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**BC “EuroCreditBank” SA**  
***Financial Statements***  
**for the year ended on December 31, 2023**  
**prepared in accordance with the International Financial Reporting Standards**

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(free translation\*)

\*TRANSLATOR'S EXPLANATORY NOTE: The above translation of the financial statements is provided as a free translation from Romanian which is the official and binding version translation.

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**INDEPENDENT AUDITORS' REPORT**

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

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

- [1] We have audited the accompanying individual financial statements of B.C. EUROCREDITBANK S.A. (hereinafter referred to as ("the Bank"), which comprise the individual statement of financial position as at December 31, 2023 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, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

- [3] We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Moldova, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

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

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

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Key audit matter	Audit approach
<b>Allowance for impairment of loans to customers</b>	
<p>As described in note 8 to the financial statements, the Bank has recorded as at December 31, 2023 expected credit losses on loans to customers amounting to MDL'000 7,763.</p> <p>In accordance with the requirements of IFRS 9 Financial Instruments, the Bank distinguishes three stages of impairment, where the criteria for classification to individual stages are based on an assessment of the objective characteristics of loans and the relevant debtors and subjective judgments of the Bank.</p> <p>The ECLs are calculated using available historical data and anticipated future development determined using macroeconomic indicators.</p> <p>The statistical models used are based on the probability of default and the estimated amount of the loss given default. Input data for the model and the calculation methodology and its comprehensiveness depend on the judgment of Bank's management.</p> <p>We determined this to be a key audit matter due to the significant judgement exercised by management and the complexity in making the estimate including:</p> <ul style="list-style-type: none"> <li>a) The interpretation and assumptions used to build the model for ECLs.</li> <li>b) The completeness and accuracy of the data used to calculate ECLs.</li> <li>c) The assumptions and judgments, with regards to identifying quantifying loans impairment.</li> <li>d) The allocation of loans and advances from customers to stages, as per the criteria of the standard.</li> </ul>	<ul style="list-style-type: none"> <li>b) We assessed the adequacy of the methodology used by the Bank to identify loan impairment and calculate ECLs for the significant loan portfolios.</li> <li>c) We tested the design and operating effectiveness of key controls management of the Bank has established over the impairment assessment processes. The testing focused on controls related to: <ul style="list-style-type: none"> <li>- timely identification of significant increase in credit risk and correct classification of loans to corresponding impairment stages,</li> <li>- regular client creditworthiness review processes,</li> <li>- approval of experts' collateral valuation and</li> <li>- management review and approval of the impairment evaluation results.</li> </ul> </li> <li>d) We involved auditor's experts in the areas which required specific expertise.</li> </ul> <p>We reviewed the quality of the historical data used in the computation of the risk parameters and recalculated the ECLs on a sample of exposures based on the risk parameters resulted from the models. On a sample of exposures, we evaluated the appropriateness of impairment methodologies and their application.</p> <ul style="list-style-type: none"> <li>e) We formed an independent view on the levels of impairment allowances required by examining available external and internal information.</li> <li>f) We performed detailed substantive procedures on a sample of loans in order to verify the classification of loans and to identify any indications for impairment and whether additional allowances for ECLs should be recorded.</li> <li>g) We applied our professional judgment to assess the inputs used in the calculation of impairment losses and compared our assessment to the estimates applied by the Bank.</li> <li>h) We analyzed the financial condition of the borrowers and inquired about any breaches of contracts and/ or changes from the original terms and conditions of the contract. We have considered the impact of the current economic conditions, the valuation of collaterals, and other factors that may affect the recoverability of loans.</li> <li>i) We assessed the completeness, appropriateness and adequacy of the disclosures in the Bank's</li> </ul>

Key audit matter	Audit approach
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, 2023, 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, 2023, 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.

24 April, 2024

on behalf of

**ICS Baker Tilly Klitou and Partners SRL**

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**Alexandr Polomosnih**

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



**Natalia Voloşciuc**

Administrator





## PRESIDENT'S REPORT

The main results of the activity of BC "EuroCreditBank" S.A. (hereinafter – "the Bank") for 2023, are defined by the following indicators:

- ✓ According to the results for 2023, the Bank's efficiency indicators comply with the limits and norms set by the NBM;
- ✓ The Own funds as of 31.12.2023 amounted to 292 992,9 thousand MDL (267 843,6 thousand MDL as of 31.12.2022). 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 2023, will amount to 315 531,5 thousand MDL;
- ✓ Total own funds rate as of 31.12.2023 reached 31,28% (in the system 29,95 %) (NBM norm – no less than 10%);
- ✓ The Bank's current liquidity coverage ratio (LCR) by 31.12.2023 was 435,90 % (NBM norm -100%). This allowed the Bank to ensure timely the necessary volume of transactions and to honor its obligations;
- ✓ Total Assets amounted to 1 677 683,6 thousand MDL, increasing in comparison with the similar period of last year with 64 419,7 thousand MDL or 3,99% (an increase in the system by 17,2% or 22 572 316,7 thousand MDL);
- ✓ Bank's loan portfolio (main amount) as of 31.12.2023 amounted to 703 893,7 thousand MDL and increased in comparison with the similar period from last year with 77 807,5 thousand MDL or 12,4 % (an average increase in the system by 6,4%);
- ✓ Deposit portfolio as of 31 December 2023 amounted to 1 163 801,6 thousand MDL and increased by 59 171,1 thousand MDL or 5,4% in comparison with the similar period from last year (an average increase in the system by 19,8%).
- ✓ The net profit of BC "EuroCreditBank" S.A. amounted to 22 538,6 thousand lei with 11 970,6 thousand lei or 34,7% less compared to the same period of the previous year.

### Assets

The weight of interest-bearing assets (the monthly average value as of 31.12.2023) accounted for 80,09% of the total assets (in the system 87,78%). Compared to the situation of 31.12.2022, the share of interest-bearing assets decreased by 0,52 p.p. (per system increased by 2,33 p.p.).

Return on Assets was 1,38 % (in the system 2,80%), having a 0,95 p.p. decrease compared with the previous year, due to the decrease in the Base rate, which led to a decrease in income from investments and lending.

### Liabilities and equity

At the end of the reporting period, the total liabilities amounted to 1 677 683,6 thousand MDL, out of which the shareholders' equity amounted to 415 567,0 thousand MDL or 24,8% and liabilities - 1 262 116,6 thousand MDL or 75,2%.

Compared to 31.12.2022, there was an increase in the share capital by 3,5% (13 944,5 thousand MDL) and that of liabilities by 4,2% (50 475,1 thousand MDL). The increase in the equity capital (compared to the previous year) was done out of the undistributed profit, which increased by 15 290,0 thousand MDL.

The total balance of deposits by 31 December 2023 amounted to 1 163 801,6 thousand MDL and increased by 59 171,1 thousand MDL or 5,4%, compared to the same period from last year. The balance of the deposits from individuals increased by 20 206,9 thousand MDL or 2,6%, and the balance of deposits from legal entities decreased by 38 964,1 thousand MDL or 11,9%. The correlation between the Bank's debt and capital is 3,04 in 2023 (3,02 in 2022).

### Financial results

For the financial year of 2023, the net profit of the Bank amounted to 22 538,6 thousand MDL; 11 970,6 thousand MDL or 34,7% less, compared to the end of the previous year. The decrease in profit for the year 2023 can be explained by the fact that, in 2022, there were many challenges, but at the same time, the Bank recorded major profits due to high rates on Government Securities, significant remuneration from compulsory reserves (the National Bank pays 19,5% interest on 40% of banks' resources), and high revenues from foreign exchange operations. On the other hand, 2023 was a more difficult year in terms of revenue collection compared to interest expenses on attracted deposits, given that the National Bank began to drastically relax regulatory measures, and the trend of increasing rates reversed by 180 degrees in a very short period.

