 12 months of 2022, the income from the purchase/sale of foreign currency, over the same period over last year, recorded an increase of 48,6% or 14 084,7 thousand MDL.

#### ***Activity on financial markets***

During 2022, BC "EuroCreditBank" S.A. was active on the inter-banking market, placing available funds within licensed banks in Moldova, NBM and correspondent banks from abroad.

On the inter-banking-monetary market, the majority of placements were for transactions with Certificates of the National Bank (NBC).

During the 12 months of 2022, the Bank invested money means amounting to – 4 024 000 thousand MDL, including overnight – 2 395 000 thousand MDL (or 59,5%), NBC - 1 355 000 thousand MDL (or 33,7 %) and state securities – 274 000 thousand MDL (or 6,8%).

During the 12 months of 2022, the bank gained income amounting to 49 396,2 thousand MDL (from NBC – 8 721,9 thousand MDL, placements in banks – 23 413,1 thousand MDL, overnight placements – 1226,1 thousand MDL and state securities – 16 035,1 thousand MDL). Compared with the same period from last year, we can note a significant increase with 36 887,0 thousand MDL or 294,9% of the aforementioned income. The increase of the net Investment Portfolio registered at the end of 2022 compared to 2021 (by 55,8 million MDL) is explained by the fact that there were more free resources that were invested in the acquisition of CBN and VMS. Revenues from investment activity increased significantly in 2022 compared to 2021, due to the increase in the base rate (the rate applied to the main short-term monetary policy operations) - up to 21,5%.

As of 31.12.2022, the balance of the net investment portfolio amounted to 312 939,5 thousand MDL (19,4% of total assets).

#### ***Risk management***

During the reported period, the Bank's main tasks were to minimize the risk of banking operations

In order to minimize risk exposure, the Bank calculated and controlled the limits and regulations monthly, established in accordance with the requirements approved by the NBM, the Board of Directors and the Committee of Assets and Liabilities Management (CALM). The reports on limits and normative acts were examined monthly during CALM meetings. Moreover, every quarter the Bank conducted liquidity stress testing, distributed under the terms (GAP stress testing), the results of which were also examined during CALM and Board of Directors meetings.

A fair assessment of the loan risk is of major importance to the bank. To estimate the loan risk independently for each product, the Bank calculates the following key indicators: probability of default, exposure at the time of default risk and maturities.

To determine the loan risk, a detailed analysis of the business and financial condition of the debtor is carried out and subsequently, various measures are undertaken to minimize the loan risk.

Systematically, the Bank executes the control of open currency position limits, and also sets and monitors the limits of exposure to currency risks. In order to minimize the interest rate risk, the Bank carries out weekly analysis of the structure of assets and liabilities under the terms of payment. These reports are used by the Bank to approve decisions on the regulation of interest rate risk. During the year, both rates on term deposits as well as loans were modified.

Quarterly the Bank presents to the Management Board, the the Committee of Assets and Liabilities Management and the Board of Directors a general report that describes bank's risks and steps of minimizing those risks.

#### ***Compliance with legislation on the prevention of money laundering and terrorism financing***

During the year, the Bank continued the work on ensuring the bank's compliance with the requirements of the legislation on prevention and combat of money laundering and terrorism financing to the National Bank of Moldova regulations.

The "Know your customer" procedures have been modified in regard to the identification of customers, effective beneficiaries, politically exposed persons, transaction reporting, thus were brought in accordance to the changes in legislation and National Bank of Moldova requirements. These were sent for enforcement to the branches of the bank. For the clients with a low level of transparency, it was recommended an increased attention to the transaction monitoring, reporting of financial transactions in accordance with internal procedures and legal requirements. Training sessions were held pursuant to the approved Report from the PCML Group on the Bank's compliance with the requirements of the legislation in the field of preventing and combat of money laundering and terrorist financing as well as the regulations of the National Bank of Moldova, and is presented quarterly to the Management Board of the Bank and is reviewed regularly

at the meetings of the Bank's Board of Directors.

### ***Corporate governance***

The Corporate Governance Code of BC "EuroCreditBank" SA has been developed based on and in accordance with the Law on the activity of banks, the Law on joint stock companies, the Decision of the Government of the Republic of Moldova "On the approval of the Concept of corporate governance of the enterprises within the national economy", the Decision of the National Commission for Financial Markets "On approving the Code of Corporate Governance". While drafting the Code, there were as well taken into account the provisions of the Basel Committee on Banking Supervision document from February 2006 "Enhancing corporate governance for banking institutions.

The Corporate Governance Code of BC "EuroCreditBank" is public and available on the website of the Bank. Its provisions are binding for the Bank's governing bodies, managers and employees of the Bank, including its shareholders.

The Corporate Governance Code is the basic legal document containing basic principles and concrete situations, that are tracked by the Executive Board, the Board of Directors of the Bank, its shareholders in their activity as well being guided by the Code's best principles and practices. Moreover, the Corporate Governance Code contains the basic rights and obligations, how to respect them, to ensure direct and control operations of the Bank taking into account the interests of their shareholders.

In addition to the basic principles, the Code establishes specific principles considered to be important elements in the process of corporate governance.

### ***THE GENERAL SHAREHOLDERS' MEETING***

The General Shareholders' Meeting was held in 2022, having exclusive competence pursuant to par. 50 of the Law on Joint Stock Companies, to enact decisions regarding the approval of the reports of the Board of Directors, profit distribution, selecting the auditing company, etc. necessary to properly conduct the activity of the Bank within the legal existing framework and with the requirements of the normative acts in force at the National Bank.

The decisions of the General Shareholders' Meeting regarding these matters have been carried out in accordance with the Law on Joint Stock Companies and the Statute of the Bank, while complying with the provisions of the Code of Corporate Governance of the Bank.

### ***THE BANK'S MANAGEMENT BODIES***

The leadership and effective management of the Bank's activity comes to the governing bodies of the Bank:

- ✓ The Board of Directors of the Bank;
- ✓ The Management Board of the Bank.

### ***THE BOARD OF DIRECTORS OF THE BANK***

During 2022, 15 meetings of the Board of Directors were held.

The Board of Directors is the body that represents the interests of shareholders between general meetings and within the limits of its powers, approved regulations of the Bank and their amendments at the request of the management board.

The Board of Directors of the Bank, in the exercise of its attributions to approve internal regulations of the Bank is guided by the interests of the Bank and its shareholders. The Board also supervises on a permanent basis their fulfillment by the Management Board.

During the year, the Bank's Board of Directors oversees the effective functioning and performance of the Management Board, the results of the compliance policy for the risk management policy, significant positive and negative changes that have occurred.

### ***THE MANAGEMENT BOARD OF THE BANK (executive body)***

During 2022, 287 meetings of the Board of the Bank were held.

The executive body fulfills the ongoing management of the Bank, oriented towards achieving the objectives set out in the strategy and its business plan.

In their daily activity, the executive body ensured:

- ✓ organizing and coordinating the deployment of the Bank's financial activities approved by the license issued by the National Bank of Moldova in accordance with provisions of the existing legislation and internal regulations of the Bank;
- ✓ examining the financial and other specific reports of the Bank, as well as reports on the performance of the business plan and reporting them afterwards to the Board of Directors of the Bank;
- ✓ examining the materials of controls carried out by the Internal Audit Unit of the Bank, as well the external auditing company;

- ✓ presenting to the Board of Directors and each member of these bodies' the documents and other information necessary for the proper performance of their duties;
- ✓ approval of the Bank's transactions with third parties prior to their realization, within the limits established by the ECB's Regulation on the Executive Body.

The activity of the Bank's Executive Body – The Management Board of the Bank is conducted in accordance with the principles and best practices established by the Code of Corporate Governance of the Bank.

#### **Conclusion:**

After the economic recession caused by the COVID pandemic, the economy of the Republic of Moldova failed to gain enough momentum, facing new challenges in the year 2022. The war in Ukraine, the energy crisis, accelerated inflation and disruptions in the global production chain have a considerably negative impact, disrupting economic activity and reducing domestic demand. According to the last forecast published by the National Bank of Moldova, the annual inflation will be 32.2% for the year 2022 and 15.7% the average annual inflation for the year 2023. The Management Committee of the Bank analyzed the impact and estimated that the Bank's activity and the possibility of realizing the Business Plan will be affected in the following period by:

- ✓ The ability of borrowers to honor their obligations to the Bank in terms of servicing loans, impacting the quality of the loan portfolio and Bank's liquidity;
- ✓ The reduction of loan requests with effect on the decrease of the loan portfolio and the income from the Bank's credit activity;
- ✓ Major volatility and instability of the exchange rate, which thus increase revaluation expenses;
- ✓ Reduction of the number of deposits of economic agents and individuals at the Bank, withdrawals of deposits affecting Bank's liquidity;
- ✓ Reduction in cash transactions and bank transfers of economic agents and individuals, with the effect on the balances in the clients' accounts, respectively on the resources needed by the Bank.
- ✓ The rapid reduction of interest rates on monetary instruments, which leads to the necessity of reducing credit rates and narrowing the interest margin.

The Bank's Board effectively worked with the bank's management and shareholders to further increase its own funds in order to further develop bank's business. In the operational activity, the Bank's management and administrator board ensured the proper functioning of the bank, respecting the principles of corporate governance..

During 2022, the implementation of the ICAAP process continued, a relatively new process for the Moldovan banking sector, consisting of a more detailed analysis of crisis management and capital planning activities, as well as the use of this process by the Bank's management in making decisions. . The Bank aims to permanently consolidate and complement existing methods and processes in all areas of risk management.

In 2023, the Bank will focus its efforts on being ready to provide solutions to meet customer needs and cope with unexpected situations.

Based on the Bank's motto for 2023 - "*The year of the client - attracting Legal Entities to Bank's service!*", the main priorities of the Bank will be:

1. Attracting Legal Entities to the Bank's services to take advantage of cheap resources;
2. Focusing all financial and human efforts on the development of Bank's business in the context of the economic crisis;
3. Maintaining the Bank's income, optimizing work processes, automating activities;
4. Maintaining profitability indicators (ROA, ROE) at the appropriate level in the given situation;
5. Effective use of all the Bank's resources (own and borrowed), by making quality investments.
6. Monitoring the economic situation in the country and the preferences of customers, for the necessary adaptation of Bank's products;
7. Digitization of the Bank's services and products.

**STATEMENT OF FINANCIAL POSITION**  
**on 31 December 2022**

	Note	31 December 2022 MDL'000	31 December 2021 MDL'000
<b>ASSETS</b>			
Cash and cash equivalents	4	109,574	166,827
Balances with the NBM	5	423,523	305,706
Current accounts and deposits in banks	6	40,094	65,249
Financial assets at amortised cost (Debt securities)	7	312,788	256,961
Loans to customers, net	8	626,087	612,732
Financial assets at fair value through other comprehensive income (Equity instruments)	9	153	153
Property and equipment, net	10	86,024	80,920
Intangible assets, net	11	6,726	4,766
Other assets, net	12	8,295	15,791
<b>Total assets</b>		<b>1,613,264</b>	<b>1,509,105</b>
<b>LIABILITIES</b>			
Other financial liabilities Borrowings	13	93,581	62,433
Due to clients	14	1,104,630	1,062,973
Deferred tax liability	15	3,433	3,540
Other liabilities	16	9,997	11,238
<b>Total liabilities</b>		<b>1,211,641</b>	<b>1,140,184</b>
<b>EQUITY</b>			
Ordinary shares	17	138,000	138,000
Ordinary treasury shares	17	(2,500)	-
Surplus capital	17	625	-
Reserves	17	58,996	53,574
Reevaluation reserves	17	47,354	47,846
Retained earnings	17	159,148	129,501
<b>Total Equity</b>		<b>401,623</b>	<b>368,921</b>
<b>Total equity and liabilities</b>		<b>1,613,264</b>	<b>1,509,105</b>

The accompanying notes form an integral part of these financial statements.

These financial statements were authorized for issuance on April 10, 2023 by the Executives of the Bank, represented by:

**President of Management Board**

**Oleg Holban**




**Chief –Accountant**

**Bujor Igor**







**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended on 31 December 2022**

	Share capital	Issue premium	Treasury shares	General reserve	Prudential reserve	Retained earnings	Reserves from revaluation	Total
	(MDL '000)	(MDL '000)	(MDL '000)	(MDL '000)	(MDL '000)	(MDL '000)	(MDL '000)	(MDL '000)
<b>Balance as of January 1 2022</b>	<b>138,000</b>			<b>13,799</b>	<b>39,774</b>	<b>129,503</b>	<b>47,845</b>	<b>368,921</b>
Allocations to general reserve	-	-	-	-	5,421	(5,421)	-	-
Profit for the year	-	-	-	-	-	34,509	-	34,509
Revaluation of tangible assets	-	-	-	-	-	591	(591)	-
Share-based payments	-	625	(2500)					(1,875)
Other adjustments	-	-	-	-	-	(34)	101	67
<b>Bilanțul la 31 decembrie 2022</b>	<b>138,000</b>	<b>625</b>	<b>(2500)</b>	<b>13,799</b>	<b>45,196</b>	<b>159,148</b>	<b>47,355</b>	<b>401,622</b>
<b>Balance as of January 1 2021</b>	<b>138,000</b>	-	-	<b>13,799</b>	<b>44,737</b>	<b>103,551</b>	<b>36,115</b>	<b>336,202</b>
Allocations to general reserve	-			-	(4,963)	4,963	-	-
Profit for the year	-			-	-	20,334	-	20,334
Revaluation of tangible assets	-			-	-	148	11,730	11,878
Other adjustments	-			-	-	507		507
<b>Bilanțul la 31 decembrie 2021</b>	<b>138,000</b>	-	-	<b>13,799</b>	<b>39,774</b>	<b>129,503</b>	<b>47,845</b>	<b>368,921</b>

The accompanying notes form an integral part of these financial statements.

