

BC EUROCREDITBANK SA

BC “EuroCreditBank” SA

Financial Statements

for the year ended on December 31, 2021,

prepared in accordance with the International Financial Reporting Standards

TABLE OF CONTENTS

| | |
|--|-----------|
| INDEPENDENT AUDITORS' REPORT | 3 |
| PRESIDENT'S REPORT | 8 |
| STATEMENT OF FINANCIAL POSITION | 14 |
| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME..... | 15 |
| STATEMENT OF CHANGES IN EQUITY..... | 16 |
| STATEMENT OF CASH FLOWS | 17 |
| EXPLANATORY NOTES TO FINANCIAL STATEMENTS | 19 |

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, 2021 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, 2021, 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 |
|--|--|
| Allowance for impairment of loans to customers | |
| 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 |
|---|--|
| Allowance for impairment of loans to customers | |
| <p>As described in note 8 to the financial statements, the Bank has recorded as at December 31, 2021 expected credit losses on loans to customers amounting to MDL'000 9,614.</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"> a) The interpretation and assumptions used to build the model for ECLs. b) The completeness and accuracy of the data used to calculate ECLs. c) The assumptions and judgments, with regards to identifying quantifying loans impairment. d) The allocation of loans and advances from customers to stages, as per the criteria of the standard. | <ul style="list-style-type: none"> b) We assessed the adequacy of the methodology used by the Bank to identify loan impairment and calculate ECLs for the significant loan portfolios. 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"> - timely identification of significant increase in credit risk and correct classification of loans to corresponding impairment stages, - regular client creditworthiness review processes, - approval of experts' collateral valuation and - management review and approval of the impairment evaluation results. d) We involved auditor's experts in the areas which required specific expertise. <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"> e) We formed an independent view on the levels of impairment allowances required by examining available external and internal information. 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. 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. 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. i) We assessed the completeness, appropriateness and adequacy of the disclosures in the Bank's |

| Key audit matter | Audit approach |
|---|---|
| Allowance for impairment of loans to customers | |
| | 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, 2021, 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, 2021, 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.

May 3, 2022

on behalf of

ICS Baker Tilly Klitou and Partners SRL

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Audit License: General Audit Series A MIVI No
056038 of 13 September 2007, valid until
September 13, 2022

Alexandr Polomosnih

Licensed Auditor
Certificate of Qualification of Auditors of
Financial Institutions Series AIF 0014 of April
12, 2012

Natalia Voloşciuc

Administrator

PRESIDENT'S REPORT

The main results of the activity of BC "EuroCreditBank" S.A. (hereinafter – "the Bank") for 2021, are defined by the following indicators:

- According to the results for 2021, the Bank's efficiency indicators comply with the limits and norms set by the NBM;
- The Own funds as of 31.12.2021 amounted to 256 202,5 thousand MDL (238 105,9 thousand MDL as of 31.12.2020). 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 2021, will amount to 276 536,4 thousand MDL;
- Total own funds rate as of 31.12.2021 reached 32,80% (in the system 25,87%) (NBM norm – no less than 10%);
- The Bank's current liquidity by 31.12.2021 was 52,99% (in the system 48,54%) (NBM norm – no less than 20%). At the same time, the liquidity coverage ratio by 31.12.2021 was 304,94 % (NBM norm -100%). This allowed the Bank to ensure timely the necessary volume of transactions and to honor its obligations;
- Total Assets amounted to 1 509 103,3 thousand MDL, increasing in comparison with the similar period of last year with 106 742,4 thousand MDL or 7,6% (an increase in the system by 14,2% or 14 760 565,5 thousand MDL);
- Bank's loan portfolio (main amount) as of 31.12.2021 amounted to 612 732,2 thousand MDL and increased in comparison with the similar period from last year with 62 530 thousand MDL or 11,4 % (an average increase in the system by 21,7,0%);
- Deposit portfolio as of 31 December 2021 amounted to 1 062 973,0 thousand MDL and increased by 46,400 thousand MDL or 4,6% in comparison with the similar period from last year (an average increase in the system by 13,1% or 10 446 721,1 thousand MDL).

Assets

The weight of interest-bearing assets (the monthly average value as of 31.12.2021) accounted for 72,6% of the total assets (in the system 83,5%). Compared to the situation of 31.12.2020, the share of interest-bearing assets decreased by 1,9 p.p. (per system increased by 0,38 p.p.).

Return on Assets was 1,41 % (in the system 2,01), having a 0.33 p.p. increase compared with the previous year.

Liabilities and equity

At the end of the reporting period, the total liabilities amounted to 1 509 103,3 thousand MDL, out of which the shareholders' equity amounted to 368 920,6 thousand MDL or 24,5% and liabilities - 1 140 182,7 thousand MDL or 75,5%.

Compared to 31.12.2020, there was an increase in the share capital by 9,7% (32 718,5 thousand MDL) and that of liabilities by 6,9% (74 023,9 thousand MDL). The increase in the equity capital (compared to the previous year) was done out of the undistributed profit, which increased by 25 951 thousand MDL.

The total balance of deposits by 31 December 2021 amounted to 1 062 973 thousand MDL and increased by 46 400 thousand MDL or 4,6%, compared to the same period from last year. The balance of the deposits from individuals decreased by 15 625,4 thousand MDL or 2,2%, and the balance of deposits from legal entities increased by 62 302,7 thousand MDL or 20,1%. The correlation between the Bank's debt and capital is 3,09 in 2020 (3,17 in 2020).

Financial results

For the financial year of 2021, the net profit of the Bank amounted to 20 333,8 thousand MDL by 6 262,2 thousand MDL or 44,5% more, compared to the end of the previous year.

The Bank's total income for 2021 in accordance with FINREP (exclusively out of interests in deposits at main headquarters and branches) amounted to 134 863,0 thousand MDL, including interest income – 69 005,9 thousand MDL (51,2% of total revenues), revenue from fees and commissions - 32 233,9 thousand MDL (23,9% of total revenues), income from foreign currency transactions - 28 959,8 thousand MDL (21,5% of total revenues), and other income – 4 663,3 thousand MDL (3,4%). Compared to 31.12.2020, the total income has increased by 3 940,2 thousand MDL or 3%.

A significant share in the structure of income, coming from interests pertain to the interest income from loans and receivables – 56 496,7 thousand MDL (81,9% of total interest income), registering an increase comparing to previous year of 3 973,7 thousand MDL or 7,5% more, and income from operations with investment securities at amortized cost – which

for 2021 amounted to 10 761,7 thousand MDL (15,6% of interest income), as compared to 2020 has increased with 4280,8 thousand MDL or 66,1% (as a result of rate increasing for monetary instruments.).

Total expenditure for 2021 (excluding interest between branches) amounted to 114 529,2 thousand MDL, and compared to the same period of the previous year (12 months of 2020) diminished by 2 322,0 thousand MDL or 2,0%. The share of interest expenses within total expenses amounted to 18,9% or 21 617,5 thousand MDL. Compared to 2020, interest expenses decreased by 2 852,0 thousand MDL or 11,6%. The share of non-interest expenses is 81,1% or 92 911,7 thousand MDL, the majority of which is paid for the wage expenses – 53 977,4 thousand MDL, which increased compared to 2020 by 5 397,4 thousand MDL or by 11,1%.

Other expenses by 31.12.2020 amounted to 17 346,8 thousand MDL for general and administrative expenses, 14 784,4 thousand MDL for taxes and commissions and 6 957,0 thousand MDL for amortization expenses.

Principle I of liquidity (long-term liquidity ratio) of the Bank as of December 31, 2021 amounted to – 0,65 (in the system – 0,74), (the norm being less than 1).

Principle II of liquidity (current liquidity ratio) of the Bank as of December 31, 2021 amounted to – 52,99%, in the system 48,54% (the norm being no less than 20%, as of 31.12.2020 – 55,34%, in the system 50,56%). At the same time, the liquidity coverage ratio (LCR) as of 31.12.2021 was 304.94% (NBM norm – 100%). All aforementioned indicators meet the requirements stipulated in the regulations 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 2021 year, emphasis was put on the following promotions:

- During 2021, the main activity for attracting clients focused on loan promotions for individuals and juridical persons from the agricultural and consumption sector (Retail Cheap), in order to increase the portfolio of retail loans.
- As of 15.03.2021, the promotion “Advantageous offer for entrepreneurs from the agricultural sector with AGRO loans from EuroCreditBank” was launched for lending to legal entities. The promotion lasted till 31.05.2021;
- As of 25.08.2021, the promotion “Advantageous promotion for entrepreneurs in the agricultural sector with AGRO Loans from EuroCreditBank within the framework of « AGRO COMPACT » product” was launched for lending to legal entities. The promotion lasted till 31.10.2021;
- The promotion of consumer loans for individuals “Credit Retail Cheap Promo”, from 22.04.2021 to 30.06.2021, allowed granting consumer loans with and without collateral, which led to the increase of the loan portfolio and allowed to increase the profitability of this portfolio. The promotion was extended till 31.07.2021.
- Constant advertisement of new products and services for juridical and physical entities, as Telebank Business, ATM cash-in, bank cards, international transfers);
- In 2021, 10 old ATMs were replaced, of which 8 ATMs are equipped with the Cash IN - Cash OUT function. During 2021, the number of cards issued practically doubled in comparison to 2020.

In 2021, the ADD Telebank Business system was implemented - a remote banking service system for legal entities. It allows the execution of payments in lei and in foreign currency on the territory of the country (SAPI) and abroad (SWIFT). The Retail Loans system was also implemented - a system for registering applications for quick loans for individuals.

During 2021, 2 655 of which 2 455 individuals and 200 legal entities became clients of the Bank. During this period, 4 553 new accounts were opened, of which 441 by legal entities and 4 112 new accounts by individuals.