The Bank's total income for 2023 in accordance with FINREP amounted to 211 152,2 thousand MDL, including interest income – 137 131,7 thousand MDL (64,9 % of total revenues), revenue from fees and commissions – 27 134,5 thousand MDL (12,9% of total revenues), income from foreign currency transactions – 40 445,9 thousand MDL (19,2 % of total

revenues), and other income – 6 440,1 thousand MDL (3,0%). Compared to 31.12.2022, the total income has increased by 18 128,0 thousand MDL or 9,4%.

A significant share in the structure of income, coming from interests pertain to the interest income from loans and receivables – 77 854,1 thousand MDL (56,8% of total interest income), registering an increase comparing to previous year of 9 689,8 thousand MDL or 14,2 % more, and income from investments held until maturity – which for 2023 amounted to 41 854,8 thousand MDL (30, 5% of interest income); compared to 2022, it has increased with 17 097,7 thousand MDL or 69,1% (as a result of the increasing rate for monetary instruments.).

Total expenditure for 2023 amounted to 1880613,6 thousand MDL, and compared to the same period of the previous year (12 months of 2022), increased by 30 098,7 thousand MDL or 19,0%. The share of interest expenses within total expenses amounted to 30,5 % or 57 469,5 thousand MDL. Compared to 2022, interest expenses increased by 22 596,3 thousand MDL or 64,8%. The share of non-interest expenses is 69,5% or 131 144,1 thousand MDL, the majority of which is paid for the wage expenses – 73 495,2 thousand MDL, which increased compared to 2022 by 8 654,2 thousand MDL or by 13,3%.

Other expenses, the largest of which as of December 31 2023, are 21 973,3 thousand MDL for general and administrative expenses, 21 424,5 thousand MDL for taxes and commissions and 8 864,5 thousand MDL for amortization expenses.

Principle I of liquidity (long-term liquidity ratio) of the Bank as of December 31, 2023 amounted to – 0,82 (in the system – 0,69), (the norm being less than 1).

The liquidity coverage ratio (LCR) as of 31.12.2023 was 435,90% (in the system – 280,34%) (NBM limit -100%). All the indicators described above correspond to the requirements stipulated in the normative acts of the National Bank of Moldova.

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

#### **The Bank's interaction with customers**

- ✓ In 2023, emphasis was put on the following promotions:
- ✓ In the period September - December 2022, extended until February 28, 2023, promotion for legal entities, opening current accounts, and subscribing to Telebank - Business - free of charge.
- ✓ Resumption of activities for SRB "RIA".
- ✓ Launch of the promotional deposit "From the Heart" with a mixed rate.
- ✓ Launch of the loyalty program "UDS" as a promotion until August 31, 2023, extended until March 31, 2024.
- ✓ Promotion of credit products aimed at individuals (Simple Retail, Express Simple, My Home/Repair, Standard) - until May 31, 2023.
- ✓ Promotion of credit products aimed at businesses (Partner Credit, Overdraft) - until June 30, 2023, extended until January 31, 2024.
- ✓ Resumption of activities for SRB "Zolotaya Korona".
- ✓ Promotion of unsecured credit products aimed at individuals (Simple Retail, Express Simple) - until August 31, 2023, extended until January 31, 2024.
- ✓ Launch of the new credit product aimed at businesses "Investment Stimulus Program '373'".
- ✓ Promotion of mortgage credit products aimed at individuals (new products "Perfect Home Offer" and "Renovation PROMO") - until October 31, 2023, extended until January 31, 2024.
- ✓ Launch of digital products for Google Pay payment systems. Promotion of payment systems through social networks and online media.
- ✓ Launch of digital products for Garmin Pay payment systems. Promotion of payment systems through social networks and online media.
- ✓ Launch of digital products for Apple Pay payment systems. Promotion of payment systems through social networks and online media.
- ✓ Promotion of cashless payments and the benefits of cards.
- ✓ Launch of the ECB logo and promotion of the bank's image. Adjustment of visual style in visual communication.

- ✓ Launch of the promotion for new clients (businesses) - "Test Drive" until December 31, 2023, extended until March 31, 2024.
- ✓ Launch of the new credit product aimed at individuals "Super Express".

### **Lending activity**

As of 31.12.2023, the Bank's loan portfolio amounted to 708 827,4 thousand MDL; compared to the same period of the previous year, there was an increase of the gross loan portfolio by 74 685,6 thousand MDL or by 11,8% (by 3,7% on the system), while the net loan portfolio amounted to 703 893,2 thousand MDL, the increase in comparison with last year is by 77 809,2 thousand MDL or 12,4%.

The share of reductions calculated for credit losses in total credits (on the base amount) amounted to 6,71% (in the system 5,89%) (according to NBM's Regulation) and 1,10% (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 33 488,6 thousand MDL, their share within the total amount of loans is 4,72%, (average in the system is 5,55%), thus having decreased with 4,52 p.p. compared to the end of the previous year. (as of 31.12.2022 ECB – 9,24%, system – 6,44%).

The loan portfolio is classified in risk categories as it follows: standard loans (29,24%), supervised (66,04%), substandard (2,30%), doubtful (0,69%) and compromised (1,74%).

During 2023, there were granted loans amounting to 489 112,3 thousand MDL (excluding technical overdrafts), which compared to the 12 months of 2022, have increased by 30,9% or 115 325,4 thousand MDL.

The profitability of the loan portfolio as of 31.12.2023 amounted to 12,67 %.

The income from the loan activity comprises one of the biggest shares within the total income of the bank – their share was 36,9% of the total amount of income by the end of 2023 (by 31.12.2022 – 35,3%).

The income from the loans activity for 2023 amounted to 77 854,1 thousand MDL. The aforementioned income, compared to the 12 months of 2022, increased by 9 689,8 thousand MDL.

### **Currency activity**

Another important aspect within the Bank's activity consists of purchasing/selling foreign currency. Throughout the 12 months of 2023, the bank gained income amounting to 40 445,9 thousand MDL, which represents 19,1% out of the total income of the Bank. For the 12 months of 2023, the income from the purchase/sale of foreign currency, over the same period over last year, recorded a decrease of 6,0% or 2 598,6 thousand MDL.

### **Market's financial activity**

During 2023, 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 2023, the Bank invested money means amounting to – 6 120 000 thousand MDL, including overnight – 2 415 000 thousand MDL (or 39,5%), NBC – 3 410 000 thousand MDL (or 55,7 %) and state securities – 295 000 thousand MDL (or 4,8%).

During the 12 months of 2023, the bank gained income amounting to 59 277,5 thousand MDL (from NBC – 15 756,1 thousand MDL, placements in banks (including NBM) and other legal entities – 16 795,8 thousand MDL and state securities – 26 098,8 thousand MDL). The decrease of the net Investment Portfolio registered at the end of 2023 compared to 2022 is 80,4 million MDL. This decrease was due to the reduction of free resources, which were redirected into lending activities, but also to the decrease in the balance of customer deposits in MDL. Income from investment activities is declining following the relaxation of monetary policy by the NBM (the rate applied to key short-term monetary policy operations) - down to 4,25%.

As of 31.12.2023, the balance of the net investment portfolio amounted to 232 566,6 thousand MDL (13,9% 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. The limits of exposure to currency risks are set and monitored.

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", Regulation regarding the framework for managing the bank's activity. In drafting the Code, consideration was also given to compliance with the best practices from national and international experience, representing a set of governance standards to guide the bank's governing bodies and shareholders in implementing general recommendations for effective management. The bank's corporate culture supports and provides appropriate norms and incentives for professional and responsible behavior based on principles of integrity, confidentiality, transparency, fairness, objectivity, and impartiality.

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 took place during the year 2023, on May 25 and June 30, with exclusive competencies established by Article 50 of the Law on Joint Stock Companies. The general meeting adopted resolutions approving the reports of the Board of Directors, the Executive Body, profit distribution, the selection of the audit company, etc., necessary for the proper conduct of the Bank's activities within the existing legal framework and in compliance with the provisions of the current regulatory acts of the National Bank.