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**Bujor Igor**



**STATEMENT OF CASH FLOW****For the year ended on 31 December 2022**

	<b>2022</b>	<b>2021</b>
	<b>MDL'000</b>	<b>MDL'000</b>
<b>OPERATIONAL ACTIVITIES</b>		
<b>I. CASH FLOW FROM OPERATIONAL ACTIVITIES</b>		
Interest and commission receipts	146,020	77,344
Interest and commission payments	(56,095)	(31,271)
Cash receipts from loans previously written-off from allowances for loan losses	-	-
Cash receipts from other income	60,726	49,589
Cash paid to employees	(55,595)	(48,311)
Cash paid to suppliers and contractors	(40,185)	(29,263)
	<b>54,871</b>	<b>18,088</b>
<b>I.1 INCREASE / (DECREASE) OF ASSETS</b>		
Increase/(decrease) on deposits to NBM	-	-
Increase/(decrease) on loans to customers	(292,795)	(198,640)
Receipts (payments) regarding other assets	56,028	66,660
	<b>(236,767)</b>	<b>(131,980)</b>
<b>I.2 Increase/(decrease) of liabilities</b>		
Increase/(decrease) on deposits from customers	60,452	48,292
Increase/(decrease) on deposits and loans from banks	-	-
Increase/(decrease) on other assets	23,029	13,152
Payments on income tax	(4,617)	(2,015)
<b>Net cash from operational activities</b>	<b>78,864</b>	<b>59,429</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds /(payments) on investment securities	109,473	186,921
Proceeds /(payments) on tangible assets	-	-
Payments for intangible assets	(153)	(153)
Interest received	20,044	17,076
<b>Net cash from investing activities</b>	<b>129,364</b>	<b>203,844</b>
<b>III. NET CASH FLOW FROM FINANCIAL ACTIVITY</b>		
Receipts / (payments) for long-term loans	(26,705)	(24,665)
<b>Net Flow from financial activity</b>	<b>(26,705)</b>	<b>(24,665)</b>
Effect exchange rate fluctuations on cash and cash equivalents	59	(3,639)
<b>Total Net Cash flow</b>	<b>(314)</b>	<b>170,407</b>
Cash and cash equivalents at the beginning of the year	522,716	506,081
Cash and cash equivalents at the end of the year	522,402	522,716

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2022 (continued)

## Cash and Cash Equivalents

	Nota	31 December 2022 MDL'000	31 December 2021 MDL'000
Cash and cash equivalents	4	109,574	166,827
Accounts with National Bank of Moldova	5	263,261	179,063
Current accounts and deposits with banks	6	40,094	65,249
Investment securities	7	109,473	111,577
		<b>522,402</b>	<b>522,716</b>

The accompanying notes form an integral part of these financial statements.

These financial statements were authorized for issuance on April 10, 2022 by the Executives of the Bank, represented by:

**President of Management Board**

**Oleg Holban**




**Chief –Accountant**

**Bujor Igor**



## EXPLANATORY NOTES TO FINANCIAL STATEMENTS

### 1. General Information on the Bank

The Commercial Bank "EuroCreditBank" SA (hereinafter referred to as "the Bank") was established in the Republic of Moldova as a closed joint-stock Commercial Bank "Petrolbank" in September 1992.

The Bank was registered at the State Chamber of Registration as a Joint Stock commercial bank on 25 May 2001 under state identification number - 1002600020056.

During the General Shareholders' Meeting held on 4 July 2002, Bank's new name became BC "EuroCreditBank" SA.

Currently, the Bank operates under the License No. 004461 Series A MMII issued on 30 June 2008, which gives the permission of rendering a range of banking services for individuals and corporate clients, including receiving deposits, cash management, lending activities, operations related to foreign currency, etc., according to art.26 p.1) of the Law on Financial Institutions.

The Bank operates through its head office in Chisinau and through its 8 branches and 22 agencies (8 branches and 26 agencies on December 31, 2021).

The bank's registered office is on 33 Ismail St., Chişinău, Republic of Moldova

As it was standing on December 31, 2022, the Bank registered 303 employees, out of whom 262 are active (December 31, 2021: 261).

On December 31, 2021, the management body of the Bank is encompassed of the Board of Directors and the Executive Body.

**The Board of Directors of the Bank** is comprised of 5 members elected by the General Shareholders Meeting, whose duties are responsible for overseeing the bank's performance, approving and monitoring the implementation by the Bank's executive body of strategic objectives, governance framework and corporate culture.

**Executive Body** comprises 3 members who form the Management Board of the Bank which is a collegial decision-making body. The members of the Management Board shall be nominated by the Board of Directors of the Bank and shall be responsible for the current management of the Bank, the efficient and prudent management of its business in accordance with the strategy and framework for the management of the Bank's activity.

#### Members of the Board of Directors of the Bank

Bulgari Valeriu	President of the Board
Verejan Oleg	Vice-president of the Board
Gaberi Gheorghe	Board member
Cucu Gheorghe	Board member
Sula Victor	Board member

#### Management Board of the Bank

Holban Oleg	President of the Management Board
Cataraga Iurie	First vice-president of the Management Board

The accompanying notes form an integral part of these financial statements.

The financial statements were authorized for issuance on April 10, 2022 by the Executives of the Bank :

**President of the Management Board**

**Oleg Holban**



**Chief Accountant**

**Bujor Igor**



## **2. Accounting policies**

### **2.1 Basic principles used in drafting financial statements**

#### **Compliance statement**

The financial statements are drafted in accordance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board (IASB). These financial statements are prepared in accordance with the International Financial Reporting Standards effective as of 31 December 2020, the reporting date of the annual financial statements. Additionally, the interpretations issued by the IFRS Interpretations Committee (IFRIC) were applied.

The Bank does not adopt preventive standards that have not been declared effective.

The financial year of the bank is the calendar year.

The main accounting policies applied to these financial statements are presented below. These policies have been sequentially applied for all previous years, excepting the cases when it is mentioned otherwise.

#### **Compliance with the national legislation**

BC "EuroCreditBank" S.A. is qualified as commercial Bank according to the banking license issued by the National Bank of Moldova, which gives it the authorization of rendering banking services in the Republic of Moldova, and as a result, it is regulated by the National Bank of Moldova. These financial statements have been approved by the Bank's Board of Directors.

#### **Assessment principles**

The financial statements are prepared on a historical cost basis, except for land and buildings and investment securities at amortized cost, which are recorded at fair value.

#### **Functional and presentation currency**

The accompanying financial statements are presented in Moldovan Lei („MDL”), rounded to the nearest thousand, which is the Bank's functional currency, except cases when it is mentioned otherwise.

### **2.2. Significant accounting estimates and judgments**

The presentation of financial statements in compliance with IFRS, requires the usage of rationality to make judgments about estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and future changes in the economic conditions, business strategies, regulatory requirements, accounting rules or/and other factors could result in a change in estimates that could impact the reported financial position of Bank.

The most common significant areas involving estimates and professional judgment include:

- **Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position can not be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not possible, it takes a certain kind of judgment to determine fair values. The judgments include considerations of liquidity and model inputs for mathematical models, such as discounting cash flows and assessing default rate for financial instruments secured by assets.

- **Impairment of credit exposures**

By enforcing IFRS 9, the Incurred-Loss as a result of previous events Model from IAS 39 is replaced by the Expected-Loss Model. Loss allowances are established in an amount equivalent to the expected loss for all financial assets recognized at amortized cost, for all funding instruments recognized at fair value with changes in fair value reported in Other Comprehensive Income (FVOCI), and for off-balance-sheet business. Expected credit losses are recorded in an approach with various stages.

- **Business continuity**

Bank management has evaluated the Bank's ability to continue as a going concern and has been convinced that the Bank has the necessary resources to continue its business in the foreseeable future. In addition, the management is not aware of any material uncertainty that would create significant doubt regarding the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the principle of business continuity.

## 2. Accounting policies (continued)

### 2.3. Significant accounting policies

#### a. Basis for assessment

These financial statements have been prepared under the historical cost method, except when IFRS requires recognition at fair value.

Fair value is best represented by quoted prices in an active market. If the market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. The goal of using a valuation technique is to establish what the transaction price would be at the valuation date within transactions done on objective conditions, driven by normal business considerations.

Valuation techniques include using market transactions conducted in objective conditions between interested parties and knowingly (if applicable), reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and models pricing of options. If there is a valuation technique commonly used by market participants to put value of the instrument and that technique has provided consistently reliable estimates of prices obtained in actual market transactions, the Bank uses that technique.

Chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

Chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

Financial instruments measured at fair value on an ongoing basis for accounting purposes include all instruments at fair value through profit or loss and financial instruments classified as investment securities for sale. Details of the measurement techniques applied to balance sheet positions are part of the accounting policies below.

These financial statements have been prepared on an ongoing concern basis, which assumes that the Bank will continue its operations for the foreseeable future. In order to assess the reasonableness of these assumptions, management reviews the forecasts of future cash inflows. Based on these analyses, management believes that the Bank will continue to operate under the principle of going concern for the foreseeable future and, therefore, this principle has been applied in preparing these financial statements.

The financial year starts on January 1 and ends on December 31 and includes all operations of the Bank. All figures reflecting actual economic and financial results of the bank during the financial year are included in the financial statements of the financial year.

#### b. Foreign currency transactions

Foreign currency transactions are converted into the appropriate operational currency at the exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the date of the report, are translated again, into the functional currency in accordance with the exchange rate at that date. The profit from exchange rates or losses on monetary articles - is the difference between the amount of depreciation in the functional currency at the beginning of the period, adjusted for actual yield and payments during the period and the depreciation in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at the objective value, again are converted into the functional currency at the rate of exchange on the day when this objective value was determined.

Exchange differences arising from the re-conversion are recognized in profit or loss, except for differences arising from the re-conversion of investment securities recognized by other elements of the global result which are included in the objective value of the stock shares.

Transactions in foreign currencies are recorded at the exchange rate at the transaction date. At financial statement date, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate

	2022		2021	
	USD	Euro	USD	Euro
Average period	18.9032	19.8982	17.6816	20.9255
End of the year	19.1579	20.3792	17.7452	20.0938

**2. Accounting policies (continued)**

**2.3 Significant accounting policies (continued)**

**c. Cash and cash equivalent**

For the purposes of the financial statements, the cash includes cash available in treasury and in banks and current placements, and the cash equivalents are short-term financial investments (up to 91 days) very liquid, that are easily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

**d. Loans, receivables and provisions for loan impairment**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Amounts reported as receivables from customers consist primarily of given loans and advances. In addition to overnight and short - term deposits, the amounts reported as receivables from banks include current account balances.

All loans and receivables to banks, as well as loans and receivables to customers fall into the category of "loans and receivables" and are carried at amortized cost using the effective interest method minus the impairment losses. When calculating the amortized costs are taken into account all the discounts or premiums on purchase, as well as associated fees that are an integral part of the effective interest rate. Amortized premiums and discounts are recognized in terms of profit and loss in net interest income.

***Exposures assessed for impairment include:***

For the purpose of a evaluation of the loan portfolio, the Bank will form groups of loans that have similar risk characteristics. Loans will be divided into groups:

- Legal entities
- Individuals who have secured the loans with collateral
- Individuals who have not secured the loans with collateral

***Recovery of the impairment loss***

If, in a subsequent period, the amount of loss on impairment 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 loss from the previously recognized impairment, will be recovered by adjusting a provision account for impairment. Recovery doesn't have as a result a carrying amount of the financial asset that exceeds the amortized cost, if the impairment had not been recognized at the date on which impairment is repeated. The amount of the loss is recognized in profit.

**e. Financial investment at amortized cost**

Investment securities at amortized costs are those financial assets that are designated as available for sale and are not classified as Investment securities at amortized cost or investments at fair value through profit or loss.

Investment securities at amortized costs are initially recognized at cost plus transaction costs of the acquisition.

After initial recognition, the Bank assesses the financial assets at fair value, without any deduction for transaction costs that may be incurred on sale or other disposal, except for the following categories of financial assets:

- investment securities at amortized cost which are measured at amortized cost, using the effective interest method, and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and the derivatives that are linked to, and that are settled by delivery of such unquoted equity instruments, which are measured at cost.

A gain or loss arising from a change in fair value of the investment is recognized as follows:

- a gain or loss generated by an investment classified as assessed at fair value through profit or loss is recognized in profit or loss;
- a gain or loss of an investment security is recognized by other elements of the global result, shall be recognized by other elements of the global result, except for losses from impairment. Thus, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. However, interest calculated using the effective interest method is recognized in profit or loss. Dividends for equity instruments available-for-sale are recognized in profit or loss when the entity's right to receive payment is established.

For investments carried at amortized cost, a gain or loss is recognized in profit or loss when the investment is unrecognized or impaired, and through the amortization process.



**2. Accounting policies (continued)**

**2.3 Significant accounting policies (continued)**

**f. Property, plant and equipment**

Property, plant and equipment are items of greater than 6,000 MDL, which are held for use in providing services, for rental to third parties or for administrative purposes and are expected to be used during several periods of time.