Lending activity

As of 31.12.2020, the Bank's loan portfolio (basic amount) amounted to 622 346,1 thousand MDL, compared to the same period of the previous year, there was an increase of the gross loan portfolio by 59 792 thousand MDL or by 10,7% (by 21,7% on the system), while the net loan portfolio (“Loans and advances” – FIN 1) amounted to 612 732,2 thousand MDL, the increase in comparison with last year is by 62 530,5 thousand MDL or 11,4%.

The share of allowances for impairment losses (for basic amount) in total loans was 7,14% (in the system 6,39%) (according to NBM's Regulation) and 1,54% (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 37 013,9 thousand MDL, their share within the total amount of loans is 6,0%, (average in the system is 6,14%), thus having decreased with 36,27 p.p. compared to the end of the previous year. (as of 31.12.2020 ECB – 10,3%, system – 7,38%).

It should be noted that the share of non-performing loans decreased significantly during 2021 mainly due to the Bank's efforts to recover the problematic loans, although the economic crisis generated by COVID-19 still persists.

The loan portfolio is classified in risk categories as it follows: standard loans (47,93%), supervised (47,29%), substandard (2,77%), doubtful (0,31%) and compromised (1,7%).

During 2021, there were granted loans amounting to 453 146,0 thousand MDL (excluding technical overdrafts), which compared to the 12 months of 2020, have markedly increased by 62,8% or 174 866,9 thousand MDL.

The profitability of the loan portfolio as of 31.12.2021 amounted to 10,12 %.

The income from the loan activity comprises one of the biggest shares within the total income of the bank – their share was 41,9% of the total amount of income by the end of 2021 (by 31.12.2020 – 38,6%).

The income from the loans activity for 2021 amounted to 56 496,7 thousand MDL. The aforementioned income, compared to the 12 months of 2020, increased by 3 973,7 thousand MDL.

Foreign currency activity

Another important aspect within the Bank's activity consists of purchasing/selling foreign currency. Throughout the 12 months of 2021, the bank gained income amounting to 28 959,8 thousand MDL, which represents 21,5% out of the total income of the Bank. For the 12 months of 2021, the income from the purchase/sale of foreign currency, over the same period over last year, recorded an decrease of 25,9% or 10 125,9 thousand MDL.

Activity on financial markets

During 2021, 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 2021, the Bank invested money means amounting to – 3 298 640 thousand MDL, including overnight – 1 560 000 thousand MDL (or 47,3%), NBC - 1 452 000 thousand MDL (or 44,0 %) and state securities – 286 640 thousand MDL (or 8,7%).

During the 12 months of 2021, the bank gained income amounting to 12 509,2 thousand MDL (from NBC 2 236,3 thousand MDL, placements in banks – 1 614,3 thousand MDL, overnight placements – 133,2 thousand MDL and state securities – 8 525,4 thousand MDL). Compared with the same period from last year, we can note an increase with 1 750,3 thousand MDL of the aforementioned income. The increase of the net Investment Portfolio registered at the end of 2021 compared to 2020 (by 66.6 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 2021 compared to 2020, due to the increase in the base rate (the rate applied to the main short-term monetary policy operations) - up to 6.5% (currently 12.5%) .

As of 31.12.2021, the balance of the net investment portfolio amounted to 257 113,5 thousand MDL (17% 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 on 25.05.2021, 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 2021, 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 (continuation)

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)

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:

In the context of the COVID-19 pandemic, after a sharp decline in 2020, Moldova's economy recovered slightly during 2021, being hit by the energy crisis in the fall. At the same time, the inflation rate accelerated, as a result of the recovery in demand and rising prices for energy resources and food. Thus, the year 2021 continued to be full of changes for BC "EuroCreditBank" S.A., having had a moderate activity on sales of products in order to maintain the Bank's liquidity in accordance with the requirements of the Board of Directors in a crisis situation. Nevertheless, special attention was paid to serving and maintaining existing customers, as well as minimizing as far as possible new deposits. The bank was also focused on using existing resources, by organizing promotions and launching advertising campaigns.

Although the economic crisis generated by COVID-19 still persists, it should be noted that the share of non-performing loans decreased significantly during 2021, largely due to the Bank's efforts to recover problematic loans.

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.

In 2021, the branch involved in lending was reorganized in order to optimize the lending process. At the same time, the works were carried out in order to consolidate Bank's core processes of risk management, compliance, PCSB, audit and internal control. Thus, in order to increase the efficiency of the process of monitoring customer transactions / activities and to reduce the risk of PCSB specific to the Bank, new technical improvements were built in the Bank's system : an automated transaction monitoring system-Division and an alert generation system in case of inconsistency between data, so that customers are monitored in real time.

During 2021, 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 2022, 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 2022 - *"Efficient use of available resources, adjustments of sales according to the economic situation in the country"*, the main priorities of the Bank will be:

- The development and the consolidation of the Banking Business, on the basis of the processes already created in the field of risk management, compliance and PCSB, audit and internal control;
- Protecting the health of our customers and employees;

- Focusing all financial and human efforts on the development of the Bank's business in the context of the economic crisis;
- Maintaining the Bank's income, optimizing work processes, automating activities;
- Maintaining profitability indicators (ROA, ROE) at the level of 2021;
- Making quality investments;
- Monitoring the economic situation in the country and customer preferences and adapting to them;
- Regarding the geopolitical situation in the region, the Bank aims to ensure a high level of liquidity indicator to meet customer deposit withdrawals.

STATEMENT OF FINANCIAL POSITION
on 31 December 2021

| | Note | 31 December 2021 MDL'000 | 31 December 2020 MDL'000 |
|--|------|-----------------------------|-----------------------------|
| ASSETS | | | |
| Cash and cash equivalents | 4 | 166,827 | 155,693 |
| Balances with the NBM | 5 | 305,706 | 350,902 |
| Current accounts and deposits in banks | 6 | 65,249 | 74,735 |
| Financial assets at amortised cost (Debt securities) | 7 | 256,961 | 190,301 |
| Loans to customers, net | 8 | 612,732 | 550,202 |
| | 9 | 153 | 153 |
| Financial assets at fair value through other comprehensive income (Equity instruments) | | | |
| Property and equipment, net | 10 | 80,920 | 63,516 |
| Intangible assets, net | 11 | 4,766 | 3,172 |
| Other assets, net | 12 | 15,791 | 13,687 |
| Total assets | | 1,509,105 | 1,402,361 |
| LIABILITIES | | | |
| Other financial liabilities Borrowings | 13 | 62,433 | 39,097 |
| Due to clients | 14 | 1,062,973 | 1,016,572 |
| Deferred tax liability | 15 | 3,540 | 2,045 |
| Other liabilities | 16 | 11,238 | 8,445 |
| Total liabilities | | 1,140,184 | 1,066,159 |
| EQUITY | | | |
| Ordinary shares | 17 | 138,000 | 138,000 |
| Reserves | 17 | 53,574 | 58,538 |
| Reevaluation reserves | 17 | 47,846 | 36,115 |
| Retained earnings | 17 | 129,501 | 103,549 |
| TOTAL EQUITY | | 368,921 | 336,202 |
| Total equity and liabilities | | 1,509,105 | 1,402,361 |

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

These financial statements were authorized for issuance on March 01, 2022 by the Executives of the Bank:

President of Management Board

Oleg Holban

Chief -Accountant

Bujor Igor

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended on 31 December 2021

| | Note | 2021 MDL'000 | 2020 MDL'000 |
|---|--------|-----------------|-----------------|
| Interest income | 19 | 69,006 | 60,720 |
| Interest expense | 20 | (21,618) | (24,470) |
| Net interest income | | 47,388 | 36,250 |
| Fee and commission income | 21 | 32,234 | 26,644 |
| Fee and commission expense | 22 | (14,784) | (15,650) |
| Net fee and commission income, net | | 17,450 | 10,994 |
| Income from foreign currency operations, net | 23 | 28,960 | 39,086 |
| Other operating income | 24 | 4,663 | 4,473 |
| | | 33,623 | 43,559 |
| Impairment loss | 8, 12 | 2,169 | (5,202) |
| Staff costs | 25 | (53,977) | (48,580) |
| General and administrative expenses | 26 | (17,347) | (15,123) |
| Impairment and amortization | 10, 11 | (6,957) | (6,078) |
| Total operating income, net | | (76,112) | (74,983) |
| Profit from operating activities before tax | | 22,349 | 15,821 |
| Income tax expense | 15 | (2,015) | (1,749) |
| Net profit for the financial year | | 20,334 | 14,072 |
| Other items of comprehensive income | | 20,334 | 13,842 |
| Items that will not be reclassified in profit or loss | | | |
| Charge in reevaluation reserve from financial assets at fair value through other comprehensive income | | - | 202 |
| Others | | - | 28 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Change in reevaluation reserve from financial assets at fair value through other comprehensive income | | - | - |
| Other items of comprehensive income for the period | | - | 228 |
| Total comprehensive income for the year | | 20,334 | 14,300 |
| Result per share (MDL) | 27 | 1.47 | 1.03 |

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

These financial statements were authorized for issuance on March 05, 2020 by the Executives of the Bank:

President of Management Board

Oleg Holban



Chief -Accountant

Bujor Igor

STATEMENT OF CHANGES IN EQUITY

For the year ended on 31 December 2021

| | Share capital (MDL '000) | General reserve (MDL '000) | Prudential reserve (MDL '000) | Retained earnings (MDL '000) | Reserves from revaluation (MDL '000) | Total (MDL '000) |
|--------------------------------|-----------------------------|-------------------------------|----------------------------------|---------------------------------|---|---------------------|
| Balance as of January 1, 2021 | 138,000 | 13,799 | 44,737 | 103,551 | 36,115 | 336,202 |
| Allocations to general reserve | - | - | (4,963) | (6,112) | - | - |
| Profit for the year | - | - | - | 20,334 | - | 20,334 |
| Revaluation of tangible assets | - | - | - | 11,730 | 11,730 | 12,385 |
| Other adjustments | - | - | - | - | - | - |
| Balance as of December 31 2021 | 138,000 | 13,799 | 39,774 | 129,503 | 47,845 | 368,921 |
| Balance as of January 1 2020 | 138,000 | 13,466 | 30,663 | 103,346 | 36,317 | 321,792 |
| Allocations to general reserve | - | 333 | 14,074 | (14,003) | - | - |
| Profit for the year | - | - | - | 14,072 | - | 14,072 |
| Revaluation of tangible assets | - | - | - | (202) | (202) | - |
| Other adjustments | - | - | - | 338 | - | 338 |
| Balance as of December 31 2020 | 138,000 | 13,799 | 44,737 | 103,551 | 36,115 | 336,202 |

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

These financial statements were authorized for issuance on March 01, 2022 by the Executives of the Bank:

President of Management Board

Oleg Holban

Chief – Accountant

Bujor Igor

STATEMENT OF CASH FLOWS**For the year ended on 31 December 2021**

| | 2021 MDL'000 | 2020 MDL'000 |
|---|------------------|------------------|
| I. Cash flows from operating activities | | |
| Interest and commission receipts | 77 344 | 74,911 |
| Interest and commission paid | (31 271) | (32,626) |
| Cash receipts from loans previously written-off from allowances for loan losses | - | - |
| Cash receipts from other income | 49 589 | 56,895 |
| Cash paid to employees | (48 311) | (43,412) |
| Cash paid to suppliers and contractors | (29 263) | (28,614) |
| | 18 088 | 27,154 |
| I.1 Increase/(decrease) of assets | | |
| Increase/(decrease) on deposits to NBM | - | - |
| Increase/(decrease) on loans to customers | (198 640) | (240,293) |
| Increase/(decrease) on other assets | 66 660 | 105,000 |
| | (131 980) | (135,293) |
| I.2 Increase/(decrease) of liabilities | | |
| Increase/(decrease) on deposits from customers | 48 292 | 188,431 |
| Increase/(decrease) on deposits and loans from banks | - | - |
| Increase/(decrease) on other assets | 13 152 | 75,116 |
| Payments on income tax | (2 015) | (1,749) |
| Net cash from operating activity | 59 429 | 261,798 |
| II. Cash flows from investing activities | | |
| Proceeds /(payments) on investment securities | 186,921 | 153,880 |
| Proceeds /(payments) on property and equipment assets | - | - |
| Payments for intangible assets | (153) | (153) |
| Interest received | 17 076 | 15,353 |
| Net cash from investing activities | 203 844 | 169,080 |
| III. Net Cash flow from financing activity | | |
| Receipts / (payments) for long-term loans | (24 665) | (3,605) |
| Net Flow from financial activity | (24 665) | (3,605) |
| Effect exchange rate fluctuations on cash and cash equivalents | (3 639) | (3,605) |
| Total Net Cash flow | - | - |
| Cash and cash equivalents at the beginning of the year | 506,081 | 488,042 |
| Cash and cash equivalents at the end of the year | 522,716 | 506,081 |

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021 (continued)

Cash and Cash Equivalents

| | Note | 31 December 2021 MDL'000 | 31 December 2020 MDL'000 |
|--|------|-----------------------------|-----------------------------|
| Cash and cash equivalents | 4 | 166,827 | 155,693 |
| Accounts with National Bank of Moldova | 5 | 179,063 | 223,801 |
| Current accounts and deposits with banks | 6 | 65,249 | 74,735 |
| Investment securities | 7 | 111,577 | 51,852 |
| | | 522,716 | 506,081 |

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

These financial statements were authorized for issuance on March 01, 2022 by the Executives of the Bank:

President of Management Board

Oleg Holban

Chief -Accountant

Bujor Igor

EXPLANATORY NOTES TO FINANCIAL STATEMENTS

1. General Information on the Bank

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.

The Bank operates through its head office in Chisinau and through its 8 branches and 26 agencies (8 branches and 26 agencies on December 31, 2020).

As it was standing on December 31, 2021, the Bank registered 308 employees, out of whom 261 are active (December 31, 2020: 261).

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's registered office:

Ismail, 33 str.

MD-2011, Chişinău

Republic of Moldova

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 |
| Lupan Dumitru | 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 March 01, 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 transaction

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.

| | 2021 | | 2020 | |
|-----------------|---------|---------|---------|---------|
| | USD | Euro | USD | Euro |
| Average period | 17.6816 | 20.9255 | 17.3200 | 19.7436 |
| End of the year | 17.7452 | 20.0938 | 17.2146 | 21.1266 |

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 value than the initial value set by the Ministry of Finance, 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 | 45 – 50 years |
| Office equipment | 3 – 5 years |
| Equipment and installations | 3 – 15 years |
| Vehicles | 5 – 7 years |
| Cash machines (ATM) and equipment | 8 – 10 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 (continued)

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

The Bank has applied the aforementioned standard retrospectively with the cumulative effect of the initial enforcement of the recognized standard on January 1, 2019, thus shall not provide comparative information.

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.

In the context of the transition to IFRS 16, right-of-use assets and lease liabilities amounting to MDL'000 10,614 have been recognized as assets and registered in the accounting report under "Property, plant and equipment" and "Other liabilities" respectively.

As of December 31, 2021, the balance sheet value of the assets related to right of use is MDL'000 3,710 and lease liabilities of MDL'000 3,672.

Operational leasing

Operational leases are all leasing contracts that do not qualify as finance leases. Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lesser, are classified as operational leases.

The bank accounts for operational leases by recognizing lease payments as operational expenses 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.

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 not amortized according to graphics, but 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).

2. Accounting policies (continued)

2.2 Significant accounting policies (continued)

i. Impairment of non-financial assets

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

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).

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.

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

l. Provisions, contingent liabilities and contingent assets (continued)

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.

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.

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 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

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

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

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

Deferred income tax

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.

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

o. Income tax

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.

The Bank recognizes current and deferred tax is recognized as income or an expense and included in profit or loss.

Current tax and deferred tax shall be recognized outside profit or loss if the tax relates to items that are recognized in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax is recognized for the elements in the same or a different period.

- other comprehensive income shall be recognized other comprehensive income;
- directly in equity shall be recognized in equity.

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

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 during their ordinary work, to the National Social Insurance House and the National Health Insurance Fund on behalf of the employees that hold Moldovan citizenship for pension, healthcare and unemployment benefits. All the employees of the Bank are members and are required by law to make defined contributions (included in social security contributions) to the pension fund of the Republic of Moldova (a state defined contribution plan). All relevant contributions to the pension fund of the Republic of Moldova, are reflected in the income statement as expenses as incurred. The Bank has no further obligations in this regard. The Bank does not have an individual program for payment of pensions, and therefore has no obligations to pay pensions.

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;

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

q. Affiliated parties (continued)

- 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;

- 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

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.

3. Effective and new Standards and Interpretations

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

- **Amendments to IAS 1 “Financial Statement Presentation” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of material – enforced by the EU on November 29, 2019;**

The added amendments point out the definition of what is material and how it should be enforced. The new definition specifies that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments also ensure that the definition of material is consistent throughout the IFRS standards.

- **Amendment to IFRS 9 “Financial instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures” – The Interest Rate Benchmark – enforced by the EU on January 15, 2020;**

The IASB has published amendments to IFRS9, IAS 39 and IFRS 7, which concluded the first stage of its activity to address the effects of the Interbank Offered Interest rates on Financial reporting. The published amendments address issues affecting financial reporting in the period prior to the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for the specific hedging accounting requirements within IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement which require forthcoming analysis. The amendments provide for temporary exemptions, applicable to all hedging relationships that are directly affected by the reference interest rate reform, which allow for the continuation of hedge accounting in the period of uncertainty before replacing an already existing interest rate with almost risk-free alternatives. There are also changes to IFRS 7 Financial Instruments: Disclosures about uncertainty arising from the reform of the interest rate benchmark. The amendments shall enter into force for annual periods beginning on or after 1 January 2020 and shall be applied retroactively. The second step will focus on issues that could affect financial reporting when an existing interest rate reference value is replaced by a risk-free interest rate.

- **Amendments to IFRS 16 “Leasing contracts” – Rent concessions as fallout of COVID-19**

The amendment shall apply retrospectively to annual reporting periods beginning on or after June 1, 2020. The IASB amended the standard to provide exemption from lessees from the enforcement of IFRS 16 by providing guidance on the change in accounting pursuant to rent concessions occurring as a direct consequence of the COVID-19 pandemic. The amendment provides a convenient and practical means for the lessee to account for any change in lease payments resulting from the deferral of rental payments caused by COVID-19 in the same manner as the change would be accounted for under IFRS 16 if it was not a change in the lease, only if all of the following conditions are met:

- The change in lease payment results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments due on or before 30 June 2020;
- There is not substantive change to other terms and conditions of the lease.

On March 31, 2021, IFRS issued "Covid-19 Lease Concessions After June 30, 2021."

This amendment to IFRS-16 extends a one-year "practical dossier" (in other words, an emergency measure), first announced in May 2020 as part of the overall response to COVID-19.

The dossier acknowledged the impact of the COVID-19 pandemic on business. Many have sought leases from landlords as part of the effort to control cash flow.

According to the practical procedure, tenants were not asked to assess whether the lease concessions were or where not considered "changes in leasing" for accounting purposes.

Under the recent amendments, a lessee may apply the COVID-19 lease opportunity for which a reduction in lease payments only affects payments originally due on or before June 30, 2022.

The lessee is required to apply the amendment for annual reporting periods beginning on or after April 1, 2021.