The resolutions of the General Meeting of Shareholders on matters within its competence were adopted in accordance with the provisions of the Law on Joint Stock Companies, as well as the Bank's Statute, concurrently conforming to the provisions of the Bank's Corporate Governance Code.

In 2023, the General Assembly approved the decision to distribute the capital in the form of dividend payments to the Bank's shareholders - at a rate of 25% or 8 627 301,00 lei from the profit obtained in 2022.

### *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 2023, 17 meetings of the Board of Directors were held.

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

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

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

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

During 2023, 233 meetings of the Board of the Bank were held.

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

In their daily activity, the executive body ensured:

- ✓ organizing and coordinating the deployment of the Bank's financial activities approved by the license issued by the National Bank of Moldova in accordance with provisions of the existing legislation and internal regulations of the Bank;
- ✓ examining the financial and other specific reports of the Bank, as well as reports on the performance of the business plan and reporting them afterwards to the Board of Directors of the Bank;
- ✓ examining the materials of controls carried out by the Internal Audit Unit of the Bank, as well the external auditing company;
- ✓ presenting to the Board of Directors and each member of these bodies' the documents and other information necessary for the proper performance of their duties;
- ✓ approval of the Bank's transactions with third parties prior to their realization, within the limits established by the ECB's Regulation on the Executive Body.

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

### **Conclusion for the year 2023**

The Moldovan economy faced difficulties in 2023, following a sharp decline in economic activity in 2022. Despite a slight increase in GDP in 2023, it is noted that "it is the first year, in the last two decades, when the growth will not be sufficient to compensate for the losses from the previous year" especially due to the continuous decline in private consumption. Positive developments in the economy are the result of compensatory growth in agriculture of about 30%, against the backdrop of a relatively favorable agricultural year.

The energy crisis and refugee flows caused by Russia's invasion of Ukraine directly exposed Moldova's growth model vulnerabilities to shocks. Moldova is one of the most affected countries by the war in Ukraine, both due to physical proximity and inherent vulnerabilities, being a small, energy-dependent economy without access to the sea, with close ties to both Ukraine and Russia. The impact of the war and rising prices has led to additional fiscal costs, reducing resources available for long-term development priorities.

Annual inflation dropped to 4,2% in December 2023, slightly lower than expected. The insignificant deviation was mainly caused by the unexpected decrease in electricity tariffs in November and the reflection in statistics of compensations provided to the population for energy resources during the cold period of the year.

The Bank's Management Committee analyzed the impact and estimated that the Bank's activity and the possibility of achieving the Business Plan would be affected in the following period by:

- ✓ The rapid reduction of interest rates on monetary instruments, the base rate, which will necessitate a decrease in loan rates, narrowing interest margins, and decreasing revenues.
- ✓ Debtors' ability to honor their obligations to the Bank regarding loan servicing, with effects on the quality of the loan portfolio and the Bank's liquidity.
- ✓ The major volatility and instability in the exchange rate of foreign currencies with the effect of increasing revaluation expenses.
- ✓ The reduction in placements by businesses and individuals in deposits with the Bank, deposit withdrawals with the effect on the Bank's liquidity.
- ✓ The reduction in the volume of transactions by businesses and individuals in cash and transfers with the effect on customer account balances and the Bank's required resources.
- ✓ The low number of credit requests from clients in the first half of 2023.

The Bank's Board effectively collaborated with the bank's management and shareholders to further increase Equity Funds with the aim of further developing the bank's activities. In operational activity, the governing bodies and administrators of the bank ensured the smooth functioning of the bank, respecting the principles of corporate governance.

During 2023, the implementation of the ICAAP and ILAAP process continued, a relatively new process for the Moldovan banking sector, which involves a more detailed analysis of crisis management activities and capital and liquidity planning, as well as the use of this process by the Bank's management in decision-making. The Bank seeks to continually strengthen and complement existing methods and processes in all areas of risk management.

#### **Development Perspectives in 2024**

##### **“Digital innovation in lending processes, products and personalized services with a focus on Retail and SMEs”**

In 2024, the Bank aims to improve the availability of the entire range of financial services offered and to promote a culture of high-tech banking services. At the same time, the professional capacity of the staff is developed through the implementation of advanced banking technologies and the adoption of innovative approaches to customer service.

##### ***Work objectives for development:***

- ✓ **Maximum focus on customer requirements**

The bank will strive to achieve the maximum value of the volume of financial services requested by each client, thereby maximizing profits from each set of customer relationships.

- ✓ **Intensification of all activities and work processes**

The bank aims to increase not only the operational effectiveness as a ratio between income and expenses, but also the acceleration of the receipt of decisions, the increase of the speed of launching products on the market, the continuous implementation of improvements.

- ✓ **Optimizing bank processes**

- Increasing management level by reviewing the main business processes and formalizing working methods.

- ✓ **Developing new digital financial products and services.**

Developing remote service will allow the Bank to perfect both internal processes and meet market requirements and trends.

- ✓ **Creating a digital-focused organizational culture.**

Developing remote service will allow the Bank to perfect both internal processes and meet market requirements and trends.

- ✓ **Improving customer experience in the digital environment.**

Focusing on continuously improving customer experience through intuitive digital interfaces, personalized services, and self-service facilities.

- ✓ **Developing human capital.**

The Bank aims to invest in human resource development, to attract highly qualified collaborators from the market, and to develop existing ones.

✓ **Customers are a priority:**

- All Bank actions are driven by both customer expectations and the challenges they may face. We strive for excellence in customer relationships, developing mutually beneficial long-term collaborations.
- Efforts have been and are directed towards becoming a better bank for investors and clients.
- Additionally, for the next 3 years, the Bank will focus primarily on digitization and the development and consolidation of its banking business, as for a small bank consolidation is a matter of survival.
- So far, the foundation has been laid for establishing an adequate internal control system, efficient risk management, and compliance with the provisions of current regulatory acts.
- As the geopolitical situation and the energy crisis show no signs of abating, the Bank will focus primarily on being prepared to provide long-term solutions to meet customer needs and to face new challenges.
- We adapt easily, are flexible, and able to react quickly to both the continuous market changes and their impact on the lives of customers, partners, and stakeholders.

***We will focus on:***

- Strengthening financial stability.
- Focusing on meeting the needs of SME and retail customers.
- Consolidating and maintaining positions in the banking services market.
- Promoting an active policy in attracting financial resources from the local market by promoting a wide range of deposits and other financial instruments.
- Developing remote customer service technologies.
- Having efficient risk management and an improved internal control system.
- Maintaining an adequate level of Equity Funds in compliance with current regulatory acts.
- Streamlining work processes.
- Motivating staff based on performance results.

**STATEMENT OF FINANCIAL POSITION**  
**On 31 December 2023**

	Note	2023 MDL'000	2022 MDL'000
<b>ASSETS</b>			
Cash and cash equivalents	4	149,019	109,574
Balances with the NBM	5	441,354	423,523
Current accounts and deposits in banks	6	39,884	40,094
Financial assets at amortised cost (Debt securities)	7	232,414	312,788
Loans to customers, net	8	703,893	626,087
Financial assets at fair value through other comprehensive income (Equity instruments)	9	153	153
Property and equipment, net	10	85,463	86,024
Intangible assets, net	11	8,830	6,726
Other assets, net	12	16,674	8,295
<b>Total assets</b>		<b>1,677,684</b>	<b>1,613,264</b>
<b>LIABILITIES</b>			
Other financial liabilities Borrowings	13	78,746	93,581
Due to clients	14	1,163,802	1,104,630
Deferred tax liability	15	2,874	3,433
Other liabilities	16	16,695	9,997
<b>Total liabilities</b>		<b>1,262,117</b>	<b>1,211,641</b>
<b>EQUITY</b>			
Ordinary shares	17	138,000	138,000
Ordinary treasury shares	17	(2,500)	(2,500)
Surplus capital	17	625	625
Reserves	17	58,177	58,996
Reevaluation reserves	17	46,827	47,354
Retained earnings	17	174,438	159,148
<b>Total Equity</b>		<b>415,567</b>	<b>401,623</b>
<b>Total equity and liabilities</b>		<b>1,677,684</b>	<b>1,613,264</b>