Buildings and land are recorded in the balance sheet at their revalued amount minus the accumulated depreciation and minus allowance for impairment, if necessary. Other tangible assets are recorded at historical cost minus depreciation and scheduled impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition products.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, only when it is probable that future associated economic benefits will come to the Bank and the asset cost can be measured reliably. All other repairs and maintenance are passed to profit and loss during the financial period in which they are incurred.

The depreciation method applied to an asset is reviewed at each financial year-end.

Depreciation of other assets is calculated using the straight-line method to allocate cost to their residual values using the following life periods. The service times are the following:

Buildings	8 – 60 years
Office equipment	3 – 5 years
Equipment and installations	3 – 15 years
Vehicles	5 – 7 years
Cash machines (ATM) and equipment	8 – 12 years

At each balance sheet date, the residual value and useful life of the assets are reviewed and, if necessary, they are adjusted. Assets that are amortized are valued for impairment each time when certain events or changes in circumstances indicate's that the book value may not be recovered. If the asset's balance sheet value is greater than the estimated recoverable amount, the balance sheet value is adjusted immediately to its recoverable amount. The recoverable amount is the largest of the fair value as the asset's diminished cost of sales and its value for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. The gain or loss resulting from the derecognition of an item of tangible fixed assets shall be determined as the difference between the net proceeds on disposal, if any, and the carrying amount of the item.

*Investment properties*

An investment property is property, land or buildings, or part of building, or both, owned by the owner lessee or the tenant under a financial or operational lease agreement, to earn rentals or for capital appreciation, or both.

Investment property is recognized as an asset if, and only if it is probable that future economic benefits associated with the investment property will flow to the Bank and the cost of the investment property can be measured reliably.

The Bank does not recognize in the carrying amount of the investment property, the daily maintenance costs of such property. These costs are recognized in profit or loss as incurred.

Investment property is measured initially at cost. Transaction costs are included in the initial measurement. The Bank uses the cost model, for tracking of all its investment property.

**g. Lease contracts**

The Bank acting as lessee accounts for Leasing contracts in accordance with IFRS 16 "Leases" from January 1, 2020.

Classification as a financial lease or an operational lease depends on the economic substance of the transaction rather than the legal form of the contract.

The Bank identifies the leasing contracts pursuant to the following criteria:

- The duration of the leasing contract shall not exceed more than 12 months;
- The underlying asset transferred on lease has a value greater than 5000 EURO;
- The contractual terms significantly transfer all risks and rewards of ownership to the Bank.

## **2. Accounting policies (continued)**

### **2.3 Significant accounting policies (continued)**

#### **g. Lease contracts (continued)**

For all leases the bank recognizes a right to use the asset and the subsequent lease liability.

The lease liability is initially measured at the current value of the lease payments outstanding at inception, discounted using the interest rate implicit in the lease, or, if the rate cannot be readily determined, the weighted average annual interest rate on deposits attracted by the Bank.

Leasing contracts in which a significant part of the risks and benefits related to ownership are retained by another party (the lessor), are classified as operating leasing contracts.

The bank accounts for operating leases by recognizing lease payments as an operating expense using the straight-line method.

In case when the Bank gives in leasing a part of the building, while the other is still occupied by the Bank, the leased part will be reclassified as investment property only if it is bigger than 50% of the total area of the building.

The bank, as the lessor, recognizes the lease payments related to the operating lease contracts as operating income.

#### **h. Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if it is separable or arises from contractual rights and either, or other legal rights, regardless of whether those rights are transferable or separable from the Bank or from other rights and obligations.

An intangible asset is recognized if and only if it is probable that future economic benefits attributable to the asset will flow to the Bank and the cost of the asset can be measured reliably.

The Bank assesses the probability of generating economic benefits based on rational and easy-to-state valuations, which is the best estimate of management for the set of economic conditions that will exist over the life of the asset.

An intangible asset is measured initially at cost. Recognition of costs in the carrying amount of an intangible asset ceases when the asset is in the condition necessary to be able to operate in the manner intended by management. Therefore, costs incurred in using or redeploying an intangible asset is not included in the carrying amount of that asset.

After initial recognition, an intangible asset is recorded at its cost minus any accumulated depreciation and any accumulated impairment losses.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and introduce to operation of the specific software. These costs are amortized on the basis of the expected useful lives up to 5 years.

The costs associated with maintaining computer software programs are recognized as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits that would exceed the costs beyond one year, are recognized as intangible assets. Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is noted as incurred. Depreciation is recognized in the profit and loss account by linear method depending on the useful life of the computer application, from the moment of commissioning.

#### **i. Impairment of non-financial assets**

Assets that have an indefinite useful life are tested at the end of each reporting period for impairment.

Assets that are subject to amortization are reviewed for indications of impairment, whenever events or changes of the 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 carrying amount of the asset is written down immediately to its recoverable amount if the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the highest between the asset's fair value, minus selling costs and value of use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Depreciated assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount cannot be recovered. An impairment loss is recognized by the amount by which the carrying amount of the asset exceeds its recoverable amount. The carrying amount of an asset is immediately reduced to its recoverable amount if the carrying amount of the asset exceeds its estimated recoverable amount. The recoverable amount is the difference between the highest fair value of the asset and the sum of selling costs and the value in use. For the purpose of valuing impairment, assets are grouped at the lowest level, for which there are separately identifiable cash flows (cash-generating units).

## **2. Accounting policies (continued)**

### **2.3 Significant accounting policies (continued)**

#### **j. Property and equipment submitted to loan reimbursement**

Property and equipment submitted in exchange for loans reimbursement are classified by the Bank as assets held for sale and are recognized in the balance sheet only when there is high probability of sale thereof in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

When registering in accounting the property and equipment submitted in exchange for the reimbursement of loans is reflected at the lowest value of the total amount of the debtor (loan balance, interest calculated and reflected in the balance sheet, fees, penalties and other receivables related to loans and fair value (market) property and equipment assets submitted in exchange to loans reimbursement minus the costs of sale. In case if the market value of the asset is less than the loan balance - the difference is expensed immediately.

At the end of each reporting period, the Bank estimates if there is evidence of impairment of such assets from internal and external sources of information. In case that such evidence exists, the asset's recoverable amount is estimated.

#### **k. Deposits, borrowings and other financial liabilities**

The amortized cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or failure recovery. The effective interest method is a method of calculating the amortized cost of a financial liability (or group of financial liabilities) and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts future cash payments for the time of the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial liability. When calculating the effective interest rate, the cash flows are estimated considering all contractual terms of the financial instrument.

When a financial liability is recognized initially, it is measured at its fair value plus, in the case if the financial liabilities are not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of financial liability.

In the case of customer deposits, the initial amount will be equal to the contractual amount of the deposit.

In the case of loans from banks / financial institutions, the initial amount will be equal to the contractual amount of the credit minus the related grant agreements, as well as less borrowing costs that can be directly attributable to this loan. Following initial recognition, the Bank shall evaluate at amortized cost, by using the effective interest method for all financial debts.

For the financial liabilities at amortized cost, a gain or loss is recognized in profit or loss when the financial liability is derecognized, as well through the amortization process. All financial liabilities are derecognized when they are extinguished —i.e. when the obligation is issued or cancelled or when it expires.

#### **l. Provisions, contingent liabilities and contingent assets**

Provisions are recognized if there is a current legal or constructive obligation, resulting from past events; it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated.

When there is a number of similar obligations, the likelihood that an outflow of resources will be required in settlement is determined by considering the group of obligations as a whole. The provisions for which the output time of resources is known will be measured at the present value of costs where the flow does not occur within a year. Where the exit of economic resources is likely or the amount of a debt cannot be reliably determined, the Bank does not recognize a provision but presents contingent liabilities.

A contingent asset is a possible asset arising from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities, which consist primarily of certain guarantees and credit commitments issued to customers, are possible obligations arising from past events. Whether they happen or not depends on uncertain future events not wholly within the control of the Bank, they are not recognized in the financial statements but disclosed off balance, unless the probability of settlement is vague.

**2. Accounting policies (continued)**

**2.3 Significant accounting policies (continued)**

**m. Financial guarantee contracts**

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse to the holder a loss which he supports because a specified debtor performs no payments due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the highest of the initial measurement, minus amortization calculated to recognize in the income and loss, the commission income earned on a linear basis during the lifetime of the guarantee and the best estimate of the expenditure required to settle any financial obligation that results at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the decision of the management.

Any increase in the liability related to these guarantees is reflected in the income statement in the note of the operational expenses.

**n. Recognition of income and expense**

Revenue is measured at the fair value of the consideration received or receivable.

Amount of revenue arising on a transaction is usually determined by an agreement between the Bank and the buyer or user of the asset.

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the Bank. However, when an uncertainty arises about the collectability of an amount already included in revenue, the amount cannot be collected or the amount of which recovery has ceased to be probable is recognized as an expense rather than as an adjustment to the amount of initial revenue.

Interest income and expense for all interest-bearing financial instruments are recognized within "interest income" and "interest expense" in the income statement using the effective interest method.

Once the carrying amount of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, the interest income is recognized using the interest rate used to discount future cash flows in order to measure the impairment loss. Payments received in respect of disposal of loans are recognized in net interest income, but reserve for credit losses.

Income and expenses from fees and commissions are recognized on an accrual basis when the service has been rendered. Advance fees for loans that are likely to be used, are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate of the loan.

**o. Income tax**

Current income tax is calculated based on the applicable tax laws in the jurisdiction and is recognized as an expense.

Deferred income tax is applied in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their financial statements in accordance with IFRS. Deferred tax assets and liabilities are determined using tax rates (and laws) that have been adopted substantially at the balance sheet date and are expected to apply when the deferred income tax asset is realized or the deferred income tax liability is settled.

Temporary differences mainly come from the depreciation of fixed assets and tax losses carried forward. However, the deferred income tax is not accounted for if it occurs from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither profit (before tax) for the period IFRS nor taxable profit or loss.

Deferred tax is reviewed annually at the reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to permit the utilization of a portion of the deferred tax asset. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it is probable that expected taxable income will be available to recover the deferred tax asset.

Deferred tax assets and liabilities are measured at the income tax rates expected to be applicable for the period in which the asset is realized or the liability is settled, based on the tax rates that have been adopted up to the reporting date.

In 2021 and 2020 the income tax rate on entrepreneurial activity was set in the amount of 12%.

**2. Accounting policies (continued)**

**2.3 Significant accounting policies (continued)**

**p. Employee benefits**

The Bank recognizes the undiscounted amount of short-term employee benefits, expected to be paid in exchange for that service as a liability after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Bank recognizes that excess as an asset and as an expense, unless permitted inclusion of the benefits in the cost of an asset.

The bank makes payments to the National Medical Insurance House on behalf of employees with citizenship of the Republic of Moldova, for medical assistance. All employees of the Bank are required by law to make the respective contributions (a state defined contribution plan).

The bank makes payments for employees in the pension fund to the National Social Insurance House of the Republic of Moldova; these are recognized as expenses of the period.

The bank does not have an individual program for the payment of pensions and, respectively, has no obligations regarding their payment.

**q. Affiliated parties**

**a) Management bodies and some persons holding key positions:**

- Members of the Board of Directors;
- Members of the Management Board;
- Chief – Accountant of the Bank;
- Head of the Loan Division;
- Head of the Internal Audit Unit;
- Head of the Risk Management Division;
- Head of Branch no. 1 Chişinău

b) individuals and/or legal persons who, directly or indirectly, individually or in concert, own or control 1 % or more of the Bank's capital, including their beneficial owners. If the spouse of such a person or a first-degree relative owns or controls a holding in the Bank's share capital, regardless of its size, then that holding shall be deemed to be owned and controlled by that person;

c) any person who controls the Bank or is under the control of the Bank, or is, together with the Bank, under the control of another person.

d) any entity associated with the Bank or any entity, party to joint ventures, any associate or entity, part of joint ventures of a member of the group of persons acting in concert with the Bank, or entities and the Bank, shares in joint ventures of another bank;

e) affiliated persons of those people underlined at point a)-d).

f) a person affiliated to the individual – the spouses, relatives and first-degree and second-degree family of the individual, the spouses of the relatives and mentioned affinities, as well as whom the individual and/or the persons affiliated with him, have control or have a party to joint ventures, or exercise significant influence or are members of the management body;

g) the person through whom a transaction is carried out with the Bank in the interest of the person referred to in p. a)-f) and which is considered to be influenced by the person referred to in p. a) to f) in the context of that transaction because of the existence of employment, civil or other relations between such persons, determined in accordance with the regulations of the National Bank;

Pursuant with letter g) of the same notion, persons who are "in a different kind of relationship" shall be considered to be at least the following persons

- persons in a divorce process, persons in guardianship and trusteeship relationships, the affinity of first and second degree relatives, spouses of relatives and affinities;
- persons in relationships similar to those between spouses (cohabitation) or in relations similar to those between parents and children;
- persons in other relationships that lead to an economic dependence between two or more people;

## 2. Accounting policies (continued)

### 2.3 Significant accounting policies (continued)

#### q. Affiliated parties (continued)

h) other persons established by the NBM within normative acts.

Transactions with affiliated persons, as well as additional information on compensation and benefits to the Management Board and persons with key positions of the Bank, are presented in the Bank's financial statements in accordance with the provisions of IAS 24 "Presenting information on affiliated parties".