They must also apply the change retrospectively, the cumulative effect of its initial application being recognized as an adjustment to the original balance. The disclosure requirements from the paragraph 28 (f) 1 of IAS-8, "Accounting Policies, Changes in Accounting Estimates and Errors, do not apply to this initial request.

- **Amendments to the References to the Conceptual Framework of IFRS standards – enforced by the EU on November 29, 2019;**

The International Accounting Standards Board ("IASB") the revised conceptual framework for Financial Reporting on March 29, 2018. The conceptual framework establishes a comprehensive set of concepts for financial reporting, setting standards, guiding those who prepare financial reporting in developing accounting policies, and assisting others in their efforts to

understand and interpret the standards. The IASB has also issued a companion document to the Conceptual Framework, Amendments to Conceptual Framework References in IFRSs, which sets out amendments applicable to amended standards to update references to the revised Conceptual Framework. Its objective is to support the transition to the Revised Conceptual Framework for companies developing accounting policies using the Conceptual Framework when no IFRS standard applies to a particular transaction. For those developing accounting policies using the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

b. Issued standards, but not yet in force and not adopted early

- **Amendments 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 associated entity or joint venture.**

The amendments relate to an identified inconsistency between the requirements of IFRS 10 and those of IAS 28 pursuant to the sale of and contribution of assets between an investor and its associate or joint venture. The main consequence of the changes is that a total gain or loss is recognised when the transaction involves an enterprise. A partial gain or loss is recognised 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 deferred the effective date of this change pending the outcome of a research project on equity accounting. The amendments have not yet been adopted by the EU.

- **IAS 1 Presentation of Financial statements – Classification of debt with covenants as current or long term debts. The amendments shall enter into force for the annual periods starting with or after January 1, 2022, or subsequently, with prior given permission. IASB has issued an exposure project to delay the enforcement of the law on January 1, 2023.**

The amendments aim to promote consistency in the enforcement of the requirements by helping companies determine whether, within the statement of financial position, debts and other liabilities with an uncertain settlement date should be classified as current or long-term. The amendments affect the presentation of liabilities in the statement of financial position and do not change the existing requirements for the measurement or timing of recognition of any asset, liability, income or expense, nor the disclosures that entities make 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.

- **IFRS 3 Business combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as well as yearly improvements. The amendments shall enter into force for the annual periods starting with or after January 1, 2022, or subsequently, with prior given permission. IASB has issued amendments with limited enforcement to the IFRS Standards as follows:**

- IFRS 3 Business Combinations updates a prior reference within IFRS Conceptual framework for Financial reporting without changing its accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment prohibits a company to deduct from the cost of an item of property, plant and equipment any proceeds from selling items produces, while the company brings that asset to the manner of its usage. Instead, an entity shall recognize these proceeds and the pertaining costs in profit or loss report.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets defines which costs specify which costs a company includes in determining the cost of performing a contract for the purpose of assessing whether a contract is onerous.

4. Cash and cash equivalents

| | 31 December 2021 | 31 December 2020 |
|------------------------------------|------------------|------------------|
| | MDL'000 | MDL'000 |
| Cash on hand | 103,996 | 104,820 |
| Cash in transit | 54,407 | 44,903 |
| Cash in ATM's and other devices | 8,382 | 5,904 |
| Bank notes and commemorative coins | 42 | 66 |
| | 166,827 | 155,693 |

5. Accounts with National Bank of Moldova

| | 31 December 2021 | 31 December 2020 |
|--------------------|------------------|------------------|
| | MDL'000 | MDL'000 |
| Current account | 179,062 | 223,801 |
| Mandatory reserves | 126,642 | 127,100 |
| | 305,706 | 350,902 |

The National Bank of Moldova (NBM) requires commercial banks to maintain for liquidity purposes mandatory reserves calculated at a certain rate of the average funds borrowed by banks during the previous month (period between date 8 of the previous month and date 7 of the current month) including all customer deposits.

According to the NBM Decision no.295 as of 29.12.2014 "On the National Bank interest rates and required reserves", the required reserves ratio from funds attracted in MDL and non-convertible currency on 01.01.2021 amounted to 32% (2020: 42.5%) and 30% (2020: 19%), respectively, by 31.12.2021 for Moldovan Lei 26% and non-convertible currency 30% (2020: 30%).

On 31 December 2021 the mandatory reserve in the account that has been opened at the National Bank was of MDL'000 126,642 (31 December 2020: MDL'000 127,100) and it included the compulsory reserve on funds attracted in MDL and non-convertible currency. The balance of the accounts booked in reserves in USD and EUR was USD'000 2,073 and respectively EUR'000 4,458 (31 December 2020: USD'000 2,110 and EUR'000 4,297).

The interest paid by NBM for the accounts of required reserves during 2021 was 0.01% for reserves in foreign currency and between 0,15 – 3,5% for reserves in MDL (during 2020 - 0.1% for reserves in foreign currency and between 0,17% and 2,5% for reserves in MDL). The required reserves in MDL held on current accounts with National Bank of Moldova can be used by the Bank during its daily transactions.

6. Current accounts and deposits with banks

| | 31 December 2021 | 31 December 2020 |
|------------------|------------------|------------------|
| | MDL'000 | MDL'000 |
| Current accounts | 65,249 | 74,735 |
| Deposits | - | - |
| | 65,249 | 74,735 |

On 31 December 2021, the current account balance in (N)UNICREDIT S.P.A. amounted to MDL'000 18,608 and in Romanian Commercial Bank Chisinau amounted to MDL'000 27,934. On 31 December 2020 the current account balances in (N)UNICREDIT S.P.A. amounted to MDL'000 29,641 and in Romanian Commercial Bank Chisinau amounted to MDL'000 28,746.

The interest rate on funds in foreign currency placed in the "Nostro" accounts ranged from -1.6% to -0.5% EUR, for USD from 0% to 0.25% (2020 – 0.4% to – 0.25%).

7. Investment securities at amortized cost (debt securities)

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| | MDL'000 | MDL'000 |
| State securities | 187,052 | 165,301 |
| Securities issued by NBM | 69,909 | 25,000 |
| | 256,961 | 190,301 |
| Included in cash and equivalents (Note 18) | 111,577 | 51,852 |
| Securities with maturity greater than 91 days | 145,384 | 138,449 |
| | 256,961 | 190,301 |

As of December 31, 2021, financial assets at amortized costs represent treasury bills and NBM certificates with a maturity of 14 days for CBN and 91 to 364 days for SS (2020 - from 91 to 364 days), issued by the Ministry of Finance of the Republic of Moldova. The interest rate varies from 2.65% to 6.5% for CBN and respectively between 3.23% and 9.67% annually for VMS (2020: CBN - 2.65% - 5.5% and VMS - 3.4% and 5.6%). They are traded on an active market.

8. Loans to customers, net

| | 31 December 2021 | 31 December 2020 |
|----------------------|------------------|------------------|
| | MDL'000 | MDL'000 |
| Loans, gross | 622,346 | 562,554 |
| Allowance for losses | (9,614) | (12,352) |
| Credits, net | 612,732 | 550,202 |

Analysis of the portfolio of customer types is presented below:

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 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 | 353 | 355 | 0 | 0 | 1 | 0 | 0 |
| Other financial institutions | 31,655 | 31,702 | 0 | 0 | 47 | 0 | 0 |
| Non-financial corporations. Corporate | 26,002 | 26,044 | 0 | 0 | 43 | 0 | 0 |
| Non-financial corporations. | 281,817 | 235,649 | 37,654 | 14,803 | 363 | 505 | 5,421 |
| Retail | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Households | 272,905 | 246,657 | 23,384 | 6,098 | 396 | 554 | 2,284 |
| | 612,732 | 540,407 | 61,038 | 20,901 | 850 | 1,060 | 7,704 |

8. Loans to customers, net (continued)

Loans as at 31 December 2020

| | 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 | - | - | - | - | 0 | - | - |
| Other financial institutions | 24,698 | 24,731 | - | - | 33 | - | - |
| Non-financial corporations | | | | | | | |
| Corporate | 18,586 | 12,851 | - | 5,755 | 19 | - | - |
| Non-financial corporations. IMM. | 278,026 | 206,431 | 55,922 | 25,032 | 286 | 1,349 | 7,724 |
| Non-IMM | - | - | - | - | - | - | - |
| Households | 228,892 | 198,441 | 27,081 | 6,311 | 246 | 829 | 1,867 |
| | 550,202 | 442,454 | 83,003 | 37,097 | 584 | 2,178 | 9,591 |

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

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| | MDL'000 | MDL'000 |
| Agriculture | 100,022 | 116,832 |
| Constructions/ real estate and land improvements | 117,794 | 101,022 |
| Consumer credits | 125,719 | 100,822 |
| Trade and industry | 151,295 | 136,053 |
| Non-commercial organizations | 0 | - |
| Transport/telecommunication and network development | 18,901 | 6,762 |
| Financial non-banking sector | 31,702 | 24,731 |
| Loans to services sector | 27,426 | 27,602 |
| Loans to individuals performing an activity | 29,973 | 26,620 |
| Other | 19,514 | 22,110 |
| | 622,346 | 562,554 |

The average interest rate during the year for the loans granted in MDL in 2021 varied from 1% to 26% (2020: from 1% to 26%). For loans granted in foreign currency in 2021 varied from 3.5% to 6% (2020: from 3.5% to 7.5%).