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

These financial statements were authorized for issuance on March 11, 2024 by the Executives of the Bank, represented by:

**President of Management Board**

**Oleg Holban**



**Chief - Accountant**

**Bujor Igor**



## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended on December 31, 2023

	Note	2023 MDL'000	2022 MDL'000
Interest income	19	137,132	117,409
Interest expense	20	(57,470)	(34,873)
<b>Net interest income</b>		<b>79,662</b>	<b>82,536</b>
Net impairment losses on loans and receivables	8, 12	(1,286)	(2,691)
<b>Net interest income less impairment losses on loans and receivables</b>		<b>78,376</b>	<b>79 845</b>
Fee and commission income	21	27,135	27,666
Fee and commission expense	22	(21,424)	(21,222)
<b>Net fee and commission income, net</b>		<b>5,711</b>	<b>6,444</b>
Income from foreign currency operations, net	23	40,446	43,044
Other operating income	24	6,440	4,905
		<b>130,973</b>	<b>134,238</b>
Staff costs	25	(73,495)	(64,841)
General and administrative expenses	26	(21,973)	(22,125)
Impairment and amortization	10, 11	(8,865)	(8,146)
<b>Total operating income, net</b>		<b>(104,333)</b>	<b>(95,112)</b>
<b>PROFIT FROM OPERATING ACTIVITIES BEFORE TAX</b>		<b>26,640</b>	<b>39,126</b>
Income tax expense	15	(4,101)	(4,617)
<b>NET PROFIT FOR THE FINANCIAL YEAR</b>		<b>22,539</b>	<b>34,509</b>
<b>Other items of comprehensive income</b>		<b>22,539</b>	<b>34,509</b>
<b>Profit or (-) loss for the financial year</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Change in reevaluation reserve from financial assets at fair value through other comprehensive income		1,407	591
Others		-	-
<b>Other items of comprehensive income for the period</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>23,946</b>	<b>35,100</b>
<b>Result per share (MDL)</b>	<b>27</b>	<b>1.66</b>	<b>2.55</b>
<b>Earnings per diluted share MDL/shares</b>	<b>27</b>	<b>1.63</b>	<b>2.5</b>

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

These financial statements were authorized for issuance on March 11, 2024 by the Executives of the Bank, represented by:

Președintele Comitetului de Conducere

Oleg Holban

Contabil Șef

Bujor Igor

**STATEMENT OF CHANGES IN EQUITY****For the year ended on 31 December 2023**

	Share capital	Issue premium	Treasury shares	General reserve	Prudential reserve	Retained earnings	Reserves from revaluation	Total
	(MDL '000)	(MDL '000)	(MDL '000)	(MDL '000)	(MDL '000)	(MDL '000)	(MDL '000)	(MDL '000)
<b>Balance as of January 1, 2023</b>	<b>138,000</b>	<b>625</b>	<b>(2500)</b>	<b>13,799</b>	<b>45,196</b>	<b>159,148</b>	<b>47,355</b>	<b>401,622</b>
Allocations to general reserve	-	-	-	-	(819)	-	-	(819)
Profit for the year	-	-	-	-	-	22,538	-	22,539
Revaluation of tangible assets	-	-	-	-	-	1,418	(598)	820,0
Distribution of profit (dividends)	-	-	-	-	-	(8,627)	-	(8,627)
Other adjustments	-	-	-	-	-	(39)	72	33,0
<b>Balance as of December 31, 2023</b>	<b>138,000</b>	<b>625</b>	<b>(2500)</b>	<b>13,799</b>	<b>44,377</b>	<b>174,438</b>	<b>46,829</b>	<b>415,568</b>
<b>Balance as of January 1, 2022</b>	<b>138,000</b>			<b>13,799</b>	<b>39,774</b>	<b>129,503</b>	<b>47,845</b>	<b>368,921</b>
Allocations to general reserve	-	-	-	-	5,421	(5,421)	-	-
Profit for the year	-	-	-	-	-	34,509	-	34,509
Revaluation of tangible assets	-	-	-	-	-	591	(591)	-
Share-based payments	-	625	(2500)					(1,875)
Other adjustments	-	-	-	-	-	(34)	101	67
<b>Balance as of December 31, 2022</b>	<b>138,000</b>	<b>625</b>	<b>(2500)</b>	<b>13,799</b>	<b>45,196</b>	<b>159,148</b>	<b>47,355</b>	<b>401,622</b>

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

These financial statements were authorized for issuance on March 11, 2024 by the Executives of the Bank, represented by:

**President of Management Board**

**Oleg Holban**

**Chief - Accountant**

**Bujor Igor**

**STATEMENT OF CASH FLOW****For the year ended on 31 December 2023**

	<b>2023</b>	<b>2022</b>
	<b>MDL'000</b>	<b>MDL'000</b>
<b>OPERATIONAL ACTIVITIES</b>		
<b>I. CASH FLOW FROM OPERATIONAL ACTIVITIES</b>		
Interest and commission receipts	166,345	146,020
Interest and commission payments	(74,340)	(56,095)
Cash receipts from loans previously written-off from allowances for loan losses	-	-
Cash receipts from other income	61,974	60,726
Cash paid to employees	(63,328)	(55,595)
Cash paid to suppliers and contractors	(40,620)	(40,185)
	<b>50,031</b>	<b>54,871</b>
<b>I.1 Increase / (decrease) of assets</b>		
Increase/(decrease) on deposits to NBM	-	-
Increase/(decrease) on loans to customers	(263,595)	(292,795)
Receipts (payments) regarding other assets	80,296	56,028
	<b>(183,299)</b>	<b>(236,767)</b>
<b>I.2 Increase / (decrease) of liabilities</b>		
Increase/(decrease) on deposits from customers	64,850	60,452
Increase/(decrease) on deposits and loans from banks	-	-
Increase/(decrease) on other assets	26,689	23,029
Payments on income tax	(4,101)	(4,617)
<b>Net cash from operational activities</b>	<b>87,438</b>	<b>78,864</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds /(payments) on investment securities	92,000	109,473
Proceeds /(payments) on tangible assets	-	-
Payments for intangible assets	(153)	(153)
Interest received	19,714	20,044
<b>Net cash from investing activities</b>	<b>111,561</b>	<b>129,364</b>
<b>III. NET CASH FLOW FROM FINANCIAL ACTIVITY</b>		
Receipts / (payments) for long-term loans	(11,348)	(26,705)
<b>Net Flow from financial activity</b>	<b>(11,348)</b>	<b>(26,705)</b>
Effect exchange rate fluctuations on cash and cash equivalents	<b>(4,005)</b>	<b>59</b>
<b>Total Net Cash flow</b>	<b>54,381</b>	<b>(314)</b>
Cash and cash equivalents at the beginning of the year	<b>522,402</b>	<b>522,716</b>
Cash and cash equivalents at the end of the year	<b>576,785</b>	<b>522,402</b>

**STATEMENT OF CASH FLOWS****For the year ended on December 31, 2023 (continued)****Cash and Cash Equivalents**

	<b>Nota</b>	<b>2023</b>	<b>2022</b>
		<b>MDL'000</b>	<b>MDL'000</b>
Cash and cash equivalents	4	149,019	109,574
Accounts with National Bank of Moldova	5	240,564	263,261
Current accounts and deposits with banks	6	39,884	40,094
Investment securities	7	-	109 473
		<b>429,467</b>	<b>522,402</b>

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

These financial statements were authorized for issuance on March 11, 2024 by the Executives of the Bank, represented by:

**President of Management Board**

**Oleg Holban**

**Chief - Accountant**

**Bujor Igor**



## EXPLANATORY NOTES TO FINANCIAL STATEMENTS

### 1. General Information on the Bank

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

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

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

Currently, the Bank operates under the License No. 004461 Series A MMII issued on 30 June 2008, which gives the permission of rendering a range of banking services for individuals and corporate clients, including receiving deposits, cash management, lending activities, operations related to foreign currency, etc., according to art.14 of the Law on Financial Institutions nr.202 from 06.10.2017.