#### r. Events ensuing following the reporting period

Events after the balance sheet submission are those events, favourable or unfavourable that occurred between the balance sheet date and the date when the financial statements are authorized for issuance. Therefore, two types of post balance sheet events may be identified:

- Those that prove the conditions existing on the balance sheet date (events subsequent to the balance sheet date that lead to the adjustment of the financial statements), and
- Those that provide information on the conditions that occurred after the balance sheet date (events subsequent to the balance sheet date that do not lead to the adjustment of the financial statements.)

#### s. Dividends

Dividends to be paid:

Should dividends be declared to equity holders after the reporting period, then those dividends are not recognized as a liability at the end of the reporting period. If dividends are declared after the reporting period but before the financial statements for approval, dividends are not recognized as a liability at the end of the reporting period because no obligation exists at that time.

Income from dividends:

Dividend income is recognized in profit or loss on the date when the right to receive is established and it is probable that these dividends will be collected.

## 3. Current and new Standards and Interpretations

### a. Standard Standards effective in the period starting with or after 1 January 2021

- **Onerous contracts -- Cost of performance of a contract (Effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.)**

To establish the costs of performing a contract, the amendments require an entity to include all costs that directly relate to a contract. The amendment clarifies that the cost of executing a contract includes: the marginal costs related to the execution of the respective contract and an allocation of other costs directly related to the execution of the contract.

An entity must apply those amendments to contracts for which it has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (date of initial application). The entity shall not restate the comparative information. Instead, the entity shall recognize the cumulative effect of the initial application of the changes as an adjustment to the opening balance of retained earnings or other components of equity, as appropriate, at the date of initial application. The Bank anticipates that the amendments, when applied for the first time, could not have a significant impact on the financial statements.

- **Amendments to IAS 16 Property, plant and equipment – Receipts before expected use (Effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted.)**

The amendments to IAS 16 require that proceeds from the sale of items produced - when an item of property, plant and equipment is brought to the location and condition necessary for it to function as intended - be recognized, together with the cost of those items, in profit or loss and that the entity assesses the cost of those elements applying the assessment provisions of IAS 2.

The amendments must be applied retroactively, but only to items of property, plant and equipment that are brought into the place and condition necessary for them to function in the manner intended at the beginning or after the beginning of the first period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of the initial application of the amendments will be recognized as an adjustment to the opening balance of retained earnings (or other components of equity, as applicable) at the beginning of the first period presented (if necessary). The Bank anticipates that the amendments, when applied for the first time, could not have a significant impact on the financial statements.

### 3. Current and New Standards and Interpretations (continued)

#### *b. Standards issued but not yet in force and not early adopted*

- **Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale of or Contribution of Assets between an Investor and its Associate or Joint Venture.**

The changes refer to an identified inconsistency between the requirements of IFRS 10 and those of IAS 28, in connection with the sale of and contribution of assets between an investor and its associated entity or joint venture. The main consequence of the changes is that a full gain or loss is recognized when the transaction involves an enterprise. A partial gain or loss is recognized when a transaction involves assets that are not an enterprise, even if they are in the form of a subsidiary. In December 2015, the IASB indefinitely postponed the effective date of this amendment pending the results of a research project on equity accounting. The changes have not yet been adopted by the EU.

- **Presentation of financial statements: Classification of Liabilities as Current Liabilities or Long-term Liabilities. The amendments are effective for annual periods beginning on or after January 1, 2022, and early application is permitted. The IASB issued a draft exposure to postpone the effective date to 1 January 2023.**

The changes aim to promote consistency in the application of the requirements by helping companies determine whether, in the statement of financial position, debts and other liabilities with an uncertain settlement date should be classified as current or non-current. The changes affect the presentation of liabilities in the statement of financial position and do not change existing requirements regarding the measurement or timing of recognition of any item of asset, liability, income or expense, nor the information that entities publish about these items. The amendments also clarify the classification requirements for liabilities that can be settled by the company issuing its own equity instruments. These Amendments have not yet been adopted by the EU.

- **Amendments to IAS 1 Presentation of financial statements and IFRS practice statement no. 2 Making judgments about the materiality threshold (Effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.)**

The amendments to IAS 1 require companies to disclose accounting policy information in relation to the materiality threshold rather than significant accounting policies. The Bank anticipates that the amendments, when applied for the first time, could not have a significant impact on the financial statements.

- **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.)**

The amendments introduced a definition of "accounting estimates" and included other amendments to IAS 8 that clarify how changes in accounting policies can be distinguished from changes in estimates. The distinction is important because changes in accounting policies are generally applied retrospectively, while changes in estimates are accounted for in the period in which the change occurs. The Bank anticipates that the amendments, when first applied, could not have a significant impact on the financial statements.

- **Amendments to IAS 12 Income tax, Deferred tax on assets and liabilities arising from a single transaction (Effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted.)**

The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and compensating temporary differences - for example, leases and liabilities arising from decommissioning. For leases and liabilities arising from decommissioning, the associated deferred tax assets and liabilities should be recognized from the beginning of the first comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date.

For all other transactions, the amendments apply to transactions that occur after the beginning of the first period presented.

The Bank anticipates that the amendments, when first applied, could not have a significant impact on the financial statements.

- **Amendment to IFRS 9 Financial instruments**

The improvements clarify that, when assessing whether an exchange of debt instruments between an existing debtor and a creditor takes place on substantially different terms, the fees to be included with the discounted value of the cash flows under the new terms include only the fees paid or received between the debtor and the creditor, including commissions paid or received by the debtor or the creditor on behalf of the other. The Bank anticipates that the amendments, when applied for the first time, could not have a significant impact on the financial statements.

- **Amendment to Illustrative Examples accompanying IFRS 16 Leases**

The improvements remove from illustrative example 13 - which accompanies IFRS 16 - the reference to the lessor's reimbursement to the lessee for upgrades to the asset, as well as an explanation of the lessee's accounting for such reimbursement. The Bank anticipates that the amendments, when applied for the first time, could not have a significant impact on the financial statements.

#### 4. Cash means

	31 December 2022	31 December 2021
	MDL'000	MDL'000
Cash on hand	78,572	103,996
Cash in transit	21,937	54,407
Cash in ATM's and other devices	9,059	8,382
Bank notes and commemorative coins	6	42
	<b>109,574</b>	<b>166,827</b>

#### 5. Accounts at the National Bank of Moldova

	31 December 2022	31 December 2021
	MDL'000	MDL'000
Current account	263,261	179,062
Mandatory reserves	160,262	126,542
	<b>423,523</b>	<b>305,706</b>

The National Bank of Moldova (NBM) requires commercial banks to keep, in order to ensure liquidity, a minimum reserve calculated as a certain percentage of the average funds attracted by banks in the previous month (the interval between the 8th of the current month and the 7th of the following month), including all customer deposits.

According to the NBM Decisions "Regarding the level of NBM interest rates and the norm of mandatory reserves", the norm of mandatory reserves from funds drawn in Moldovan lei and in non-convertible currency as of 01.01.2022 was 26% (2021: 32%), for the currency freely convertible 30% (2021: 30%), respectively on 31.12.2022 for Moldovan lei and non-convertible currency 37% (2021: 26%), for freely convertible currency 45% (2021: 30%).

On December 31, 2022, the mandatory reserve in the current account opened at the NBM was in the amount of MDL'000 160,262 (December 31, 2021: MDL'000 126,642) and included the mandatory reserves from the funds attracted in freely convertible currency.

The balance set aside in the mandatory reserve accounts as of December 31, 2022 in USD and EUR was USD'000 2,996 and EUR'000 5,196 (December 31, 2021: USD'000 2,073 and EUR'000 4,458).

The rate of remuneration of mandatory reserves offered by the NBM for the means of the mandatory reserve accounts during 2022 was 0.01% for reserves in foreign currency and 7.50% - 19.50% for reserves in MDL (during 2021 between 0.01% for reserves in foreign currency and between 0.15% and 3.5% for reserves in MDL). Mandatory reserves in MDL held in current accounts in the National Bank can be used by the Bank in its daily operations.

#### 6. Current accounts and deposits with banks

	31 December 2022	31 December 2021
	MDL'000	MDL'000
Current accounts	40,094	65,249
Deposits	-	-
	<b>40,094</b>	<b>65,249</b>

On December 31, 2022, the balances of current accounts in (N)UNICREDIT S.P.A. amounted to MDL'000 3,502, in Romanian Commercial Bank Chisinau amounted to MDL'000 18,302 and in BC MOLDOVA-AGROINDBANK S.A. amounted to MDL'000 16,120 (on December 31, 2021, the current account balances in (N) UNICREDIT S.P.A. amounted to MDL'000 18,608, in Romanian Commercial Bank Chisinau amounted to MDL'000 27,934).

The interest rate on foreign currency funds placed in "Nostro" accounts during 2022 varied from -1.5% to 0.5% in EUR, for USD 0% to 1% (2021 - 1.6% to 0.25%).



**7. Financial assets at amortized cost (debt securities)**

	31 December 2022	31 December 2021
	MDL'000	MDL'000
State securities	202,787	187,052
Securities issued by NBM	110,000	69,909
	<b>312,787</b>	<b>256,961</b>
Included in cash and equivalents (Note 18)	109,473	111,577
Securities with maturity greater than 91 days	203,314	145,384
	<b>312,787</b>	<b>256,961</b>

On December 31, 2022, financial assets at amortized cost represent Treasury Bills (BT) and BNM Certificates (CBN) with a maturity of 14 days for CBN and from 91 days to 364 days for BT (2021 from 91 to 364 days), issued by the Ministry of Finance of the Republic of Moldova. The interest rate varies from 6.5% to 20.0% for CBN and respectively between 5.46% and 22.02% annually for BT. (2021: CBN - 2.65%-6.5% and BT – 3.23% and 9.67%). They are traded on an active market.

**8. Loans to customers, net**

	31 December 2022	31 December 2021
	MDL'000	MDL'000
Loans	634,428	622,346
Minus: Discounts for credit losses	(8,342)	(9,614)
<b>Credits, net</b>	<b>626,086</b>	<b>612,732</b>

Analysis of the portfolio of customer types is presented below:

**Loans as at 31 December 2022**

	Accountin g value	Gross book value			Cumulative depreciation		
	Assets with no significant increase in credit risk after initial recognition (stage 1)	Assets with significant credit risk increase after initial recognition but not impaired (stage 2)	Depreciated assets (stage 3)	Assets without significant credit risk after initial recognition (stage 1)	Assets with a significant increase in credit risk after initial recognition, but underestimate d (stage 2)	Depreciate d assets as a result of credit risk (stage 3)	
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Public administrations	953	955	0	0	2	0	0
Other financial institutions	32,798	32,801	0	0	3	0	0
Non-financial corporations. Corporations.	21,795	11,240	10,584	0	20	9	0
Non-financial corporations. SME	317,386	271,324	39,875	10,949	167	944	3,652
Non SME	0	0	0	0	0	0	0
Households	253,154	211,388	37,376	7,936	689	1,308	1,548
	626,086	527,708	87,835	18,885	881	2,261	5,200

## 8. Loans to customers, net (continued)

Loans as at 31 December 2021

	Accounting value	Gross book value			Cumulative depreciation		
		Assets with no significant increase in credit risk after initial recognition (stage 1)	Assets with significant credit risk increase after initial recognition but not impaired (stage 2)	Depreciated assets (stage 3)	Assets without significant credit risk after initial recognition (stage 1)	Assets with a significant increase in credit risk after initial recognition, but underestimated (stage 2)	Depreciated assets as a result of credit risk (stage 3)
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Public administrations	353	355	0	0	1	0	0
Other financial institutions	31,655	31,702	0	0	47	0	0
Non-financial corporations. Corporations.	26,002	26,044	0	0	43	0	0
Non-financial corporations. SME	281,817	235,649	37,654	14,803	363	505	5,421
Non SME	272,905	246,657	23,384	6,098	396	554	2,284
	<b>612,732</b>	<b>540,407</b>	<b>61,038</b>	<b>20,901</b>	<b>850</b>	<b>1,060</b>	<b>7,704</b>

The concentration of loans granted to customers depending on the economic sector (gross carrying amount):

	31 December 2022 MDL'000	31 December 2021 MDL'000
Agriculture	119,513	100,022
Constructions/ real estate and land improvements	112,968	117,794
Consumer credits	96,978	125,719
Trade and industry	163,776	151,295
Transport/telecommunication and network development	16,253	18,901
Financial non-banking sector	32,801	31,702
Loans to services sector	29,285	27,426
Loans to individuals performing an activity	45,946	29,973
Other	16,907	19,514
	<b>634,427</b>	<b>622,346</b>

The average interest rate during the year for the loans granted in MDL in 2022 varied from 1% to 27% (2021: from 1% to 26%).  
For loans granted in foreign currency in 2022 varied from 3.5% to 6% (2021: from 3.5% to 6%).