8. Loans to customers, net (continued)

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 |
| Non-commercial organizations | 0 | 0 | 0 | 0 | 0 | 0 |
| 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 and activity | 29,557 | 30 | 0 | 0 | 0 | 29,586 |
| Other | 18,400 | 180 | 0 | 348 | 353 | 19,280 |
| Total | 589,018 | 7,592 | 3,676 | 647 | 11,799 | 612,732 |

Ageing analysis by past due days as at 31 December 2020

| 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 | 115,950 | - | - | - | - | 115,950 |
| Constructions/ real estate and land improvements | 96,424 | 1,847 | 1,632 | - | 864 | 100,767 |
| Consumer credits | 90,500 | 4,856 | 1,413 | 346 | 1,752 | 98,866 |
| Trade and industry | 103,712 | - | 1,205 | - | 23,063 | 127,980 |
| Non-commercial organizations corporations | - | - | - | - | - | - |
| Transport/telecommunication and network development | 6,732 | - | - | - | - | 6,732 |
| Financial non-banking sector | 24,698 | - | - | - | - | 24,698 |
| Loans to services sector | 25,591 | - | 1,744 | - | - | 27,335 |
| Loans to individuals performing an activity | 26,074 | - | 28 | - | - | 26,103 |
| Other | 19,775 | 640 | - | - | 1,356 | 21,771 |
| Total | 509,456 | 7,343 | 6,022 | 346 | 27,035 | 550,202 |

8. Loans to customers, net (continued)

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

| Loans, gross | Stage 1 | Stage 2 | Stage 3 | Total |
|--|-----------|----------|----------|-----------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| Gross outstanding amount as at 1 January 2021 | 442,454 | 83,003 | 37,097 | 562,554 |
| New financial assets originated | 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 |
| 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 |
| Gross outstanding amount as at 31 December 2021 | 540,407 | 61,038 | 20,901 | 622,346 |

| Loans by January 1, 2020, gross | Stage 1 | Stage 2 | Stage 3 | Total |
|--|-----------|---------|---------|-----------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| Balance at 1 January 2020 | 484,341 | 25,180 | 34,673 | 544,194 |
| New financial assets originated | 164,967 | 14,259 | 238 | 179,464 |
| Derecognitions (including write-offs) | - | - | - | - |
| Changes in the principal and disbursement fee amount | (146,670) | (7,320) | (7,114) | (161,104) |
| Changes in interest accrual | - | - | - | - |
| Transfer from Stage 1 to Stage 2 | (56,641) | 56,641 | - | - |
| Transfer from Stage 1 to Stage 3 | (8,143) | - | 8,143 | - |
| Transfer from Stage 2 to Stage 1 | 4,600 | (4,600) | - | - |
| Transfer from Stage 2 to Stage 3 | - | (1,228) | 1,228 | - |
| Transfer from Stage 3 to Stage 2 | - | 71 | (71) | - |
| Transfer from Stage 3 to Stage 1 | - | - | - | - |
| Other movements | - | - | - | - |
| Gross outstanding amount as at 31 December 2020 | 442,454 | 83,003 | 37,097 | 562,554 |

8. Loans to customers, net (continued)

Allowance for loan losses

The movements of allowance for the loss of the value of loans during 2021 and 2020 are presented below

| | 2021 | 2020 |
|------------------------|---------|---------|
| | MDL'000 | MDL'000 |
| Balance at 1 January | 12,352 | 7,743 |
| Additions | 98 | 4,764 |
| Write-off of loans | - | - |
| Recoveries | (2,836) | (155) |
| Balance at 31 December | 9,614 | 12,352 |

Exposures to affiliated persons

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| | MDL'000 | MDL'000 |
| The total amount of exposures to affiliated persons | 1,410 | 1,170 |
| Interest rate (min / max.) | 0% -18% | 0% -18% |
| Total Regulatory Equity | 256,203 | 238,106 |
| The ratio of the total amount of affiliated persons exposures to regulatory equity | 0.55% | 0.49% |

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 2021 | 31 December 2020 |
|---|------------------|------------------|
| | MDL'000 | MDL'000 |
| The credit bureau SRL | 52 | 52 |
| National Securities Depository of Moldova | - | - |
| MoldMediaCard SRL | 91 | 91 |
| Moldova Stock Exchange | 10 | 10 |
| | 153 | 153 |

All the investments securities available for sale as of 31 December 2021 and 2020 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.

| | 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 |
| Cost or revaluation | | | | | | |
| As of 1 January 2021 | 0 | 80,392 | 21,352 | 3,017 | 10,777 | 115,539 |
| Additions | 7,091 | 0 | 1,767 | 0 | 1,222 | 10,080 |
| Reevaluation | 0 | 28,847 | 0 | 0 | 0 | 28,846 |
| Transfers | (6,939) | | 6,612 | 327 | | 0 |
| Disposals | | 753 | 24 | 141 | 986 | 1,905 |
| As of 31 December 2021 | 152 | 108,486 | 29,707 | 3,203 | 11,013 | 152,560 |
| Accumulated depreciation | | | | | | |
| As of 1 January 2021 | 0 | 26,596 | 17,966 | 2,194 | 5,267 | 52,023 |
| Additions | 0 | 1,355 | 1,852 | 341 | 2,479 | 6,027 |
| Reevaluation | 0 | 14,441 | 0 | 0 | 0 | 14,441 |
| Disposals | 0 | 0 | 67 | 151 | 632 | 850 |
| As of 31 December 2021 | 0 | 42,392 | 19,750 | 2,384 | 7,114 | 71,640 |
| Net carrying amount | 0 | 15,796 | 1,785 | 190 | 0 | 0 |
| As of 1 January 2021 | 0 | 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, 2020, the cost of fixed assets worn in full but still used by the Bank amounted to MDL'000 17,875.

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

| | Assets under construction | 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 |
| Cost or revaluation | | | | | | |
| As of 1 January 2020 | - | 80,392 | 19,989 | 2,709 | 471 | 103,561 |
| Additions | 206 | - | 1,446 | 533 | 10,614 | 12,799 |
| Reevaluation | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - |
| Disposals | 206 | - | 83 | 225 | 308 | 821 |
| As of 31 December 2020 | - | 80,392 | 21,351 | 3,017 | 10,777 | 115,539 |
| | - | - | - | - | - | - |
| Accumulated depreciation | | | | | | |
| As of 1 January 2020 | - | 25,385 | 16,254 | 2,134 | 321 | 44,094 |
| Additions | - | 1,211 | 1,795 | 285 | 5,255 | 8,546 |
| Reevaluation | - | - | - | - | - | - |
| Disposals | - | - | 83 | 225 | 309 | 617 |
| As of 31 December 2020 | - | 26,596 | 17,966 | 2,194 | 5,267 | 52,023 |
| Net carrying amount | - | - | - | - | - | - |
| As of 1 January 2020 | - | 55,007 | 3,735 | 575 | 150 | 59,467 |
| As of 31 December 2020 | - | 53,796 | 3,386 | 823 | 5,510 | 63,516 |

As of December 31, 2020, the cost of fixed assets worn in full but still used by the Bank amounted to MDL'000 11,660.

11. Intangible assets

| | 31 December 2021 MDL'000 | 31 December 2020 MDL'000 |
|----------------------------------|-----------------------------|-----------------------------|
| Cost | | |
| Balance as of 1 January | 7,415 | 13,123 |
| Additions (Disposals), net | 2,670 | (5,709) |
| Balance as of 31 December | 10,085 | 7,414 |
| Amortization | | |
| Balance as of 1 January | 4,242 | 10,138 |
| Additions (Disposals), net | 1,077 | (5,896) |
| Balance as of 31 December | 5,319 | 4,242 |
| Carrying amount | | |
| As of 1 January | 3,172 | 2,985 |
| As of 31 December | 4,766 | 3,172 |

Intangible assets represent computer software and licenses.

12. Other assets, net

| | 31 December 2021 MDL'000 | 31 December 2020 MDL'000 |
|------------------------------------|-----------------------------|-----------------------------|
| Clearing and transit amounts | 9,639 | 6,104 |
| Receivables | 388 | 658 |
| Settlements with Bank's employees | 17 | 4 |
| Advances and deferred expenses | 1,106 | 1,173 |
| Inventories | 433 | 832 |
| Current income tax receivables | 199 | - |
| Other assets | 6,320 | 6,421 |
| Total | 18,102 | 15,192 |
| Allowances for other assets losses | (2,311) | (1,505) |
| Total | 15,791 | 13,687 |

13. Loans

| | 31 December 2021 MDL'000 | 31 December 2020 MDL'000 |
|--|-----------------------------|-----------------------------|
| Rural Investment and Services Project (RISP) | 36,818 | 8,657 |
| International Fund for Agricultural Development (IFAD) | 18,098 | 23,981 |
| Kreditanstalt für Wiederaufbau | 809 | 916 |
| Competitiveness Improvement Project | 3,021 | - |
| Debts towards clients regarding the financial leasing | 3,687 | 5,543 |
| Total | 62,433 | 39,097 |

| Name of the Project | Currency Loan | Interest rate applied in 2021 (%) | 31 December 2021 MDL'000 | 31 December 2020 MDL'000 |
|-----------------------|---------------|---|--------------------------------|--------------------------------|
| RISP I – refinancing | MDL | 1.35 - 7.1 | 12,373 | 5,042 |
| RISP II – refinancing | MDL | 1.35 - 7.1 | 24,400 | 3,503 |
| | EURO | 1.35 | 45 | 111 |
| FIDA | MDL | 1.35 - 7.1 | 17,802 | 20,020 |
| | EURO | 1.35 | 0 | 3,503 |
| | USD | 1.35 | 297 | 460 |
| KFW | MDL | 3.25 - 7.1 | 809 | 916 |
| PAC-1 | MDL | 3.25 - 7.1 | 3,021 | - |
| RAC-2 | MDL | 1.35 - 7.1 | - | - |
| Financial leasing | MDL | - | 3,687 | 5,542 |
| Total | | | 62,433 | 39,097 |

14. Due to clients

| | 31 December 2021 MDL'000 | 31 December 2020 MDL'000 |
|--|-----------------------------|-----------------------------|
| Non-interest bearing deposits | | |
| Deposits of individuals | | |
| in Moldovan lei | 26,934 | 20,535 |
| in foreign currencies | 96,574 | 78,571 |
| | 123,508 | 99,106 |
| Deposits of legal entities | | |
| in Moldovan lei | 146,770 | 118,769 |
| in foreign currencies | 124,012 | 106,259 |
| | 270,782 | 225,028 |
| Total non-interest bearing deposits | 394,290 | 324,134 |

14. Due to clients (continued)

| | 31 December 2021 MDL'000 | 31 December 2020 MDL'000 |
|--|-----------------------------|-----------------------------|
| Interest bearing deposits | | |
| Deposits of individuals | | |
| in Moldovan lei | 367,201 | 367,165 |
| in foreign currencies | 197,053 | 227,151 |
| | 564,254 | 594,316 |
| Deposits of legal entities | | |
| in Moldovan lei | 89,772 | 84,905 |
| in foreign currencies | 14,657 | 13,217 |
| | 104,429 | 98,122 |
| Total interest bearing deposits | 668,683 | 692,438 |
| Total deposits | 1,062,973 | 1,016,572 |

The annual interest rates granted by the Bank for term deposits of individuals and legal entities in MDL varied from 0.75% to 5.25% (in 2020: from 1% to 6.8%) and in foreign currency varied from 0.05% to 2.5% (in 2020: from 0.1% to 3.5%).