The Bank operates through its head office in Chisinau and through its 8 branches and 22 agencies (8 branches and 22 agencies on December 31, 2022).

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

As it was standing on December 31, 2023, the Bank registered 290 employees, out of whom 253 are active (December 31, 2022: 262).

On December 31, 2023, 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
Vacant position	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 11, 2024 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.

The financial statements are approved by the Management Committee and the Board of Directors, and the final approval is made by the General Meeting of Shareholders.

#### **Assessment principles**

The financial statements are prepared on the basis of historical cost and/or amortized cost, except for equity securities, land, and buildings evaluated at fair value through other comprehensive income and recovered guarantees, which are assessed at the lower of carrying amount and fair value less selling costs.

#### **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 of 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.

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

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

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

#### b. Foreign currency transactions

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

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

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

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

	2023		2022	
	USD	Euro	USD	Euro
Average period	18.1607	19.6431	18.9032	19.8982
End of the year	17.4062	19.3574	19.1579	20.3792

#### 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.

**2. Accounting policies (continued)**

**2.3 Significant accounting policies (continued)**

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

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

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

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



**2. Accounting policies (continued)**

**2.3 Significant accounting policies (continued)**

**f. Property, plant and equipment**

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

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

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

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

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

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

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

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

*Investment properties*

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

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

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

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

**g. Lease contracts**

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

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

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

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

**2. Accounting policies (continued)**

**2.3 Significant accounting policies (continued)**

**g. Lease contracts (continued)**

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;

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

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

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

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

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

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

**h. Intangible assets**

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

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

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

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

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

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

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

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

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

Assets that are subject to amortization are reviewed for indications of impairment, whenever events or changes of the circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The carrying amount of the asset is written down immediately to its recoverable amount if the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the highest between the asset's fair value, minus selling costs and value of use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

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

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

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

Imobilizările corporale transmise în schimbul rambursării creditelor se clasifică de către Bancă ca titluri de investiții recunoscute prin alte elemente ale rezultatului global și sunt recunoscute în bilanțul contabil numai în cazul existenței unei probabilități înalte a vânzării acestora în conformitate cu prevederile IFRS 5 “Active Imobilizate deținute în vederea vânzării și Activități Întrerupte”.

La înregistrarea în contabilitate, imobilizările corporale transmise în schimbul rambursării creditelor se reflectă la valoarea cea mai mică dintre valoarea totală a datoriei debitorului (soldul creditului, dobânzile calculate și reflectate în bilanțul contabil, comisioanele, penalitățile și alte creanțe aferente creditului și valoarea justă (de piață) a imobilizărilor corporale transmise în schimbul rambursării creditelor minus costurile generate de vânzare. În caz dacă valoarea de piață a activului este mai mică decât soldul creditului – diferența se trece la cheltuieli.

La sfârșitul fiecărei perioade de raportare, Banca estimează dacă există indicii ale deprecierii activelor în cauză, din surse interne și externe de informații. În cazul în care sunt identificați astfel de indicii, Banca estimează valoarea recuperabilă a activului.

#### **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.

*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.

**2. Accounting policies (continued)**

**2.3 Significant accounting policies (continued)**

**m. Financial guarantee contracts**

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

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

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

**n. Recognition of income and expense**

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

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

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

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

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

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

**o. Income tax**

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

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

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

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

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

In 2023 and 2022, the income tax rate on entrepreneurial activity was set in the amount of 12%.

**2. Accounting policies (continued)**

**2.3 Significant accounting policies (continued)**

**p. Employee benefits**

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

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

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

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

**q. Affiliated parties**

a) management bodies and some persons holding key positions:

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

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

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

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

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

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

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

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

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

**2. Accounting policies (continued)**

**2.3 Significant accounting policies (continued)**

**q. Affiliated parties (continued)**

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

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

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

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

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

**s. Dividends**

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

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

**3. Current and new Standards and Interpretations**

**a. Standards effective in the period starting with or after 1 January 2023**

- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments**

The amendments to IAS 1 require entities to disclose information about the materiality threshold rather than significant accounting policies. The Bank has aligned its financial statements in accordance with the amendments to IAS 1.

- **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

The amendments introduced a definition of "accounting estimates" and included other amendments to IAS 8 that clarify how to distinguish between changes in accounting policies and changes in estimates. The distinction is important because changes in accounting policies are generally applied retrospectively, while changes in estimates are recognized in the period in which the change occurs.

- **Amendments to IAS 12 Income Taxes, Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – for example, lease contracts and liabilities arising from derecognition. For lease contracts and liabilities arising from derecognition, the deferred tax assets and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to the opening retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions occurring after the beginning of the earliest period presented.

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

- Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale of or Contribution with Assets between an Investor and its Associate or Joint Venture.
- Amendments to IAS 1 "Presentation of Financial Statements" (issued on January 23, 2020, and applicable for annual periods beginning on or after January 1, 2024): Classification of liabilities as current or non-current
- Amendments to IFRS 16 "Leases" (issued on September 22, 2022, and applicable for annual periods beginning on or after January 1, 2024).
- Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments": Presentation of supplier financing arrangements (issued on May 25, 2023).

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

- Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" – lack of exchange rate (issued on August 15, 2023). The amendment is issued to assist entities in assessing the interchangeability between two currencies and determining the spot exchange rate when interchangeability is lacking.

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

### 4. Cash means

	31 December 2023	31 December 2022
	MDL'000	MDL'000
Cash on hand	97,542	78,572
Cash in transit	42,615	21,937
Cash in ATM's and other devices	8,858	9,059
Bank notes and commemorative coins	3	6
	<b>149,018</b>	<b>109,574</b>

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

	31 December 2023	31 December 2022
	MDL'000	MDL'000
Current account	240,565	263,261
Mandatory reserves	200,789	160,262
	<b>441,354</b>	<b>423,523</b>

The National Bank of Moldova (NBM) requires commercial banks to keep, in order to ensure liquidity, a minimum reserve calculated as a certain percentage of the average funds attracted by banks in the previous month (the interval between the 16th of the current month and the 15th of the following month), including all customer deposits.

According to the NBM Decisions "Regarding the level of NBM interest rates and the norm of mandatory reserves", the norm of mandatory reserves from funds drawn in Moldovan lei and in non-convertible currency as of 01.01.2023 was 34% (2022: 26%), for the currency freely convertible 45% (2022: 30%), respectively on 31.12.2023 for Moldovan lei and non-convertible currency 33% (2022: 37%), for freely convertible currency 43% (2022: 45%).

On December 31, 2023, the mandatory reserve in the current account opened at the NBM was in the amount of MDL'000 201,163 (December 31, 2022: MDL'000 200,789) and included the mandatory reserves from the funds attracted in freely convertible currency. The balance set aside in the mandatory reserve accounts as of December 31, 2023 in USD and EUR was USD'000 3,666 and EUR'000 7,056 (December 31, 2022: USD'000 2,996 and EUR'000 5,196).

The rate of remuneration of mandatory reserves offered by the NBM for the means of the mandatory reserve accounts during 2023 was 0.01% for reserves in foreign currency (from December 2023 the rates were changed: 3.30% for reserves in USD and 1.90% for reserves in EUR) and 3.00% – 15.64% for reserves in MDL (during 2022 between 0.01% for reserves in foreign currency and between 7.50% – 19.50% for reserves in MDL). Mandatory reserves in MDL held in current accounts in the National Bank can be used by the Bank in its daily operations.