## 8. Loans to customers, net (continued)

### Ageing analysis by past due days as at 31 December 2022

MDL'000						
Scope	No past due days	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	More than 90 days	Total loans
Agriculture	115,793	743	0	0	1,976	118,512
Constructions/ real estate and land improvements	102,522	6,520	0	674	3,216	112,933
Consumer credits	85,243	5,304	1,520	734	2,036	94,838
Trade and industry	154,650	0	0	0	5,413	160,063
Transport/telecommunication and network development	16,248	0	0	0	0	16,248
Financial non-banking sector	32,798	0	0	0	0	32,798
Loans to services sector	29,268	0	0	0	0	29,268
Loans to individuals performing an activity	45,125	0	0	0	0	45,125
Other	15,448	383	0	73	396	16,301
<b>Total</b>	<b>597,095</b>	<b>12,951</b>	<b>1,520</b>	<b>1,482</b>	<b>13,037</b>	<b>626,086</b>

### Ageing analysis by past due days as at 31 December 2021

MDL'000						
Scope	No past due days	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	More than 90 days	Total loans
Agriculture	97,654	0	1,914	0	0	99,569
Constructions/ real estate and land improvements	112,190	3,500	829	121	972	117,612
Consumer credits	116,654	3,883	932	178	1,575	123,221
Trade and industry	136,760	0	0	0	8,899	145,659
Transport/telecommunication and network development	18,849	0	0	0	0	18,849
Financial non-banking sector	31,655	0	0	0	0	31,655
Loans to services sector	27,299	0	0	0	0	27,299
Loans to individuals performing an activity	29,557	30	0	0	0	29,586
Other	18,400	180	0	348	353	19,280
<b>Total</b>	<b>589,018</b>	<b>7,592</b>	<b>3,676</b>	<b>647</b>	<b>11,799</b>	<b>612,732</b>

The following table discloses the changes in the gross carrying amount and credit loss allowance for loans and advances to customers carried at amortized cost between the beginning and the end of the reporting period.

## 8. Loans to customers, net (continued)

	Stage 1	Stage 2	Stage 3	Total
	MDL'000	MDL'000	MDL'000	MDL'000
<b>Gross amount as at 1 January 2022</b>	540,407	61,038	20,901	622,346
New financial assets	227,183	11,590	108	238,881
Derecognitions (including write-offs)	0	0	0	0
Changes in the principal and disbursement fee amount	(221,132)	3,167	(8,834)	(226,799)
Changes in interest accrual	0	0	0	0
Transfer from Stage 1 to Stage 2	(17,274)	17,274	0	0
Transfer from Stage 1 to Stage 3	(4,456)	0	4,456	0
Transfer from Stage 2 to Stage 1	2,980	(2,980)	0	0
Transfer from Stage 2 to Stage 3	0	(2,502)	2,502	0
Transfer from Stage 3 to Stage 2	0	248	(248)	0
Transfer from Stage 3 to Stage 1	0	0	0	0
Other movements	0	0	0	0
<b>Gross outstanding amount as at 31 December 2022</b>	<b>527,708</b>	<b>87,835</b>	<b>18,885</b>	<b>634,428</b>

	Nivelul 1	Nivelul 2	Nivelul 3	Total
	MDL'000	MDL'000	MDL'000	MDL'000
<b>Gross amount as at 1 January 2021</b>	<b>442,454</b>	<b>83,003</b>	<b>37,097</b>	<b>562,554</b>
New financial assets	288,686	16,175	0	304,861
Derecognitions (including write-offs)	0	0	(1,928)	(1,928)
Changes in the principal and disbursement fee amount	(194,512)	(32,421)	(16,207)	(243,141)
Changes in interest accrual	(1,563)	1,563	0	0
Transfer from Stage 1 to Stage 2	(369)	0	369	0
Transfer from Stage 1 to Stage 3	5,711	(5,711)	0	0
Transfer from Stage 2 to Stage 1	0	(1,570)	1,570	0
Transfer from Stage 2 to Stage 3	0	0	0	0
Transfer from Stage 3 to Stage 2	0	0	0	0
Transfer from Stage 3 to Stage 1	0	0	0	0
Other movements	0	0	0	0
<b>Gross outstanding amount as at 31 December 2021</b>	<b>540,407</b>	<b>61,038</b>	<b>20,901</b>	<b>622,346</b>

## Allowance for loan losses

The movements of allowance for the loss of the value of loans during 2022 and 2021 are presented below:

	31 December 2022	31 December 2021
	MDL'000	MDL'000
<b>Balance at 1 January</b>	<b>9,614</b>	<b>12,352</b>
Additions	11,386	98
Write-off of loans	(1,464)	-
Recoveries	(11,194)	(2,836)
<b>Balance at 31 December</b>	<b>8,342</b>	<b>9,614</b>

## 8. Loans to customers, net (continued)

### Exposures to affiliated persons

	31 December 2022	31 December 2021
	MDL'000	MDL'000
The total amount of exposures to affiliated persons	1,251	1,410
Interest rate (min / max.)	0% -20.5%	0% -18%
Total Regulatory Equity	267,844	256,203
The ratio of the total amount of affiliated persons exposures to regulatory equity	0.47%	0.55%

The total loan debt of the affiliated persons and / or a group acting together with affiliated persons is respected and does not exceed 10% of the total regulatory capital of the Bank.

The total amount of debt on loans to affiliated persons and / or groups of persons that act together with the affiliated persons shall not exceed 20% of the first-degree capital value of the Bank.

### Write-off Policy

The Bank writes-off the loan balance (and any related provision for impairment losses) when the Bank determines that the loans cannot be collected. This conclusion is reached after the examination of such information as the occurrence of significant changes in the financial position of the borrower so that the borrower can honor the payment obligations, or that revenues from the guarantees will not be enough to cover all bank exposures

## 9. Financial assets ranked at fair value through other comprehensive income (own equity instruments)

	31 December 2022	31 December 2021
	MDL'000	MDL'000
The credit bureau SRL	52	52
MoldmediaCard SRL	91	91
Moldova Stock Exchange	10	10
	153	153

All the investments securities available for sale as of 31 December 2022 and 2021 are reflected at its cost, as there is no quoted market price in an active market for them and their fair value cannot be determined with certainty. The management has reviewed and did not find any indicators of impairment of these investments.

## 10. Property, plant and equipment, net

Tangible assets are measured at cost less accumulated depreciation and impairment losses, except for the "Land and buildings" group that was revalued in 2021 in accordance with IAS 16.

In June 2021, the Bank revalued the fixed assets using the services of the independent appraiser "Vibimobil" SRL, with license number A MMII 040275 issued on July 30, 2002 and the Quality Certificate Series EI IX no. 0272 issued by the Agency for Cadastre and Land Relations on July 6, 2012. The revaluation was made based on the market price. The market price of fixed assets is the estimated value at which they can be exchanged at the valuation date between the interested buyer and the interested seller in a transaction conducted under normal competition, where each participant acts voluntarily and in full knowledge. The fair value of fixed assets is based on a market approach using the market price for similar items, or the cost of replacement where applicable. The net surplus from the revaluation of deferred taxes applied was credited to the fair value of shareholders' equity.

Pursuant with the IAS 36 stipulations, the re-evaluation of tangible assets is carried out not less frequently than every three to five years.

**10. Property, plant and equipment, net (continued)**

	Tangible assets in progress	Land and buildings	Furniture and equipment	Transportation means	Improvement of leased assets	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
<b>Cost or revaluation</b>						
As of 1 January 2022	152	108,486	29,707	3,202	11,013	152,560
Additions	7,061	206	139	-	5,773	13,179
Reevaluation	-	-	-	-	-	-
Transfers	(3,759)	-	3,121	638	-	-
Disposals	(246)	(37)	(2,687)	(162)	(4,609)	(7,741)
As of 31 December 2022	3,208	108,655	30,280	3,678	12,177	157,998
<b>Accumulated depreciation</b>						
As of 1 January 2022	-	42,392	19,750	2,384	7,114	71,640
Additions	-	1,790	5,262	253	2,564	9,869
Reevaluation	-	-	-	-	-	-
Disposals	-	(17)	(5,371)	(162)	(3,984)	(9,534)
As of 31 December 2022	-	44,165	19,641	2,475	5,694	71,975
<b>Net carrying amount</b>						
As of 1 January 2022	152	66,094	9,956	819	3,899	80,920
As of 31 December 2022	3,208	64,490	10,639	1,204	6,483	86,023

As of December 31, 2022, the cost of fixed assets worn in full but still used by the Bank amounted to MDL'000 18,441.

	Tangible assets in progress	Land and buildings	Furniture and equipment	Transportation means	Improvement of leased assets	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
<b>Cost or revaluation</b>						
As of 1 January 2021	-	80,392	21,352	3,017	10,777	115,539
Additions	7,091	-	1,767	-	1,222	10,080
Reevaluation	-	28,847	-	-	-	28,846
Transfers	(6,939)	-	6,612	327	-	-
Disposals	-	(753)	(245)	(141)	(986)	1,905
As of 31 December 2021	152	108,486	29,707	3,203	11,013	152,560
<b>Accumulated depreciation</b>						
As of 1 January 2021	-	26,596	17,966	2,194	5,267	52,023
Additions	-	1,355	1,852	341	2,479	6,027
Reevaluation	-	14,441	-	-	-	14,441
Disposals	-	-	67	151	632	850
As of 31 December 2021	-	42,392	19,750	2,384	7,114	71,640
<b>Net carrying amount</b>						
As of 1 January 2021	-	53,796	3,387	823	5,510	63,516
As of 31 December 2021	152	66,094	9,956	819	3,899	80,920

As of December 31, 2021, the cost of fixed assets worn in full but still used by the Bank amounted to MDL'000 17,875.

## 11. Intangible assets, net

	31 December 2022	31 December 2021
	MDL'000	MDL'000
Cost		
<b>Balance as of 1 January</b>	<b>10,085</b>	<b>7,415</b>
Additions (Disposals), net	(784)	(2,670)
<b>Balance as of 31 December</b>	<b>9,301</b>	<b>10,085</b>
Amortization		
<b>Balance as of 1 January</b>	<b>5 319</b>	<b>4,242</b>
Additions (Disposals), net	(2,744)	1,077
<b>Balance as of 31 December</b>	<b>2,575</b>	<b>5,319</b>
Carrying amount		
<b>As of 1 January</b>	<b>4,766</b>	<b>3,172</b>
<b>As of 31 December</b>	<b>6,726</b>	<b>4,766</b>

Intangible assets represent computer software and licenses.

## 12. Other assets, net

	31 December 2022	31 December 2021
	MDL'000	MDL'000
Transit and clearing amounts	3,230	9,639
Settlements with customers	475	388
Settlements with bank employees	5	17
Other anticipated expenses	1,946	1,106
Values in goods and materials	73	433
Current income tax claims	199	199
Other assets	4,734	6,320
<b>Total</b>	<b>10,662</b>	<b>18,102</b>
Allowances for impairment losses on other assets	(2,363)	(2,311)
<b>Total</b>	<b>8,298</b>	<b>15,791</b>

## 13. Loans

	31 December 2022	31 December 2021
	MDL'000	MDL'000
Rural Investment and Services Project (RISP)	43,718	36,818
International Fund for Agricultural Development (IFAD)	33,237	18,098
Kreditanstalt für Wiederaufbau	669	809
Competitiveness Improvement Project	9,550	3,021
Debts towards clients regarding the financial leasing	6,407	3,687
<b>Total</b>	<b>93,581</b>	<b>62,433</b>

### 13. Loans (continued)

Name of the Project	Currency Loan	Interest rate applied in 2022 (%)	31 December 2022 MDL'000	31 December 2021 MDL'000
RISP I – refinancing	MDL	5.67 - 13.60	16,725	12,373
RISP II – refinancing	MDL	3.25 - 13.60	26,993	24,400
	EURO	1.35	-	45
FIDA	MDL	3.25-13.60	33,108	17,802
	USD	1.35-5.68	129	297
KFW	MDL	3.25- 13.60	669	809
PAC	MDL	3.00-13.60	7,356	3,021
PAC	USD	4.77	968	
PAC	EURO	2.46	1,227	
Financial leasing	MDL		6,407	3,686
<b>Total</b>			<b>93,582</b>	<b>62,433</b>

### 14. Due to clients

Non-interest bearing deposits	31 December 2022 MDL'000	31 December 2021 MDL'000
Deposits of individuals		
in Moldovan lei	27,121	26,934
in foreign currencies	89,636	96,574
	<b>116,757</b>	<b>123,508</b>
Deposits of legal entities		
in Moldovan lei	130,732	146,770
in foreign currencies	74,299	124,012
	<b>205,031</b>	<b>270,782</b>
<b>Total non-interest bearing deposits</b>	<b>321,788</b>	<b>394,290</b>
 Interest bearing deposits	 31 December 2022 MDL'000	 31 December 2021 MDL'000
Deposits of individuals		
in Moldovan lei	454,221	367,201
in foreign currencies	206,053	197,053
<b>Total</b>	<b>660,274</b>	<b>564,254</b>
Deposits of legal entities		
in Moldovan lei	103,721	89,772
in foreign currencies	18,847	14,657
<b>Total</b>	<b>122,568</b>	<b>104,429</b>
<b>Total interest bearing deposits</b>	<b>782,842</b>	<b>668,683</b>
 <b>Total deposits</b>	 <b>1,104,630</b>	 <b>1,062,973</b>

The annual interest rates granted by the Bank for term deposits of individuals and legal entities in MDL varied from 0.5% to 20% (in 2021: from 0.75% to 5.25%) and in foreign currency varied from 0.05% to 4.77% (in 2021: from 0.05% to 2.5%).