15. Taxation

The main components of tax expenses and reconciliations of theoretical tax spending based on the effective tax rate of 12% (2020: 12%) and tax expenses reported in the profit or loss are presented below:

| | 31 December 2021 MDL'000 | 31 December 2020 MDL'000 |
|---|-------------------------------------|-------------------------------------|
| Profit before tax | 22,349 | 15,821 |
| Income tax rate in the Republic of Moldova | 0 | 12% |
| Theoretical income tax | (2,682) | (1,899) |
| The impact of differences between IFRS and tax law provisions | 667 | (150) |
| Impact of tax rate change | 0 | - |
| Actual expenses on income tax | (2,015) | (1,749) |
| Income tax expense includes: | | |
| Current tax expenses | (2,350) | (2,091) |
| Deferred tax expense: | | |
| - Relating to origins and reversal of temporary differences | 335 | 342 |
| Income tax expense | (2,015) | (1,749) |
| | 31 December 2021 MDL'000 | 31 December 2021 MDL'000 |
| Current tax liabilities | 575 | 163 |
| Deferred tax liabilities | 3,540 | 2,045 |
| Total | 4,115 | 2,208 |

16. Other liabilities

| | 31 December 2021 MDL'000 | 31 December 2020 MDL'000 |
|--|-----------------------------|-----------------------------|
| Settlements with other individuals and legal entities | 18 | 22 |
| Settlements regarding the purchase / sale of securities and foreign currency | 150 | - |
| Clearing amounts | 2,251 | 1,258 |
| Provisions with Bank employee benefits | 7,793 | 6,427 |
| Other liabilities | 1,026 | 738 |
| Total | 11,238 | 8,445 |

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

17. Share capital

As of December 31, 2021, the Bank's share capital constituted 13,800,000 of authorized shares issued in circulation at the nominal value of MDL 10 per share (2020: 13,800,000 shares).

| | Number of shares | Total value MDL'000 |
|----------------------------|-------------------|------------------------|
| La 31 December 2021 | 13,800,000 | 138,000 |
| Placed shares | - | - |
| La 31 December 2020 | 13,800,000 | 138,000 |

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

| | 31 December 2021 | | | 31 December 2020 | | |
|---|-------------------|-------------------|----------------|-------------------|-------------------|----------------|
| | Equity share % | Share Number | MDL'000 | Equity share % | Share Number | MDL'000 |
| Zissi Mariana, Grecia | 46.45 | 6,410,459 | 64,105 | 46.45 | 6,410,459 | 64,105 |
| Mahmood M.S.M. | 42.19 | 5,822,653 | 58,227 | 42.19 | 5,822,653 | 58,227 |
| Other shareholders (equity interest less than 5%) | 9.54 | 1,316,888 | 13,169 | 11.36 | 1,566,888 | 15,668 |
| New shares issued temporarily, registered in the name of the bank | 1.81 | 250,000 | 2,500 | - | - | - |
| | 100 | 13,800,000 | 138,000 | 100 | 13,800,000 | 138,000 |

As of December 31, 2020, the Bank's stock of 0.06 % was held by legal entities and of 99.94% by individuals.

The total number of shareholders is 106 (31 December 2020: 106 shareholders) out of which 100 shareholders are individuals and 6 legal entities (31 December 2020: 100 individuals and 6 legal entities).

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

As of December 31, 2021, the newly issued shares temporarily registered in the name of the bank and put up for sale on the regulated market constitute 250,000 shares, which represents 1.81% of the bank's statutory capital.

Reserve

| | 31 December 2021 MDL'000 | 31 December 2020 MDL'000 |
|---------------------------------|-----------------------------|-----------------------------|
| Reserve capital | 13,800 | 13,800 |
| Retained earnings and other | 129,501 | 103,549 |
| General reserves for bank risks | 39,776 | 44,738 |
| | 183,076 | 162,089 |

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.

Differences from revaluation of tangible assets

As of December 31, 2021, the amount concerning the re-evaluation of tangible assets constituted MDL'000 47,846 (2020: MDL'000 36,317).

18. Cash and cash equivalents

| | Nota | 31 December 2021 | 31 December 2020 |
|--|------|------------------|------------------|
| | | MDL'000 | MDL'000 |
| Cash on hand | 4 | 166,827 | 155,693 |
| Accounts with National Bank of Moldova | 5 | 179,063 | 223,801 |
| Current accounts and deposits with banks | 6 | 65,249 | 74,735 |
| Investment securities at amortized cost | 7 | 111,577 | 51,852 |
| | | 522,716 | 506,081 |

19. Interest income

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| | MDL'000 | MDL'000 |
| Cash and investments at the Central Bank | 1,640 | 1,691 |
| Loans and advances to banks | 39 | 17 |
| Loans and advances to clients | 56,496 | 52,523 |
| Financial assets at fair value through other items of comprehensive income | 69 | 8 |
| Investments held-to-maturity | 10,762 | 6,481 |
| | 69,006 | 60,720 |

20. Interest expense

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| | MDL'000 | MDL'000 |
| Deposits and loans from banks | 85 | 127 |
| Borrowings from financial institutions | 1,692 | 1,552 |
| Deposits from customers | 19,841 | 22,790 |
| | 21,618 | 24,469 |

21. Fee and commission income

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| | MDL'000 | MDL'000 |
| Commissions from rendering of services for loans | 584 | 873 |
| Commissions on clients' accounts servicing | 8,627 | 7,460 |
| International transfers through international payment systems | 10,565 | 10,016 |
| Transactions with debit cards | 4,686 | 3,872 |
| Cash withdrawals | 7,642 | 4,305 |
| Other commissions | 130 | 118 |
| | 32,234 | 26,644 |

22. Fee and commission expense

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| | MDL'000 | MDL'000 |
| Expenses on cards operations | 4,228 | 3,647 |
| Commissions on interbank transfers | 1,602 | 1,571 |
| Cash transactions with foreign currency | 6,886 | 8,177 |
| Expenses for servicing Loro accounts | 47 | 31 |
| Other | 2,021 | 2,224 |
| | 14,784 | 15,650 |

23. Income from foreign currency operations

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| | MDL'000 | MDL'000 |
| Income arising from sale, net | 32,598 | 44,245 |
| Losses from currency revaluation | (1,363) | (9,155) |
| Income (losses) from revaluation of assets and liabilities in MDL | (2,276) | 3,996 |
| | 28,960 | 39,086 |

24. Other operating income

| | 31 December 2021 | 31 December 2020 |
|--------------------------|------------------|------------------|
| | MDL'000 | MDL'000 |
| Income arising from rent | 1,547 | 1,488 |
| Fines and penalties | 2,419 | 2,169 |
| Other operating income | 697 | 816 |
| | 4,663 | 4,473 |

25. Personnel Expenses

| | 31 December 2021 | 31 December 2020 |
|--------------------------------------|------------------|------------------|
| | MDL'000 | MDL'000 |
| Salaries | 34,588 | 33,000 |
| Bonuses | 9,390 | 7,105 |
| Social insurance contributions | 9,351 | 6,318 |
| Health insurance | - | 1,580 |
| Other expenses on salaries and wages | 648 | 577 |
| | 53,977 | 48,580 |

26. General and administrative expenses

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| | MDL'000 | MDL'000 |
| Rent Expenses | 1,790 | 2,189 |
| Expenditure on telecommunications, post and telegraph | 2,049 | 1,880 |
| Utilities (electricity, heating and water supply) | 1,513 | 1,582 |
| Repair and maintenance of vehicles | 997 | 1,042 |
| Advertising expenses | 1,259 | 922 |
| Repair and maintenance of furniture and equipment | 759 | 1,086 |
| Expenses with security services | 1,112 | 1,007 |
| Office expenses, printing | 466 | 413 |
| Expenses related to amortization of assets of small value and short-term | 241 | 46 |
| Consulting and auditing services | 690 | 310 |
| Other expenses for repair and maintenance of buildings | 293 | 279 |
| Payments and contributions to deposit guarantee fund | 2,148 | 1,320 |
| Other expenses | 4,030 | 3,047 |
| | 17,347 | 15,123 |

27. Result per share (MDL)

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| Net profit attributable to shareholders, MDL'000 | 20,334 | 14,072 |
| Weighted average of ordinary shares, thousand shares | 13,800 | 13,800 |
| Earnings per share basic MDL / shares | 1.47 | 1.03 |

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, 2021 and 2020 is presented as follows

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| | MDL'000 | MDL'000 |
| Commitments to grant loans in the future | 17,099 | 21,944 |
| Issued guarantees and securities | 4,121 | 4,009 |
| Total | 21,220 | 25,953 |