### 6. Current accounts and deposits with banks

	31 December 2023	31 December 2022
	MDL'000	MDL'000
Current accounts	39,884	40,094
Deposits	-	-
	<b>39,884</b>	<b>40,094</b>

On December 31, 2023, the balances of current accounts in (N)UNICREDIT S.P.A. amounted to MDL'000 4,856, in Romanian Commercial Bank Chisinau amounted to MDL'000 22,402 and in ZHEJIANG CHOUZHOU COMMERCIAL BANK CO. LTD amounted to MDL'000 7,532. On December 31, 2022, the balances of current accounts in (N)UNICREDIT S.P.A. amounted to MDL'000 3,502, in Romanian Commercial Bank Chisinau amounted to MDL'000 18,302 and in BC MOLDOVA-AGROINDBANK S.A. amounted to MDL'000 16,120.

The interest rate on foreign currency funds placed in "Nostro" accounts during 2023 varied from 0% to 1% in EUR, for USD 0% to 0.05% (2022 – -1.5% to 1%).

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

	31 December 2023	31 December 2022
	MDL'000	MDL'000
State securities	232,414	202,787
Securities issued by NBM	-	110,000
	<b>232,414</b>	<b>312,787</b>
Included in cash and equivalents (Note 18)	-	109,473
Securities with maturity greater than 91 days	232,414	203,314
	<b>232,414</b>	<b>312,787</b>

On December 31, 2023, financial assets at amortized cost represent Treasury Bills (BT) and BNM Certificates (CBN) with a maturity of 14 days for CBN and from 91 days to 364 days for BT (2022 from 91 to 364 days), issued by the Ministry of Finance of the Republic of Moldova. The interest rate in 2023 varies from 4,75% to 20,0% for CBN and respectively between 6,10% and 22,02% annually for BT. (2022: CBN – 6,5%-20% and BT – 5,46% and 22,02%). They are traded on an active market.

## 8. Loans to customers, net

	31 December 2023	31 December 2022
	MDL'000	MDL'000
Loans	711,656	634,428
Minus: Discounts for credit losses	(7,763)	(8,342)
Credits, net	<b>703,893</b>	<b>626,086</b>

## Concentration of credits granted to clients depending on the economic sector (gross value):

	31 December 2023	31 December 2022
	MDL'000	MDL'000
Agriculture	154,220	119,513
Constructions/ real estate and land improvements	118,227	112,968
Consumer loans	91,802	96,978
Trade and industry	168,606	163,776
Transport, telecommunications and network development	28,698	16,253
Non banking financial environment	55,112	32,801
Loans in the service sector	44,047	29,285
Loans granted to individuals performing an activity	42,660	45,946
Other	8,285	16,907
	<b>711,657</b>	<b>634,427</b>



## 8. Credite acordate clienților, net (continuare)

Analysis of the portfolio of customer types is presented below:

Loans as at December 2023

	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	1,385	1,386	-	-	1	-	-
Other financial institutions	55,107	55,112	-	-	5	-	-
Non-financial corporations. Corporations	13,494	13,504	-	-	10	-	-
Non-financial corporations. SME	404,318	353,909	41,395	12,799	81	741	2,964
Non SME	-	-	-	-	-	-	-
Households	229,590	184,778	37,036	11,738	312	1,676	1,973
	<b>703,894</b>	<b>608,689</b>	<b>78,431</b>	<b>24,537</b>	<b>409</b>	<b>2,417</b>	<b>4,937</b>

Loans as at December 2022

	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	953	955	-	-	2	-	-
Other financial institutions	32,798	32,801	-	-	3	-	-
Non-financial corporations. Corporations	21,795	11,240	10,584	-	20	9	-
Non-financial corporations. SME	317,386	271,324	39,875	10,949	167	944	3,652
Non SME	-	-	-	-	-	-	-
Households	253,154	211,388	37,376	7,936	689	1,308	1,548
	<b>626,086</b>	<b>527,708</b>	<b>87,835</b>	<b>18,885</b>	<b>881</b>	<b>2,261</b>	<b>5,200</b>

The average interest rate during the year for the loans granted in MDL in 2023 varied from 2% to 26% (2022: from 1% to 27%). For loans granted in foreign currency in 2023 varied from 2.5% to 9% (2022: from 3.5% to 8%).

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

Ageing analysis by past due days as at 31 December 2023

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	151,590	895	-	-	634	153,119
Constructions/ real estate and land improvements	109,746	4,179	380	351	3,351	118,007
Consumer credits	79,892	5,673	1,279	340	3,295	90,479
Trade and industry	157,910	3,348	-	-	4,692	165,950
Transport/telecommunication and network development	28,149	321	-	-	229	28,699
Financial non-banking sector	55,107	-	-	-	-	55,107
Loans to services sector	44,030	-	-	-	-	44,030
Loans to individuals performing an activity	37,583	-	1,367	1,468	-	40,418
Other	7,315	702	-	-	67	8,084
<b>Total</b>	<b>671,322</b>	<b>15,118</b>	<b>3,026</b>	<b>2,159</b>	<b>12,268</b>	<b>703,892</b>

Ageing analysis by past due days as at 31 December 2023

MDL'000

Scope	No past due days	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	More than 90 days	Total loans
Agriculture	115,793	743	-	-	1,976	118,512
Constructions/ real estate and land improvements	102,522	6,520	-	674	3,216	112,932
Consumer credits	85,243	5,304	1,520	734	2,036	94,838
Trade and industry	154,650	-	-	-	5,413	160,063
Transport/telecommunication and network development	16,248	-	-	-	-	16,248
Financial non-banking sector	32,798	-	-	-	-	32,798
Loans to services sector	29,268	-	-	-	-	29,268
Loans to individuals performing an activity	45,125	-	-	-	-	45,125
Other	15,448	383	-	73	396	16,301
<b>Total</b>	<b>597,095</b>	<b>12,951</b>	<b>1,520</b>	<b>1,482</b>	<b>13,037</b>	<b>626,086</b>

### Allowance for loan losses

The movements of allowance for the loss of the value of loans during 2023 and 2022 are presented below:

	31 December 2023	31 December 2022
	MDL'000	MDL'000
<b>Balance at 1 January</b>	<b>8,342</b>	<b>9,614</b>
Additions	438	11,386
Write-off of loans	-	(1,464)
Recoveries	(1,018)	(11,194)
<b>Balance at 31 December</b>	<b>7,762</b>	<b>8,342</b>

## 8. Credite acordate clienților, net (continuare)

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.

	Stage 1	Stage 2	Stage 3	Total
	MDL'000	MDL'000	MDL'000	MDL'000
Gross amount as at 1 January 2023	527,708	87,835	18,884	634,428
New financial assets	337,662	19,318	-	356,980
Derecognitions (including write-offs)	-	-	(1,928)	(1,928)
Changes in the principal and disbursement fee amount	(220,459)	(53,139)	(4,226)	(277,824)
Changes in interest accrual	(29,366)	29,366	-	-
Transfer from Stage 1 to Stage 2	(6,857)	-	6,857	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	(4,950)	4,950	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Other movements	-	-	-	-
Gross amount as at 1 December 2023	608,688	78,430	24,536	711,656

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

## Exposures to affiliated persons

	31 December 2023	31 December 2022
	MDL'000	MDL'000
The total amount of exposures to affiliated persons	569	1,251
Interest rate (min / max.)	0% -13%	0% -20.5%
Total regulatory equity	292,993	267,844
The ratio of the total amount of affiliated persons exposures to regulatory equity	0.19%	0.47%

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

The exposure value norm, after considering the effect of credit risk reduction related to an affiliate of the bank and/or a group of clients connected to the bank's affiliate, is  $\leq 10\%$  of the Bank's eligible capital.

The aggregate exposure value norm of the bank to affiliates and/or groups of connected clients is  $\leq 20\%$  of the Bank's eligible capital.