## 15. Taxation

The main components of tax expenses and reconciliations of theoretical tax spending based on the effective tax rate of 12% (2021: 12%) and tax expenses reported in the profit or loss are presented below:

	31 December 2022 MDL'000	31 December 2021 MDL'000
Profit before tax	39,126	22,349
Income tax rate in the Republic of Moldova	12%	12%
Theoretical income tax	(4,695)	(2,682)
The impact of differences between IFRS and tax law provisions	78	667
Impact of tax rate change	0	0
<b>Actual expenses on income tax</b>	<b>4,617</b>	<b>2,015</b>

Income tax expense includes:

Current tax expenses	(4,624)	(2,350)
Deferred tax expense:		
- Relating to origins and reversal of temporary differences	(7)	335
<b>Income tax expense</b>	<b>(4,617)</b>	<b>(2,015)</b>

	31 December 2022 MDL'000	31 December 2021 MDL'000
Current tax liabilities	1,649	575
Deferred tax liabilities	3,433	3,540
<b>Total</b>	<b>5,082</b>	<b>4,115</b>

## 16. Other liabilities

	31 December 2022 MDL'000	31 December 2021 MDL'000
Settlements with other individuals and legal entities	220	18
Settlements regarding the purchase / sale of securities and foreign currency	-	150
Clearing amounts	1,946	2,251
Provisions with Bank employee benefits	3,763	7,793
Settlements with the National Social Insurance House/National Medical Insurance Company	1,492	0
Other liabilities	2,577	1,026
<b>Total</b>	<b>9,998</b>	<b>11,238</b>

Clearing amounts represent cash transfers not settled, received in favour of Bank's customers, not yet paid or waiting for customers' instructions.

## 17. Equity

As of December 31, 2022, the Bank's share capital constituted 13,800,000 of authorized shares issued in circulation at the nominal value of MDL 10 per share (2021: 13,800,000 shares).

	Number of shares	Total value MDL'000
As of December 31, 2022	<b>13,800,000</b>	<b>138,000</b>
Treasury shares	(250,000)	(250)
<b>As of December 31, 2022</b>	<b>13,550,000</b>	<b>137,750</b>

## 17. Equity (continued)

The shareholders whose equity share exceeds 5% are presented below:

	31 December 2022		
	Equity share %	Share Number	Value MDL'000
Zissi Mariana, Grecia	46.45	6,410,459	64,105
Mahmood M.S.M.	42.19	5,822,653	58,227
Other shareholders (equity interest less than 5%)	9.54	1,316,888	13,169
Treasury shares	1.81	(250,000)	(2,500)
	<b>100</b>	<b>13,550,000</b>	<b>135,500</b>

Reserves	31 December 2022	31 December 2021
	MDL'000	MDL'000
Ordinary shares	138,000	138,000
Ordinary treasury shares	(2,500)	-
Surplus capital	625	-
Reserve capital	58,996	53,575
Revaluation reserves	47,354	47,845
Retained earnings	159,148	129,501
<b>Total</b>	<b>401,623</b>	<b>368,921</b>

As of December 31, 2022, the Bank's stock of 0.06 % was held by legal entities and of 99.94% by individuals. The total number of shareholders is 105 (31 December 2021: 105 shareholders) out of which 99 shareholders are individuals and 6 legal entities (31 December 2021: 99 individuals and 6 legal entities).

According to the Decision of the NBM Executive Committee no. 310 of 20 December 2018, the Management Committee of the Bank approved on 22.01.2021 decision no. 7, according to which it was ordered to cancel the shares held by the shareholder Karamouzis Vasileios in a proportion of 1.8115% of the bank's statutory capital and issue new shares of the same class in the same number.

According to the Decision of the Executive Committee of the NBM no. 121 of June 9, 2022, the Bank's Management Committee ordered the procurement of newly issued shares provisionally registered in the name of the bank and their registration as treasury shares. The capital surplus in the amount of MDL'000 625 arose from the difference between the nominal value of the share and the exposure price at the last sale ((10 MDL-7.5 MDL)\*250,000 shares).

Reserves	31 December 2022	31 December 2021
	MDL'000	MDL'000
Reserve capital	13,800	13,800
Retained earnings and other	159,148	129,501
General reserves for bank risks	45,196	39,776
	<b>218,144</b>	<b>183,076</b>

In compliance with the Law on Joint-Stock Companies no. 1134-XIII of 02.04.97, 5% of the net profit of the Bank shall be allocated to the reserve capital until this reserve reaches the size of 10% of the share capital of the Bank. As of December 31, 2020, these reserves have been fully made (100%). The reserve capital cannot be subject of distribution to the shareholders.

General reserves for banking risks include amounts resulting from the differences between the amount of impairment of assets under IFRS and the amount calculated but unformed, of allowances for losses on assets and conditional commitments according to the prudential regulations (NBM).

Revaluation reserves include amounts from revaluation of fixed assets. These reserves cannot be distributed to shareholders.

## 17. Equity (continued)

### Differences from revaluation of tangible assets

As of December 31, 2022, the amount concerning the re-evaluation of tangible assets constituted MDL'000 49,620 (2021: MDL'000 47,846).

## 18. Cash and cash equivalents

	Nota	31 December 2022 MDL'000	31 December 2021 MDL'000
Cash on hand	4	109,574	166,827
Accounts with National Bank of Moldova	5	263,261	179,063
Current accounts and deposits with banks	6	40,094	65,249
Investment securities at amortized cost	7	109,473	111,577
		<b>522,402</b>	<b>522,716</b>

## 19. Interest income

	31 December 2022 MDL'000	31 December 2021 MDL'000
Cash and investments at the Central Bank	24,404	1,640
Loans and advances to banks	4	39
Loans and advances to clients	68,164	56,496
Financial assets at fair value through other items of comprehensive income	79	69
Investments held-to-maturity	24,758	10,762
	<b>117,409</b>	<b>69,006</b>

## 20. Interest expenses

	31 December 2022 MDL'000	31 December 2021 MDL'000
Deposits and loans from banks	86	85
Borrowings from financial institutions	6,170	1,692
Deposits and loans from NBM	115	0
Deposits from customers	28,502	19,841
	<b>34,873</b>	<b>21,618</b>

## 21. Fee and commissions income

	31 December 2022 MDL'000	31 December 2021 MDL'000
Commissions from rendering of services for loans	1,020	584
Commissions on clients' accounts servicing	8,226	8,627
Income from transfers through international payment systems	5,275	10,565
Income from transactions with debit cards	5,375	4,686
Income from cash withdrawals and cash deposits	7,462	7,642
Other commissions	309	130
	<b>27,667</b>	<b>32,234</b>

## 22. Fee and commission expense

	31 December 2022 MDL'000	31 December 2021 MDL'000
Expenses on cards operations	4,965	4,228
Commissions on interbank transfers	1	1,602
Cash transactions with foreign currency	13,977	6,886
Expenses for servicing Loro accounts	1,975	47
Other	305	2,021
	<b>21,223</b>	<b>14,784</b>

## 23. Income from foreign currency operations, net

	31 December 2022 MDL'000	31 December 2021 MDL'000
Income (losses) from currency trading	42,985	32,598
Income (losses) from revaluation of foreign currency balances	(750)	(1,363)
Income (losses) from revaluation of assets and bonds in Moldovan lei	809	(2,276)
	<b>43,044</b>	<b>28,960</b>

## 24. Other operating income

	31 December 2022 MDL'000	31 December 2021 MDL'000
Income arising from rent	23	1,547
Fines and penalties	2,047	2,419
Other operating income	2,835	697
	<b>4,905</b>	<b>4,663</b>

## 25. Personnel Expenses

	31 December 2022 MDL'000	31 December 2021 MDL'000
Salaries	40,978	34,588
Bonuses	12,926	9,390
Social insurance contributions	10,721	9,351
Healthinsurance	-	-
Other expenses on salaries and wages	216	648
	<b>64,841</b>	<b>53,977</b>

## 26. General and administrative expenses

	31 December 2022 MDL'000	31 December 2021 MDL'000
Rent Expenses	1,741	1,790
Expenditure on telecommunications, post and telegraph	2,030	2,049
Utilities (electricity, heating and water supply)	2,468	1,513
Repair and maintenance of vehicles	1,376	997
Advertising expenses	1,966	1,259
Repair and maintenance of furniture and equipment	815	759
Expenses with security services	1,275	1,112
Office expenses, printing	561	466
Expenses related to amortization of assets of small value and short-term	283	241
Consulting and auditing services	740	690
Other expenses for repair and maintenance of buildings	437	293
Payments and contributions to deposit guarantee fund	2,486	2,148
Other expenses	5,948	4,030
	<b>22,126</b>	<b>17,347</b>

## 27. Result per share (MDL)

	31 December 2022	31 December 2021
Net profit attributable to shareholders, MDL'000	34,509	20,334
Weighted average of ordinary shares, thousand shares	11,300	13,800
Earnings per basic share, MDL / share	<b>3.05</b>	<b>1.47</b>

## 28. Commitments on Loans, Other Assets and Contingent Liabilities

Commitments on loans include liabilities on credits, guarantees and letters of credit.

The risk related to letters of guarantees issued is similar to the risk arising from credit granting.

The value of guarantees, commitments and of other off-balance items as of December 31, 2022 and 2021 is presented as follows

	31 December 2022 MDL'000	31 December 2021 MDL'000
Commitments to grant loans in the future	13,421	17,099
Issued guarantees and securities	4,916	4,121
<b>Total</b>	<b>18,337</b>	<b>21,220</b>

### Commitments for capital investments

As of 31 December 2022 and 2021, the Bank had no commitments for capital investments.

### Operational lease commitments

Future minimum payments under operating rent contracts on buildings and vehicles are the following:

	31 December 2022 MDL'000	31 December 2021 MDL'000
Up to 1 year	810	1,100
From 1 to 5 years	7,928	361
Over 5 years	-	-
	<b>8,738</b>	<b>1,461</b>

### Contingent liabilities

On 31 December 2022 and 2021, the Bank is involved as a complainant in several lawsuits arising from the ordinary corporate activity. In the opinion of Management and the Bank's legal department the probability of losses is low.

## 29. Affiliated parties

When examining each possible relationship with the related parties, special attention is drawn to the substance of the relationship and not only to the legal form. Details of transactions between the Bank and other related parties are disclosed below:

	Key management personnel of the entity or its parent company (MDL'000)		Other related parties (MDL'000)	
	2022	2021	2022	2021
Interest income	32	20	80	20
Revenue from fees and commissions	12	2	22	2
Interest expense	46	110	67	110

The following amounts which arose due to transactions with related parties are included in the income statement for the years ended 31 December 2022 and 2021:

	Key management personnel of the entity or its parent company (MDL'000)		Other related parties (MDL'000)	
	2022	2021	2022	2021
<b>Assets</b>				
Loans and advances	475	530	925	1,072
<b>Liabilities</b>				
Deposits	8 690	11,611	6 883	6,369
<b>Financing commitments, financial guarantees and other commitments</b>				
Received	38	42	-	-

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**30. Fair value of the financial instruments**

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

*Level 1:* quoted (unadjusted) prices in active markets for identical assets or liabilities;

*Level 2:* other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

*Level 3:* techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value:

	2022					2021				
	Total carrying amount	Level 1	Level 2	Level 3	Fair value	Total carrying amount	Level 1	Level 2	Level 3	Fair value
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
<b>Financial assets</b>										
Cash and accounts with the NBM	533,097	-	533,097	-	533,097	472,533	-	472,533	-	472,533
Loans and advances to banks	40,094	-	40,094	-	40,094	65,249	-	65,249	-	65,249
Financial assets at fair value through other comprehensive income (equity instruments)	153	-	153	-	153	153	-	153	-	153
Investment securities at amortized cost (debt securities)	312,787	312,787	-	-	312,787	256,961	256,961	-	-	256,961
Loans and advances to customers	626,086	-	-	632,098	632,098	612,732	-	-	639,391	639,391
<b>Financial liabilities</b>										
Due to banks	-	-	-	-	-	-	-	-	-	-
Loans	93,581	-	-	93,581	93,581	62,433	-	-	62,433	62,433
Due to clients	1,104,631	-	-	1,109,557	1,109,557	1,062,973	-	-	1,064,737	1,064,737

### 30. Fair value of financial instruments (continued)

#### *(I) Investment securities at amortized cost*

The fair value of investment securities at amortized cost securities approximates the balance sheet value. These investments are mainly State Securities and certificates issued by NBM.

#### *(II) Loans and advances to customers*

Loans and advances to customers are presented at their net value of provision for impairment of loans. The estimated fair value of loans to customers represents the present value of estimated future cash flows. Future cash flows are updated according to the market rates, in order to determine the fair value of credit and advances to customers.

#### *(III) Financial liabilities, including due to other banks, due to customers and other borrowed funds*

The fair value of floating rate borrowings is equal to their balance sheet value. The estimated fair value of fixed rate deposits and other borrowings, for which no market prices are determined based on discounted future cash flows using interest rates for new instruments with similar remaining maturity.

### 31. Risk management

#### **Risk management policy**

The Bank is subjects to the following risks as a result of use of financial instruments:

- Credit risk;
- Currency risk;
- Liquidity risk;
- Interest rate risk;
- Market risk;
- Operating risk.

This note presents information regarding the fact that the Bank is exposed to all above-mentioned risks depending on Bank's objectives, policies on evaluation and management of risks, as well as bank management of capital.

The Bank pays particular attention to prudent management of risks connected to the activities performed. Risk management policy is a part of the bank's development strategy. It establishes programs and procedures designed to generate maximum possible profit and reduce losses or additional expenses incurred by the Bank as a result of potential risk exposure.

The policy determines the principles and stages of risk management, sets out the competences and credentials of Bank's governing bodies and subdivisions in the process of risk management and internal control procedures.

The management of risks includes all policies, procedures, systems and actions which the bank applies to ensure a reasonable management of all risks related to transactions concluded and executed and to ensure that all transactions are concluded in accordance with the bank's preference and tolerance for risk.