Commitments for capital investments

As of 31 December 2021 and 2020, 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 2021 | 31 December 2020 |
|-------------------|------------------|------------------|
| | MDL'000 | MDL'000 |
| Up to 1 year | 1,100 | 1,234 |
| From 1 to 5 years | 361 | 277 |
| Over 5 years | - | - |
| | 1,461 | 1,511 |

Contingent liabilities

On 31 December 2021 and 2020, 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. Related parties

When examining each possible related party relationship, special attention is drawn to the substance of the relationship and not merely 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 | | Other related parties | |
|-----------------------------------|--|------|-----------------------|------|
| | 2021 | 2020 | 2021 | 2020 |
| (in MDL'000) | | | | |
| Interest income | 20 | 25 | 72 | 150 |
| Revenue from fees and commissions | 2 | 2 | 21 | 8 |
| Interest expense | 110 | 163 | 36 | 39 |

29. Related parties (continued)

The following amounts which arose due to transactions with related parties are included in the income statement for the years ended 31 December 2021 and 2020:

| | Key management personnel of the entity or its parent company | | Other related parties | |
|---|---|--------|-----------------------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| (MDL'000) | | | | |
| Assets | | | | |
| Loans and advances | 530 | 441 | 1,072 | 931 |
| Liabilities | | | | |
| Deposits | 11,611 | 11,214 | 6,369 | 5,662 |
| Financing commitments, financial guarantees and other commitments [notional value] | | | | |
| Given | - | - | - | - |
| Received | 42 | 21 | - | - |

46

30. Fair value of the 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 measures for crisis situations;
- 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 31.12.2020 amounted to a minimum of 10%.

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

| | 31.12.2021 MDL'000 | 31.12.2020 MDL'000 |
|------------------------------------|-----------------------|-----------------------|
| Common Equity Tier 1 | 256,202 | 238,106 |
| Common Equity Tier 1 supplementary | - | - |
| Recoveries (minus) | - | - |
| Own funds: | 256,202 | 238,106 |
| Own funds requirement : | | |
| Credit Risk | 641,020 | 569,254 |
| Operational Risk | 132,590 | 122,054 |
| Currency Risk | 7,449 | 14,568 |
| Market Risk | - | - |
| Settlement/delivery Risk/ | - | - |
| Own funds requirement: | 781,059 | 705,876 |
| Common Equity Tier 1 ratio | 32.8 | 33.73% |
| Common Equity Tier 1 ratio | 32.8 | 33.73% |
| Total capital ratio | 32.8 | 33.73% |

31. Risk Management (continued)

(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 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 (debt securities) | 7 | 256,961 | 256,961 | - | - |
| Investment securities at amortized cost (loans, net) | 8 | 612,732 | 539,557 | 59,978 | 13,197 |
| Financial assets at fair value through other comprehensive income (equity instruments) | 9 | 153 | - | - | - |
| Total | | 1,240,800 | 796,518 | 59,978 | 13,197 |

| 31 December 2020 | Note | Book value | Stage 1 | Stage 2 | Stage 3 |
|--|------|------------------|----------------|---------------|---------------|
| | | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| Accounts with National Bank of Moldova | 5 | 350,902 | - | - | - |
| Current accounts and deposits with banks | 6 | 74,735 | - | - | - |
| Investment securities at amortized cost | 7 | 190,301 | 190,301 | - | - |
| Loans, net | 8 | 550,202 | 441,870 | 80,825 | 27,507 |
| Other financial assets | 9 | 153 | - | - | - |
| Total | | 1,166,293 | 632,171 | 80,825 | 27,507 |

31. Risk management (continued)

(a) Loan risk (continued)

Loans and advances

Loans and down payments are grouped as follows:

| | 2021 | | 2020 | |
|---|---------------------------|------------------------|---------------------------|------------------------|
| | Legal entities MDL'000 | Individuals MDL'000 | Legal entities MDL'000 | Individuals MDL'000 |
| Stage 1 | 310,986 | 229,422 | 256,668 | 185,786 |
| Stage 2 | 50,711 | 10,326 | 69,800 | 13,203 |
| Stage 3 | 14,904 | 5,997 | 30,888 | 6,209 |
| Total | 376,601 | 245,745 | 357,356 | 205,198 |
| Less: Allowance for impairment of loans | | | (9,942) | (2,411) |
| Net | (6,768) | (2,846) | 347,414 | 202,787 |

Loans and advances classified by overdue days (net value)

| | 2021 | | 2020 | |
|----------------------------|---------------------------|------------------------|---------------------------|------------------------|
| | Legal entities MDL'000 | Individuals MDL'000 | Legal entities MDL'000 | Individuals MDL'000 |
| No overdue days | 358,909 | 230,028 | 321,373 | 188,083 |
| Overdue for up to 30 days | 30 | 7,562 | - | 7,343 |
| Overdue between 31-60 days | 1,914 | 1,761 | 2,978 | 3,044 |
| Overdue between 61-90 days | 0 | 647 | - | 346 |
| More than 90 days | 8,899 | 2,899 | 23,063 | 3,971 |
| | 369,833 | 242,899 | 347,414 | 202,787 |

The maximum exposure to credit risk without any guarantees held or improvement of the credit rating

| | Nota | 31 December 2021 MDL'000 | 31 December 2020 MDL'000 |
|---|------|-----------------------------|-----------------------------|
| Accounts with National Bank of Moldova | 5 | 305,706 | 350,902 |
| Current accounts and deposits with banks | 6 | 65,249 | 74,735 |
| Investment securities at amortized cost (debt securities) | 7 | 256,961 | 190,301 |
| Investment securities at amortized cost (loans, net) | 8 | 612,732 | 550,202 |
| Other financial assets | 9 | 153 | 153 |
| | | 1,240,801 | 1,166,293 |
| Off-balance (conditional commitments) | 28 | 21,220 | 25,953 |
| Maximum exposure to credit risk | | 1,262,020 | 1,192,246 |

The concentration of maximum exposure to credit risk

The sum of the first ten exposures to loans, (including groups) of the Bank at 31 December 2021 amounted to MDL'000 116,194, which represents 20% of the total portfolio of conditional loans and commitments (as of 31 December 2020: MDL'000 120,616 or 23,2% of the total portfolio of conditional loans and commitments).

32. Risk Management (continued)

(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, 2021 and December 31, 2020. 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 2021 | Total | MDL | USD | EUR | Other currencies |
|--|------------------|------------------|----------------|-----------------|------------------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| ASSETS | | | | | |
| 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 |
| Total assets | 1,509,103 | 1,144,355 | 112,927 | 243,821 | 8,000 |
| LIABILITIES | | | | | |
| 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 |
| Total Liabilities | 1,140,182 | 705,343 | 118,605 | 309,509 | 6,726 |
| GAP | 368,921 | 439,012 | (5,678) | (65,688) | 1,275 |

32. Risk Management (continued)

(b) Currency risk (continued)

| 31 December 2020 | Total | MDL | USD | EUR | Other currencies |
|--|------------------|------------------|----------------|-----------------|------------------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| ASSETS | | | | | |
| Cash and cash equivalents | 155,693 | 72,069 | 14,017 | 64,644 | 4,963 |
| Accounts with National Bank of Moldova | 350,901 | 223,801 | 36,317 | 90,783 | - |
| Current accounts and deposits with banks | 74,735 | - | 44,351 | 29,842 | 542 |
| Investment securities at amortized cost (debt securities) | 190,301 | 190,301 | - | - | - |
| Investment securities at amortized cost (loans, net) | 550,202 | 484,737 | 12,228 | 53,237 | - |
| Financial assets at fair value through other comprehensive income (equity instruments) | 153 | 153 | - | - | - |
| Tangible assets, net | 63,516 | 63,516 | - | - | - |
| Intangible assets, net | 3,172 | 3,172 | - | - | - |
| Other assets | 13,688 | 5,424 | 2,274 | 4,636 | 1,354 |
| Total assets | 1,402,361 | 1,043,173 | 109,187 | 243,142 | 6,859 |
| LIABILITIES | | | | | |
| Other financial debts (Borrowing) | 39,097 | 35,024 | 460 | 3,613 | - |
| Due to clients | 1,016,572 | 591,374 | 117,692 | 302,108 | 5,398 |
| Deferred tax liabilities | 2,045 | 2,045 | - | - | - |
| Other financial liabilities | 8,444 | 7,494 | 509 | 351 | 90 |
| Total Liabilities | 1,066,158 | 635,937 | 118,661 | 306,072 | 5,488 |
| GAP | 336,203 | 407,236 | (9,474) | (62,930) | 1,371 |

The ratio for open foreign exchange position as percentage ratio between the value of the open foreign exchange position and the value of the total regulatory capital of the bank was recognized as of December 31, 2021. The limit established by the National Bank of Moldova in amount of 20% was fulfilled, thus the position ratio for long open foreign exchange of the Bank was 1,05% (2020: 1.10%), and the short open foreign exchange was- 3.69% (2020 - 7.61%).