### 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 2023	31 December 2022
	MDL'000	MDL'000
The credit bureau SRL	52	52
MoldmediaCard SRL	91	91
Moldova Stock Exchange	10	10
	<b>153</b>	<b>153</b>

All the investments securities available for sale as of 31 December 2023 and 2022 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
<b>Cost or revaluation</b>						
<b>As of 1 January 2023</b>	3,208	108,655	30,280	3,678	12,177	157,998
Additions	5,993	-	86	51	2,062	8,192
Reevaluation	-	-	-	-	-	-
Transfers	(8,933)	60	8,873	-	-	-
Disposals	(6)	-	(2,627)	(123)	(2,281)	(5,037)
<b>As of 31 December 2023</b>	<b>262</b>	<b>108,715</b>	<b>36,612</b>	<b>3,606</b>	<b>11,958</b>	<b>161,153</b>

# 10. Imobilizări corporale, net (continuare)

<b>Accumulated depreciation</b>						
As of 1 January 2023	-	44,165	19,641	2,475	5,694	71,975
Additions	-	1,798	2,556	359	4,032	8,745
Reevaluation	-	-	-	-	-	-
Disposals	-	(1)	(2,671)	(123)	(2,234)	(5,029)
As of 31 December 2023	-	45,962	19,526	2,711	7,492	75,691
<b>Net carrying amount</b>						
As of 1 January 2023	3,208	64,490	10,639	1,203	6,483	86,023
As of 31 December 2023	262	62,753	17,085	896	4,467	85,462

As of December 31, 2023, the cost of fixed assets worn in full but still used by the Bank amounted to MDL'000 16,862.

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

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

# 11. Intangible assets, net

	31 December 2023 MDL'000	31 December 2022 MDL'000
<b>Cost</b>		
Balance as of 1 January	9,301	10,085
Additions (Disposals), net	2,389	(784)
Balance as of 31 December	11,690	9,301
<b>Amortization</b>		
Balance as of 1 January	2,575	5 319
Additions (Disposals), net	283	(2,744)
Balance as of 31 December	2,858	2,575
<b>Carrying amount</b>		
As of 1 January	6,726	4,766
As of 31 December	4,054	6,726

## 12. Other assets, net

	31 December 2023 MDL'000	31 December 2022 MDL'000
Transit and clearing amounts	12,031	3,230
Settlements with customers	276	475
Settlements with bank employees	-	5
Other anticipated expenses	1,511	1,946
Values in goods and materials	194	73
Current income tax claims	212	199
Other assets	5,400	4,734
<b>Total</b>	<b>19,624</b>	<b>10,662</b>
Allowances for impairment losses on other assets	(2,951)	(2,363)
<b>Total</b>	<b>16,673</b>	<b>8,298</b>

## 13. Loans

	31 December 2023 MDL'000	31 December 2022 MDL'000
Rural Investment and Services Project (RISP)	37,876	43,718
International Fund for Agricultural Development (IFAD)	28,122	33,237
Kreditanstalt für Wiederaufbau	460	669
Competitiveness Improvement Project	7,969	9,550
Debts towards clients regarding the financial leasing	4,319	6,407
<b>Total</b>	<b>78,746</b>	<b>93,581</b>

Name of the Project	Currency Loan	Interest rate applied in 2023 (%)	31 December 2023 MDL'000	31 December 2022 MDL'000
RISP I – refinancing	MDL	6.00 - 6.66	18,306	16,725
RISP II – refinancing	MDL	1.35 - 6.66	19,569	26,993
FIDA	MDL	1.35-6.60	28,122	33,108
	USD	5.68	-	129
KFW	MDL	6.6	460	669
PAC	MDL	3.00-6.60	6,907	7,356
PAC	USD	6.46	627	968
PAC	EURO	4.54	435	1,227
Financial leasing	MDL		4,319	6,407
<b>Total</b>			<b>78,745</b>	<b>93,582</b>

## 14. Due to clients

Non-interest bearing deposits	31 December 2023 MDL'000	31 December 2022 MDL'000
Deposits of individuals in Moldovan lei	38,763	27,121
in foreign currencies	101,402	89,636
	<b>140,165</b>	<b>116,757</b>
Deposits of legal entities in Moldovan lei	159,614	130,732
in foreign currencies	81,567	74,299
	<b>241,181</b>	<b>205,031</b>
<b>Total non-interest bearing deposits</b>	<b>381,346</b>	<b>321,788</b>

#### 14. Due to clients (continued)

Interest bearing deposits	31 December 2023 MDL'000	31 December 2022 MDL'000
Deposits of individuals		
in Moldovan lei	368,292	454,221
in foreign currencies	288,781	206 053
<b>Total</b>	<b>657,073</b>	<b>660,274</b>
Deposits of legal entities		
in Moldovan lei	91,822	103,721
in foreign currencies	33,561	18,847
<b>Total</b>	<b>125,383</b>	<b>122,568</b>
<b>Total interest bearing deposits</b>	<b>782,456</b>	<b>782,842</b>
<b>Total deposits</b>	<b>1,163,802</b>	<b>1,104,630</b>

The annual interest rates granted by the Bank for term deposits of individuals and legal entities in MDL varied from 0,2% to 16,5% (in 2022: from 0,5% to 20%) and in foreign currency varied from 0.05% to 6,46% (2022: from 0,05% to 4,77%).

#### 15. Taxation

The main components of tax expenses and reconciliations of theoretical tax spending based on the effective tax rate of 12% (2022: 12%) and tax expenses reported in the profit or loss are presented below:

	31 December 2023 MDL'000	31 December 2022 MDL'000
Profit before tax	26,639	39,126
Income tax rate in the Republic of Moldova	12%	12%
Theoretical income tax	(3,197)	(4,695)
The impact of differences between IFRS and tax law provisions	(904)	78
Impact of tax rate change	-	-
<b>Actual expenses on income tax</b>	<b>(4,101)</b>	<b>(4,617)</b>

Income tax expense includes:

Current tax expenses	(4,588)	(4,624)
Deferred tax expense:		
- Relating to origins and reversal of temporary differences	487	(7)
<b>Income tax expense</b>	<b>(4,101)</b>	<b>(4,617)</b>

	31 December 2023 MDL'000	31 December 2022 MDL'000
Current tax liabilities	199	1,649
Deferred tax liabilities	2,874	3,433
<b>Total</b>	<b>3,073</b>	<b>5,082</b>

## 16. Other liabilities

	31 December 2023	31 December 2022
	MDL'000	MDL'000
Settlements with other individuals and legal entities	308	220
Settlements regarding the purchase / sale of securities and foreign currency	-	-
Clearing amounts	4,770	1,946
Provisions with Bank employee benefits	10,062	3,763
Settlements with the National Social Insurance House/National Medical Insurance Company	-	1,492
Dividends to be paid	344	-
Other liabilities	1,210	2,577
<b>Total</b>	<b>16,694</b>	<b>9,998</b>

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

## 17. Equity, dividends and reserves

La 31 decembrie 2023, capitalul acționar constituie 13,800,000 acțiuni (2022: 13,800,000 acțiuni) ordinare autorizate emise, dintre care 250,000 acțiuni de tezaur deținute de Bancă. Valoarea nominală pentru o acțiune este de 10 MDL pe acțiune.

	Number of shares	Total value MDL'000
<b>As of December 31, 2023</b>	<b>13,800,000</b>	<b>138,000</b>
Treasury shares	(250,000)	(2,500)
<b>As of December 31, 2023</b>	<b>13,550,000</b>	<b>135,500</b>

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

	31 December 2023		
	Equity share %	Share Number	Value MDL'000
Zissi Mariana, Greece	46.45	6,410,459	64,105
Mahmood M.S.M.	42.19	5,822,653	58,227
Other shareholders (equity interest less than 5%)	9.54	1,316,888	13,169
Treasury shares	1.81	(250,000)	(2,500)
	<b>100</b>	<b>13,550,000</b>	<b>135,500</b>

	31 December 2023	31 December 2022
	MDL'000	MDL'000
<b>Equity</b>		
Ordinary shares	138,000	138,000
Ordinary treasury shares	(2,500)	(2,500)
Surplus capital	625	625
Reserve capital	58,177	58,996
Revaluation reserves	46,828	47,354
Retained earnings	174,438	159,148
<b>Total</b>	<b>415,568</b>	<b>401,623</b>

As of December 31, 2023, the Bank's stock of 0,06 % was held by legal entities and of 99,94% by individuals. The total number of shareholders is 105 (31 December 2022: 105 shareholders) out of which 99 shareholders are individuals and 6 legal entities (31 December 2022: 99 individuals and 6 legal entities).