Risk management policy is performed by means of the following instruments:

- The system of limits;
- The system of powers and decisions-making;
- The system of risk management;
- The policy of communication (including informational system);
- The system of controls.

The risk management system is based on the following principles related to the organization of internal controls – diversification of internal controls, carrying out of control procedures within all organizational structures and subdivisions of the Bank at different levels.

The system of risk control represents the principal element in the internal control system of the Bank. The risk control system assumes several levels of control, namely:

- First level (lower): is controlled by the managers of the Bank's branches,
- Second level – Risk Management Department, the CALM, Loan Committee;
- Third level (superior) - Bank's Management Board,
- Exceptional level – Bank's Board of Directors.

### 31. Risk Management (continued)

#### OWN FUNDS

Starting with 30 July 2018, the Bank reports the Own Funds Rate, calculated in accordance with the requirements of CRD IV/CRR Basel III.

The requirements for the own funds ratio at 31.12.2022 amounted to a minimum of 10%.

The Bank shall comply with the requirements of the established Own Funds.

	31 December 2022 MDL'000	31 December 2021 MDL'000
Core Tier I own funds	267,843	256,202
Additional Tier I own funds	-	-
Recoveries (minus)	-	-
<b>Own funds:</b>	<b>267,843</b>	<b>256,202</b>
Amount of risk exposure:		
Credit Risk	650,379	641,020
Operational Risk	143,400	132,590
Currency Risk	4,395	7,449
Market Risk	-	-
Settlement/delivery Risk	-	-
<b>Cuquantumul total al expunerilor la risc:</b>	<b>798,174</b>	<b>781,059</b>
Equity ratio at basic level I	33.56	32.8
Tire I equity ratio	33.56	32.8
Total equity ratio	33.56	32.8

#### (a) Loan risk

Credit risk is conditional on the probability of the failure of the Bank's debtors to fulfill their obligations, usually by not returning (complete or partial) of the basic amount of the loan and the interest within the deadlines set in the contract.

Fair assessment of loan risk is very important for the Bank. In order to assess independently the credit risk for each product, the Bank calculates the following main ratios: the probability of default, exposure to risk at the moment of default and maturity period. The calculation of the probability of default and the loss given default is made based on the internal systems of credit rating.

In order to determine the credit risk, a detailed analysis of business and financial situation of the debtor is performed. In order to reduce the credit risk, the Bank creates and maintains the allowances for assets losses. The classification of assets is made considering the valuation of customers' financial results and their ability to repay the debt at maturity.

#### Credit quality of financial assets according to the class

In the table below is indicated according to class of credit quality of assets for all financial assets exposed to credit risk, based on internal classification system of the Bank. The amounts shown include reserves for impairment.



### 31. Risk Management (continued)

31 December 2022	Note	Book value	Stage 1	Stage 2	Stage 3
		MDL'000	MDL'000	MDL'000	MDL'000
Accounts with National Bank of Moldova	5	423,523	-	-	-
Current accounts and deposits with banks	6	40,094	-	-	-
Investment securities at amortized cost (debt securities)	7	312,787	312,787	-	-
Investment securities at amortized cost (loans, net)	8	626,086	526,827	85,574	13,685
Financial assets at fair value through other comprehensive income (equity instruments)	9	153	-	-	-
<b>Total</b>		<b>1,402,643</b>	<b>839,614</b>	<b>85,574</b>	<b>13,685</b>

31 December 2021	Note	Book value	Stage 1	Stage 2	Stage 3
		MDL'000	MDL'000	MDL'000	MDL'000
Accounts with National Bank of Moldova	5	305,706	-	-	-
Current accounts and deposits with banks	6	65,249	-	-	-
Investment securities at amortized cost	7	256,961	256,961	-	-
Loans, net	8	612,732	539,557	59,978	13,197
Other financial assets	9	153	-	-	-
<b>Total</b>		<b>1,240,800</b>	<b>796,518</b>	<b>59,978</b>	<b>13,197</b>

### Loans and advances

Loans and down payments are grouped as follows:

	2022		2021	
	Legal entities	Individuals	Legal entities	Individuals
	MDL'000	MDL'000	MDL'000	MDL'000
Stage 1	350,278	177,430	310,986	229,422
Stage 2	68,033	19,802	50,711	10,326
Stage 3	10,949	7,936	14,904	5,997
<b>Gross</b>	<b>429,260</b>	<b>205,168</b>	<b>376,601</b>	<b>245,745</b>
Less: Allowance for impairment of loans	(5,623)	(2,719)	(6,768)	(2,846)
<b>Net</b>	<b>423,637</b>	<b>202,449</b>	<b>369,833</b>	<b>242,899</b>

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**31. Risk management (continued)**

**(a) Loan risk (continued)**

**Loans and advances classified by overdue days (net value)**

	2022		2021	
	Legal entities	Individuals	Legal entities	Individuals
	MDL'000	MDL'000	MDL'000	MDL'000
No overdue days	415,505	181,590	358,909	230,028
Overdue for up to 30 days	743	12,208	30	7,562
Overdue between 31-60 days	0	1,520	1,914	1,761
Overdue between 61-90 days	0	1,482	0	647
More than 90 days	7,389	5,649	8,899	2,899
	<b>423,637</b>	<b>202,449</b>	<b>369,833</b>	<b>242,899</b>

**Maximum exposure to credit risk**

	Nota	31 December 2022	31 December 2021
		MDL'000	MDL'000
Accounts with National Bank of Moldova	5	423,523	305,706
Current accounts and deposits with banks	6	40,094	65,249
Investment securities at amortized cost (debt securities)	7	312,787	256,961
Investment securities at amortized cost (loans, net)	8	626,086	612,732
Other financial assets	9	153	153
		<b>1,402,642</b>	<b>1,240,801</b>
Off-balance (conditional commitments)	28	18,337	21,220
<b>Maximum exposure to credit risk</b>		<b>1,420,979</b>	<b>1,262,020</b>

**Concentration of maximum exposure to credit risk**

The sum of the first ten exposures to loans, (including groups) of the Bank at 31 December 2022 amounted to MDL'000 128,239, which represents 21,88% of the total portfolio of conditional loans and commitments (as of 31 December 2021: MDL'000 116,194 or 20% of the total portfolio of conditional loans and commitments).

### 31. Risk management (continue)

#### (b) Currency risk

The Bank is exposed to currency risk on transactions in foreign currencies in exchange against MDL. Report on risk financial situation reflects the difference between the net monetary assets and liabilities in foreign currency will be higher in value when converted into MDL, due to fluctuations in exchange rates.

The main foreign currencies the Bank operates with are EURO and USA dollar. The Bank manages the exposure to foreign currency fluctuation by combining its assets and liabilities.

Open foreign exchange positions are a source of currency risk. In order to avoid losses as a result of different foreign currency fluctuation, the Bank follows at present the policy of maintenance of integral long foreign exchange position but within certain limits.

The Bank's exposure to risks related to the transactions causes gains or losses from currency exchange recognized in profit or loss. These exposures to risk include monetary assets and liabilities of the Bank that are not denominated at the evaluation of the Bank's currencies.

The Bank considers foreign exchange risk-based ratio between net monetary assets and liabilities in foreign currency to total regulatory capital, which must not exceed the limits set by NBM, at + 20% and -20% for long currency positions short respectively. Risk minimization activities include analysis and monitoring in real-time, the currency exchange operations and foreign currency positions generated, ensuring operational adjustments necessary for complying with the limits of risk. The information below presents the Bank's exposure to the currency risk as of December 31, 2022 and December 31, 2021.

In this table, the assets and liabilities of the Bank are included at their carrying amount and are classified per currency:

As of 31 December 2022	Total	MDL	USD	EUR	Other currencies
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
<b>ASSETS</b>					
Cash and cash equivalents	109,574	64,938	15,793	23,038	5,804
Accounts with National Bank of Moldova	423,523	264,719	53,051	105,753	0
Current accounts and deposits with banks	40,094	0	35,993	4,076	24
Investment securities at amortized cost (debt securities)	312,787	312,787	0	0	0
Investment securities at amortized cost (loans, net)	626,086	548,958	30,721	46,407	0
Financial assets at fair value through other comprehensive income (equity instruments)	153	153	0	0	0
Tangible assets, net	86,024	86,024	0	0	0
Intangible assets, net	6,726	6,726	0	0	0
Other assets	8,299	4,832	618	2,849	0
<b>Total assets</b>	<b>1,613,264</b>	<b>1,289,135</b>	<b>136,176</b>	<b>182,124</b>	<b>5,829</b>
<b>LIABILITIES</b>					
Other financial debts (Borrowing)	93,581	91,258	1,097	1,227	0
Due to clients	1,104,631	715,795	141,635	241,781	5,419
Deferred tax liabilities	3,433	3,433	0	0	0
Other financial liabilities	9,997	9,749	113	134	0
<b>Total Liabilities</b>	<b>1,211,641</b>	<b>820,235</b>	<b>142,845</b>	<b>243,142</b>	<b>5,419</b>
<b>GAP</b>	<b>401,622</b>	<b>468,900</b>	<b>(6,669)</b>	<b>(61,018)</b>	<b>409</b>

### 31. Risk management (continued)

#### (b) Currency risk

As of 31 December 2021	Total	MDL	USD	EUR	Other currencies
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
<b>ASSETS</b>					
Cash and cash equivalents	166,827	59,533	21,482	79,182	6,631
Accounts with National Bank of Moldova	305,706	179,330	36,794	89,582	-
Current accounts and deposits with banks	65,249	-	41,403	23,551	295
Investment securities at amortized cost (debt securities)	256,961	256,961	-	-	-
Investment securities at amortized cost (loans, net)	612,732	556,379	11,808	44,546	0
Financial assets at fair value through other comprehensive income (equity instruments)	153	153	-	-	-
Tangible assets, net	80,920	80,920	-	-	-
Intangible assets, net	4,766	4,766	-	-	-
Other assets	15,791	6,315	1,441	6,960	1,075
<b>Total assets</b>	<b>1,509,103</b>	<b>1,144,355</b>	<b>112,927</b>	<b>243,821</b>	<b>8,000</b>
<b>LIABILITIES</b>					
Other financial debts (Borrowing)	62,433	62,092	297	45	-
Due to clients	1,062,973	630,678	118,054	308,237	6,004
Deferred tax liabilities	3,540	3,540	-	-	-
Other financial liabilities	11,236	9,033	255	1,226	722
<b>Total Liabilities</b>	<b>1,140,182</b>	<b>705,343</b>	<b>118,605</b>	<b>309,509</b>	<b>6,726</b>
<b>GAP</b>	<b>368,921</b>	<b>439,012</b>	<b>(5,678)</b>	<b>(65,688)</b>	<b>1,275</b>

The ratio of the open currency position, as a percentage ratio of the size of the open currency position and the size of the Bank's own funds, was respected on December 31, 2022. The size limit of 20% established by the NBM was respected. Thus, the ratio of the long open foreign exchange position of the Bank constituted 1.77% (2021: 1.05%), and the ratio of the short open foreign exchange position constituted -2.07% (2021: -3.69%).

The table below shows the impact of the change in exchange rates in relation to the local currency on the Bank's profit, if other market variables remain constant:

31 December 2022	Possible rate increase %	Income/loss effect MDL'000	Possible rate decrease %	Income/loss effect MDL'000
EUR	10%	(6,102)	-10%	6,102
USD	10%	(667)	-10%	667
31 December 2021	Possible rate increase %	Income/loss effect MDL'000	Possible rate decrease %	Income/loss effect MDL'000
EUR	10%	(6 569)	-10%	6 569
USD	10%	(568)	-10%	568

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**31. Risk management (continued)**  
**(c) Liquidity risk**

The Bank's policy in reference to liquidity resides in the fact that the Bank shall insure sufficient liquidity, as much as possible, so that upon fulfillment of commitments both in normal and difficult conditions, the Bank shall not incur inadmissible losses and Bank's reputation shall not be affected.

The Bank holds different assets portfolios of high liquidity in order to ensure the necessary solvability (state securities, short-term placements on the interbank market, etc.), which can be exchanged quickly in cash with minimum expenses in order to be used when necessary.

The Bank analyses daily the cash flow (inflows and outflows) in national and foreign currency and follows the structure of Bank's assets and liabilities depending on maturity.

Another method of decrease in liquidity risk of the Bank is the maintenance of a range of deposit portfolio based on maturity, currency, deposit type and other criteria designed for decrease in risk of sudden withdrawal of deposits prior to maturity.