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

| 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 |
| 31 December 2020 | Possible rate increase % | Income/loss effect MDL'000 | Possible rate decrease % | Income/loss effect MDL'000 |
| EUR | 10% | (6,293) | -10% | 6,293 |
| USD | 10% | (947) | -10% | 947 |

33. 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 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 |
| ASSETS | | | | | | | | | |
| 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 | - | - | - | - | - | - | - |
| Investment securities at amortized cost | 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 | - | - | - | - | - | - | - |
| Total financial assets | 1,585,744 | 664,617 | 44,803 | 46,205 | 111,789 | 93,887 | 102,760 | 422,717 | 98,965 |
| LIABILITIES | | | | | | | | | |
| | 71,870 | 291 | 291 | 291 | 1,094 | 869 | 869 | 53,790 | 14,375 |
| | 1,131,480 | 432,598 | 10,624 | 26,691 | 100,307 | 81,997 | 61,585 | 349,724 | 47,954 |
| | 2,250 | 2,251 | - | - | - | - | - | - | - |
| | 1,205,601 | 455,139 | 10,915 | 26,982 | 101,401 | 82,866 | 62,455 | 403,514 | 62,329 |
| | 380,144 | 209,478 | 33,889 | 19,223 | 10,388 | 11,021 | 40,306 | 19,203 | 36,636 |

BC EUROREDITBANK SA
NOTE EXPLICATIVE LA SITUATIILE FINANCIARE
Pentru anul încheiat la 31 decembrie 2021

| 31 December 2020 | | 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 |
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | | 155,693 | 155,693 | - | - | - | - | - | - | - |
| Accounts with National Bank of Moldova | | 350,902 | 350,902 | - | - | - | - | - | - | - |
| Current accounts and deposits with banks | | 74,735 | 74,735 | - | - | - | - | - | - | - |
| Investment securities at amortized cost | | 190,300 | 33,981 | 22,422 | 28,300 | 44,162 | 26,094 | 35,341 | - | - |
| Loans to customers, net | | 709,505 | 15,336 | 12,174 | 14,018 | 47,378 | 66,226 | 79,395 | 396,340 | 78,638 |
| Investment securities up for sale | | 153 | 153 | - | - | - | - | - | - | - |
| Other financial assets | | 7,950 | 7,950 | - | - | - | - | - | - | - |
| Total financial assets | | 1,489,238 | 638,750 | 34,596 | 42,318 | 91,540 | 92,320 | 114,736 | 396,340 | 78,638 |
| LIABILITIES | | | | | | | | | | |
| Borrowing | | 41,289 | 169 | 169 | 169 | 929 | 499 | 499 | 33,855 | 5,000 |
| Due to clients | | 716,609 | 6,304 | 13,108 | 38,054 | 124,241 | 83,649 | 62,280 | 343,020 | 45,953 |
| Other financial liabilities | | 1,227 | 1,227 | - | - | - | - | - | - | - |
| Total liabilities | | 759,125 | 7,700 | 13,277 | 38,223 | 125,170 | 84,148 | 62,779 | 376,875 | 50,953 |
| GAP | | 730,113 | 631,050 | 21,319 | 4,095 | (33,630) | 8,172 | 51,957 | 19,465 | 27,685 |

34. 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, 2021 and December 31, 2020 is presented as follows:

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Financial assets | | |
| Deposits due from banks | (1.6)% - 0.25% | (1)% - 0.25% |
| Loans and advances to customers | 1%-26% | 1% - 26% |
| Investment securities at amortized cost | 6.5-12.5 | 3.4% - 7% |
| Financial liabilities | | |
| Borrowings | 1.35%-7.1% | 1.35% - 3.25% |
| Client's deposits | 0.05%-5.25% | 0.1% - 6.8% |

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.

BC EUROCREDITBANK SA
NOTE EXPLICATIVE LA SITUAȚIILE FINANCIARE
Pentru anul încheiat la 31 decembrie 2021

34. 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 |
| ASSETS | | | | | | | | | |
| 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 |
| Investment securities at amortized cost | 256,961 | 94,844 | 29,756 | 61,304 | 19,912 | 21,525 | - | - | - |
| Loans to customers, net | 612,732 | 16,963 | 11,249 | 43,198 | 58,500 | 70,345 | 331,973 | 67,586 | - |
| Investment securities up for sale | 153 | - | - | - | - | - | - | - | 153 |
| Other financial assets | 11,432 | - | - | - | - | - | - | - | 11,432 |
| Total financial assets | 1,419,059 | 278,634 | 41,006 | 104,502 | 78,411 | 91,870 | 331,973 | 67,586 | 382,539 |
| LIABILITIES | | | | | | | | | |
| Borrowings | - | - | - | 225 | - | - | 43,357 | 14,375 | - |
| Due to clients | 1,062,973 | 4,865 | 9,930 | 25,149 | 96,171 | 58,527 | 335,462 | 32,483 | 422,153 |
| Other financial liabilities | 2,251 | - | - | - | - | - | - | - | 2,251 |
| Total liabilities | 1,123,181 | 4,865 | 9,930 | 25,149 | 96,396 | 58,527 | 378,820 | 46,858 | 424,404 |
| GAP of interest | 295,878 | 273,770 | 31,075 | 17,389 | 8,106 | 33,343 | (46,846) | 20,729 | (41,865) |
| Cumulative interest GAP | | 304,845 | 48,465 | 25,496 | 8,284 | 33,521 | (13,504) | (26,118) | (21,137) |

BC EUROREDITBANK SA
NOTE EXPLICATIVE LA SITUAȚIILE FINANCIARE
Pentru anul încheiat la 31 decembrie 2021

34. Risk management (continued)

(d) Interest rate risk (continued)

| 31 December 2020 | 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 |
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | 155,693 | 155,693 | - | - | - | - | - | - | - | - |
| Accounts with National Bank of Moldova | 350,902 | - | - | - | - | - | - | - | - | 350,902 |
| Current accounts and deposits with banks | 74,735 | - | - | - | - | - | - | - | - | 74,735 |
| Investment securities at amortized cost | 190,301 | 33,980 | 22,423 | 28,300 | 44,162 | 26,094 | 35,342 | - | - | - |
| Loans to customers, net | 550,202 | 10,061 | 8,696 | 10,648 | 36,503 | 50,055 | 67,889 | 313,019 | 53,331 | - |
| Investment securities up for sale | 153 | - | - | - | - | - | - | - | - | 153 |
| Other financial assets | 7,950 | - | - | - | - | - | - | - | - | 7,950 |
| Total assets | 1,329,936 | 199,734 | 31,119 | 38,948 | 80,665 | 76,149 | 103,231 | 313,019 | 53,331 | 433,740 |
| LIABILITIES | | | | | | | | | | |
| Borrowings | 33,293 | - | - | - | 430 | - | - | 27,863 | 5,000 | - |
| Due to clients | 1,016,572 | 4,328 | 11,329 | 36,128 | 119,250 | 79,601 | 58,738 | 326,040 | 29,967 | 351,191 |
| Other financial liabilities | 1,227 | - | - | - | - | - | - | - | - | 1,227 |
| Total liabilities | 1,051,092 | 4,328 | 11,329 | 36,128 | 119,680 | 79,602 | 58,738 | 353,903 | 34,967 | 352,418 |
| GAP of interest | 278,844 | 195,406 | 19,790 | 2,820 | (39,015) | (3,452) | 44,493 | (40,884) | 18,364 | 81,322 |
| Cumulative interest GAP | | 215,196 | 218,016 | 179,001 | 175,549 | 220,042 | 179,158 | 197,522 | | 278,844 |

34. 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 | Increase in basis points Increase in basis points | Sensitivity of net interest income, MDL'000 |
|------|--------------------------|---|--|--|
| 2021 | 100 | 3,377 | (100) | (3,377) |
| | 50 | 1,689 | (50) | (1,689) |
| 2020 | 100 | 2,457 | (100) | (2,457) |
| | 50 | 1,229 | (50) | (1,229) |

(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.

34. Risk Management (continued)

(f) Operational risk (continued)

This responsibility is supported by implementation of the banking standards in order to manage the operating risks 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).

35. Geographical concentration and business segments

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

| Name of the country | 31 December 2021 | | 31 December 2020 | |
|-------------------------------|---------------------------|--------------------------|---------------------------|--------------------------|
| | Total assets (MDL'000) | Total bonds (MDL'000) | Total assets (MDL'000) | Total bonds (MDL'000) |
| Moldova | 1,713,214 | 1,720,741 | 1,190,739 | 1,309,671 |
| EUM Countries | 18,609 | 1,633 | 29,663 | 1,157 |
| Other countries EU members | - | 144 | - | 122 |
| USA | 0.48 | 463 | 0.48 | 156 |
| off-shore | 0.06 | 94 | - | 98 |
| Other Countries | 2,015 | 10,763 | 340,915 | 250,113 |
| | 1,733,838 | 1,733,838 | 1,561,317 | 1,561,317 |

36. Important events of the year 2021

On March 11, 2020, the World Health Organization declared the COVID-19 epidemic a pandemic. During the years 2020-2021, in order to limit the spread of COVID-19, the Commission for Exceptional Situations of the Republic of Moldova established a series of restrictions, which led to: suspension of the activity of public catering enterprises, leisure centers, theaters, etc. ; reducing the cross-border flow of people by requesting vaccination certificates and / or negative PCR tests; reducing the volume of imports and exports of goods. After a year with difficult market conditions, in which the Bank had a very prudent risk approach, during 2021 the lending activity accelerated, both in the section of economic agents and that of Individuals. The financial performance of the Bank shows a positive trend compared to 2020, with an increase in profit and stability of financial indicators.

36. Important events of the year 2020 (continued)

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 proportion of 1.8115% (250,000 shares) of the statutory capital of the bank and to issue the same number of new shares of the same class. On June 2, 2021, the newly issued shares were put up for sale at a price of 23.32 MDL per share. During 2021, in accordance with the provisions of Law no. 202/2017, the share price was decreased by 38.76%. Thus, as of December 31, 2021, the price of a share put up for sale is 14.28 MDL.

37. Events succeeding the reporting period.

Changes in shareholder structure

In March 2022, in accordance with the provisions of Law no. 202/2017, the term of sale of the newly issued shares has expired. No newly issued shares were made during the sale period. On March 19, 2022, the share price was reduced to 7.5 MDL. The bank plans to redeem the newly issued 250,000 shares following permission from the NBM. The shares repurchased by the Bank will represent treasury shares and will not exceed 10% of the Bank's share capital.

Management changes

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.

The events presented above did not have an impact on the Bank's financial statements.