31 December 2022	Total	less than 1 month	1-2 months	2 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 5 years	More than 5 years
MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000
<b>ASSETS</b>									
Cash and cash equivalents	109,574	109,574	-	-	-	-	-	-	-
Accounts with National Bank of Moldova	423,523	423,523	-	-	-	-	-	-	-
Current accounts and deposits with banks	40,094	40,094	-	-	-	-	-	-	-
Financial assets held to maturity	312,787	119,427	21,677	-	120,676	-	51,007	-	-
Loans to customers, net	866,060	43,788	17,071	18,091	57,673	82,473	98,097	437,410	111,458
Investment securities up for sale	153	153	-	-	-	-	-	-	-
Other financial assets	3,978	3,978	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>1,756,169</b>	<b>740,537</b>	<b>38,748</b>	<b>18,091</b>	<b>178,349</b>	<b>82,473</b>	<b>149,104</b>	<b>437,410</b>	<b>111,458</b>
<b>LIABILITIES</b>									
Borrowing	105,010	513	433	433	3,140	1,270	3,234	85,989	9,998
Due to clients	1,276,903	385,095	23,991	28,416	241,422	99,037	117,672	219,901	161,368
Other financial liabilities	1,946	1,946	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1,383,858</b>	<b>387,552</b>	<b>24,424</b>	<b>28,849</b>	<b>244,562</b>	<b>100,307</b>	<b>120,906</b>	<b>305,890</b>	<b>171,366</b>
<b>GAP</b>	<b>372,310</b>	<b>352,983</b>	<b>14,324</b>	<b>(10,758)</b>	<b>(66,213)</b>	<b>(17,834)</b>	<b>28,198</b>	<b>131,520</b>	<b>(59,908)</b>

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31. Risk management (continued)

(c) Liquidity risk (continued)

31 December 2021	Total	less than 1 month	1-2 months	2 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 5 years	More than 5 years
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
<b>ASSETS</b>									
Cash and cash equivalents	166,827	166,827	-	-	-	-	-	-	-
Accounts with National Bank of Moldova	305,706	305,706	-	-	-	-	-	-	-
Current accounts and deposits with banks	65,249	65,249	-	-	-	-	-	-	-
Financial assets held to maturity	256,961	94,844	29,756	29,620	61,304	19,912	21,525	-	-
Loans to customers, net	779,417	20,407	15,047	16,585	50,486	73,975	81,235	422,717	98,965
Investment securities up for sale	153	153	-	-	-	-	-	-	-
Other financial assets	11,432	11,432	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>1,585,744</b>	<b>664,617</b>	<b>44,803</b>	<b>46,205</b>	<b>111,789</b>	<b>93,887</b>	<b>102,760</b>	<b>422,717</b>	<b>98,965</b>
<b>LIABILITIES</b>									
Borrowing	71,870	291	291	291	1,094	869	869	53,790	14,375
Due to clients	1,131,480	452,598	10,624	26,691	100,307	81,997	61,585	349,724	47,954
Other financial liabilities	2,250	2,250	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1,205,601</b>	<b>455,139</b>	<b>10,915</b>	<b>26,982</b>	<b>101,401</b>	<b>82,866</b>	<b>62,455</b>	<b>403,514</b>	<b>62,329</b>
<b>GAP</b>	<b>380,144</b>	<b>209,478</b>	<b>33,889</b>	<b>19,223</b>	<b>10,388</b>	<b>11,021</b>	<b>40,306</b>	<b>19,203</b>	<b>36,636</b>

### 31. Risk management (continued)

#### (d) Interest rate risk

Interest rate risk is the risk of losses arisen from fluctuation of future cash flows or fair value of financial instruments due to changes of the interest rates on the market. The interest rate risk is managed basically through monitoring of the imbalance of the interest rate, as well as through previous availability of limits approved for revaluation of domains. The control over correspondence to these limits is executed by CALM in cooperation with Direction of Risk Management under its activities of daily monitoring.

The Bank does not calculate any interest rates for financial assets and liabilities at fair value through profit or loss, and the Bank does not establish derivatives (swap on interest rate) as instrument of risk coverage in order to guarantee the model of accounting for fair value. Due to this, the modification of interest rate as of the date of preparation of financial statements shall not influence on the profit or loss.

The level of interest rate as of December 31, 2022 and December 31, 2021 is presented as follows:

	31 December 2022	31 December 2021
<b>Financial assets</b>		
Deposits due from banks	(0.2)% - 0,05%	(1.6)% - 0,25%
Loans and advances to customers	1% -26%	1%-26%
Investment securities at amortized cost	5.46% - 22.02%	6.5-12.5
<b>Financial liabilities</b>		
Borrowings	1.35% - 15,60%	1.35%-7.1%
Client's deposits	0,05% - 20.0%	0.05%-5.25%

Information below presents data on the degree of Bank's exposure to the interest rate risk. Bank's assets and liabilities are classified according to nearest date between contractual date of change of interest rate or the maturity date.

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31. Risk management (continued)

(d) Interest rate risk (continued)

31 December 2022

31 December 2022										
ASSETS										
Cash and cash equivalents	109,574	109,574	-	-	-	-	-	-	-	-
Accounts with National Bank of Moldova	423,523	-	-	-	-	-	-	-	-	423,523
Current accounts and deposits with banks	40,094	-	-	-	-	-	-	-	-	40,094
Financial assets held to maturity	312,787	119,427	21,677	-	120,676	-	51,007	-	-	-
Loans to customers, net	626,086	32,590	11,836	13,481	44,060	58,823	81,079	319,306	64,910	-
Investment securities up for sale	153	-	-	-	-	-	-	-	-	153
Other financial assets	3,978	-	-	-	-	-	-	-	-	3,978
Total financial assets	1,516,194	261,591	33,513	13,481	164,736	58,823	132,086	319,306	64,910	467,747
LIABILITIES										
Borrowing	84,663	80	-	-	1,871	-	1,964	70,750	9,998	-
Due to clients	1,104,631	7,841	18,764	23,338	229,484	92,056	113,288	205,202	103,601	311,057
Other financial liabilities	1,946	-	-	-	-	-	-	-	-	1,946
Total liabilities	1,191,239	7,921	18,764	23,338	231,355	92,056	115,252	275,952	113,599	313,003
GAP in interest	324,955	253,670	14,749	(9,857)	(66,618)	(33,232)	16,834	43,354	(48,689)	154,744
GAP in interest, cumulative		268,419		258,562	191,944	158,711	175,545	218,900	170,211	324,955



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31. Risk management (continued)

(d) Interest rate risk (continued)

31 December 2021

	Total	less than 1 month	1-2 months	2 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 5 years	More than 5 years	Non-interest bearing
	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000
<b>ASSETS</b>										
Cash and cash equivalents	166,827	166,827	-	-	-	-	-	-	-	-
Accounts with National Bank of Moldova	305,706	-	-	-	-	-	-	-	-	305,706
Current accounts and deposits with banks	65,249	-	-	-	-	-	-	-	-	65,249
Financial assets held to maturity	256,961	94,844	29,756	29,620	61,304	19,912	21,525	-	-	-
Loans to customers, net	612,732	16,963	11,249	12,918	43,198	58,500	70,345	331,973	67,586	-
Investment securities up for sale	153	-	-	-	-	-	-	-	-	153
Other financial assets	11,432	-	-	-	-	-	-	-	-	11,432
<b>Total financial assets</b>	<b>1,419,059</b>	<b>278,634</b>	<b>41,006</b>	<b>42,538</b>	<b>104,502</b>	<b>78,411</b>	<b>91,870</b>	<b>331,973</b>	<b>67,586</b>	<b>382,539</b>
<b>LIABILITIES</b>										
Borrowing	57,957	-	-	-	225	-	-	43,357	14,375	-
Due to clients	1,062,973	4,86	9,930	25,149	96,171	78,233	58,527	335,463	32,483	422,153
Other financial liabilities	2,251	-	-	-	-	-	-	-	-	2,251
<b>Total liabilities</b>	<b>1,123,181</b>	<b>4,865</b>	<b>9,930</b>	<b>25,149</b>	<b>96,396</b>	<b>78,233</b>	<b>58,527</b>	<b>378,820</b>	<b>46,858</b>	<b>424,404</b>
<b>GAP in interest</b>	<b>295,878</b>	<b>273,770</b>	<b>31,075</b>	<b>17,389</b>	<b>8,106</b>	<b>178</b>	<b>33,343</b>	<b>(46,846)</b>	<b>20,729</b>	<b>(41,865)</b>
<b>GAP in interest, cumulative</b>			<b>304,845</b>	<b>48,465</b>	<b>25,496</b>	<b>8,284</b>	<b>33,521</b>	<b>(13,504)</b>	<b>(26,118)</b>	<b>(21,137)</b>

### 31. Risk management (continued)

#### (d) Interest rate risk (continued)

According to the internal and external financial market, the Bank forecasts the evolution of interest rates for its assets and liabilities and the possible impact of these changes on net interest income. The bank estimates a fluctuation of +/- 100 and +/- 50 basis points:

	Increase in basis points	Sensitivity of net interest income MDL'000	Decrease in basis points	Sensitivity of net interest income, MDL'000
2022	100	1 702	(100)	(1 702)
	50	851	(50)	(851)
2021	100	3,377	(100)	(3,377)
	50	1,689	(50)	(1,689)

#### (e) Market risk

The market risk is the risk that the fair value and the future cash flows of a financial instrument shall fluctuate depending upon changes in market prices.

The economy of the Republic of Moldova continues to be characterized by an unstable market. The segment of financial services in the Republic of Moldova is vulnerable to adverse currency fluctuations and economic conditions.

The economic forecast in respect of stability in the Republic of Moldova depends to a large extent on the efficiency of economic measures assumed by the Government, together with the changes in the legal and regulatory framework.

The purpose for market risk management is managing and control over the market risks within admissible limits, enhancing at the same time the risk efficiency.

The market risk includes three types of risks: currency risk, interest rate risk and other risks related to the price.

The market risk occurs as a result of open positions of interest rate, currency and equity items, all being exposed to general or specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit variety, foreign exchange rates and securities quotations.

The Bank defines the exposure to market risk into portfolio for trading and other than those for trading.

#### (f) Operational risk

The operational risk is the risk of direct and indirect losses as a result of different cases arisen from Bank's processes, staff, technologies and infrastructure and, also, due to certain external factors, except for risk of credit, market and liquidity that results from legal and regulating requirements and from generally accepted behavior standards.

Operational risks are the result of all banking transactions and all commercial and industrial enterprises face them.

The Bank's purpose is to manage the operational risk so that to balance the avoidance of some financial losses and injury of Bank's reputation with the overall financial performance.

The main responsibility for development and execution of control over the operating risk is born by the company's management within each of its subsidiaries.

### 31. Risk management (continued)

#### (f) Operational risk (continued)

This responsibility is supported by the application of banking standards for operational risk management in the following areas:

- Appropriate segregation of tasks, including independent approval of the transactions;
- Coordinating and monitoring of transactions;
- Correspondence to legal and other regulating requirements;
- Documenting control means and procedures;
- Periodic assessing of operating risks the Bank is exposed to, as well as the degree of conformity of control means and procedures to the access of identified risks;
- Reporting the losses of exploitation and the suggested measures for recovery;
- Developing plans for additional unforeseen situations;
- Professional training and development (standards on ethics and business);
- Assuming necessary measures in order to manage efficiently and use of software and equipment means belonging to the Interbank Automatic Payment System, guarantee of business continuity in urgent situations, as well as the security of software components and of the equipment used at the working place with the aim of interaction with Interbank Automatic Payment System.
- Restricting the access to information both at technical level and of software;
- Developing within Bank's employees of an operating culture which shall include a range of individual and corporate values, relations, knowledge and a conduct based on work-specific obligations and responsibilities;
- Decreasing risks through different methods of protection (army security, video control system, alarm button and others).

### 32. Geographical concentration and business segments

Geographical concentration of the Bank on its assets and bonds is presented below:

Name of the country	31 December 2022		31 December 2021	
	Total assets (MDL'000)	Total bonds (MDL'000)	Total assets (MDL'000)	Total bonds (MDL'000)
Moldova	2,358,883	2,337,774	1,713,214	1,720,741
EUM Countries	3,504	1,960	18,609	1,633
Other countries EU members	0	272	-	144
USA	0.48	384	0.48	463
off-shore	41	1,379	0.06	94
Other Countries	2,482	23,141	2,015	10,763
	<b>2,364,910</b>	<b>2,364,910</b>	<b>1,733,838</b>	<b>1,733,838</b>

### **33. Important events of the year 2022**

#### **Changes in shareholder structure**

In accordance with the provisions of the Decision of the Executive Committee of the NBM no. 310 of December 20, 2018, on January 22, 2021 it was ordered to cancel the shares held by the shareholder Karamouzis Vasileios in the proportion of 1.8115% (250,000 shares) of the bank's statutory capital and issue new shares of the same class in the same number. In March 2022, in accordance with the provisions of Law no. 202/2017, the term for the sale of newly issued shares has expired. During the sale period, no newly issued share was realized. On March 19, 2022, the price of a share was reduced to 7.5 MDL. According to the Decision of the Executive Committee of the NBM no. 121 of June 9, 2022, the Bank's Management Committee ordered the procurement of newly issued shares provisionally registered in the name of the bank and their registration as treasury shares.

In March 2022, the contracts of the members of the Bank's Management Committee expired. In the same month, new contracts were signed for a period of 4 years with two former members of the Bank's Management Committee: Mr. Oleg Holban - President and Mr. Iurie Cataraga - First Vice-President, the position of Vice-President remained vacant.

#### **Macroeconomic and regional situation**

In February 2022, a military conflict broke out in the region between Ukraine and the Russian Federation. Tense events are worsening regional and global economic conditions, with severe repercussions on the evolution of global inflation. In this context, there has been an excessive increase in quotations on international markets associated with energy, food and metal resources, overlapping with disruptions in production and supply chains. International stock markets and financial markets are experiencing increased volatility. At the same time, there is a humanitarian crisis caused by the wave of refugees from Ukraine. Tensions in the region involve major uncertainties and risks, which could boost inflation forecasts.

In order to manage the risks, the Bank conducted a series of stress tests, taking into account different scenarios that could impact the Bank's activity. Tests show that tensions in the region will not affect the stability, liquidity, capital and quality of the loan portfolio.

### **34. Events subsequent to the reporting date**

There are no significant subsequent events that are not presented in these financial statements.