## 17. Equity, dividends and reserves (continued)

### Dividends

At the Extraordinary General Meeting of Shareholders (EGM) held on June 30, 2023, it was decided and approved to distribute dividends for the financial year ended December 31, 2022. The EGM decided to distribute dividends to shareholders in the total amount of MDL'000 8,627, which constitutes 25% of the profits for the year 2022.

	2023 MDL'000	2022 MDL'000
Dividends as of January 1, 2023	0	0
Dividends declared during the year	8,627	0
Dividends paid during the year	8,283	0
Dividends payable remaining as of December 31, 2023	344	0

### Reserves

	31 December 2023 MDL'000	31 December 2022 MDL'000
Reserve capital	13,800	13,800
Retained earnings and other	174,438	159,148
General reserves for bank risks	44,377	45,196
Rezerve din reevaluare imobilizarilor corporale	46,828	47,355
	279,443	265,499

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, 2023, 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, 2023, the amount concerning the re-evaluation of tangible assets constituted MDL'000 46,828 (2022: MDL'000 49,620).

## 18. Cash and cash equivalents

	Nota	31 December 2023 MDL'000	31 December 2022 MDL'000
Cash on hand	4	149,019	109,574
Accounts with National Bank of Moldova	5	240,564	263,261
Current accounts and deposits with banks	6	39,884	40,094
Investment securities at amortized cost	7	-	109,473
		429,467	522,402

## 19. Interest income

	31 December 2023 MDL'000	31 December 2022 MDL'000
Cash and investments at the Central Bank	17,344	24,404
Loans and advances to banks	12	4
Loans and advances to clients	77,854	68,164
Financial assets at fair value through other items of comprehensive income	66	79
Investments held-to-maturity	41,855	24,758
	137,131	117,409

## 20. Interest expenses

	31 December 2023 MDL'000	31 December 2022 MDL'000
Deposits and loans from banks	-	86
Borrowings from financial institutions	5,801	6,170
Deposits and loans from NBM	-	115
Deposits from customers	51,668	28,502
	<b>57,469</b>	<b>34,873</b>

## 21. Fee and commissions income

	31 December 2023 MDL'000	31 December 2022 MDL'000
Commissions from rendering of services for loans	516	1,020
Commissions on clients' accounts servicing	7,633	8,226
Income from transfers through international payment systems	7,758	5,275
Income from transactions with debit cards	5,789	5,375
Income from cash withdrawals and cash deposits	5,294	7,462
Other commissions	145	309
	<b>27,135</b>	<b>27,667</b>

## 22. Fee and commission expenses

	31 December 2023 MDL'000	31 December 2022 MDL'000
Expenses on cards operations	5,440	4,965
Commissions on interbank transfers	7	1
Cash transactions with foreign currency	13,925	13,977
Expenses for servicing Nostro accounts	1,809	1,975
Other	243	305
	<b>21,424</b>	<b>21,223</b>

## 23. Income from foreign currency operations, net

	31 December 2023 MDL'000	31 December 2022 MDL'000
Income (losses) from currency trading	44,451	42,985
Income (losses) from revaluation of foreign currency balances	(280)	(750)
Income (losses) from revaluation of assets and bonds in Moldovan lei	(3,726)	809
	<b>40,455</b>	<b>43,044</b>

## 24. Other operating income

	31 December 2023 MDL'000	31 December 2022 MDL'000
Income arising from rent	22	23
Fines and penalties	2,998	2,047
Other operating income	3,420	2,835
	<b>6,440</b>	<b>4,905</b>

## 25. Personnel Expenses

	31 December 2023 MDL'000	31 December 2022 MDL'000
Salaries	46,624	40,978
Bonuses	14,072	12,926
Social insurance contributions	12,345	10,721
Other expenses on salaries and wages	454	216
	<b>73,495</b>	<b>64,841</b>

## 26. General and administrative expenses

	31 December 2023 MDL'000	31 December 2022 MDL'000
Rent Expenses	2,020	1,741
Expenditure on telecommunications, post and telegraph	2,015	2,030
Utilities (electricity, heating and water supply)	3,244	2,468
Repair and maintenance of vehicles	1,148	1,376
Advertising expenses	2,050	1,966
Repair and maintenance of furniture and equipment	1,233	815
Expenses with security services	1,469	1,275
Office expenses, printing	519	561
Expenses related to amortization of assets of small value and short-term	369	283
Consulting and auditing services	826	740
Other expenses for repair and maintenance of buildings	590	437
Payments and contributions to deposit guarantee fund	1,983	2,486
Other expenses	4,508	5,948
	<b>21,974</b>	<b>22,126</b>

## 27. Result per share (MDL)

	31 December 2023	31 December 2022
Net profit attributable to shareholders, MDL'000	22,539	34,509
Weighted average of ordinary shares, thousand shares	13,550	13,550
<b>Earnings per basic share, MDL / share</b>	<b>1.66</b>	<b>2.55</b>
Weighted average of ordinary shares (including treasury shares), thousands of shares	13,800	13,800
<b>Earnings per basic share, MDL / share</b>	<b>1.63</b>	<b>2.5</b>

## 28. Commitments on loans, other assets and contingent liabilities

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

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

The value of guarantees, commitments and of other off-balance items as of December 31, 2023 and 2022 is presented as follows

	31 December 2023 MDL'000	31 December 2022 MDL'000
Commitments to grant loans in the future	47,236	13,421
Issued guarantees and securities	8,075	4,916
<b>Total</b>	<b>55,311</b>	<b>18,337</b>

## Commitments for capital investments

As of 31 December 2023 and 2022, the Bank had no commitments for capital investments.

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

### Operational lease commitments

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

	31 December 2023 MDL'000	31 December 2022 MDL'000
Up to 1 year	5,625	810
From 1 to 5 years	9,078	7,928
Over 5 years	-	-
	<b>14,703</b>	<b>8,738</b>

### Datorii contingente

On 31 December 2023 and 2022, the Bank is involved as a complainant in several lawsuits arising from the ordinary corporate activity. In the opinion of Management and the Bank's legal department the probability of losses is low.

## 29. Affiliated parties

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

	Key management personnel of the entity or its parent company (MDL'000)		Other related parties (MDL'000)	
	2023	2022	2023	2022
Interest income	-	32	50	80
Revenue from fees and commissions	4	12	31	22
Interest expense	129	46	144	67

Următoarele sume care au apărut datorită tranzacțiilor cu părțile legate sunt incluse în situația rezultatului global pentru anii încheiați la 31 decembrie 2023 și 2022:

	Key management personnel of the entity or its parent company (MDL'000)		Other related parties (MDL'000)	
	2023	2022	2023	2022
<b>Assets</b>				
Loans and advances	9	475	654	475
<b>Liabilities</b>				
Deposits	8,518	8 690	10,807	8 690
<b>Financing commitments, financial guarantees and other commitments</b>				
Received	41	38	-	38



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

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

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

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

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

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

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

### 31. Risk management

#### **Risk management policy**

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

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

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

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

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

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

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

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

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

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

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

### 31. Risk management (continued)

#### OWN FUNDS

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

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

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

	31 December 2023 MDL'000	31 December 2022 MDL'000
Core Tier 1 own funds	292,993	267,843
Additional Tier 1 own funds	-	-
Recoveries (minus)	-	-
<b>Own funds:</b>	<b>292,993</b>	<b>267,843</b>
Amount of risk exposure:		
Credit risk	751,607	650,379
Operational risk	168,879	143,400
Currency risk	16,273	4,395
Market risk	-	-
Settlement/delivery risk	-	-
<b>The total amount of risk exposures:</b>	<b>936,759</b>	<b>798,174</b>
Equity ratio at basic level 1	31.28	33.56
Tire 1 equity ratio	31.28	33.56
Total equity ratio	31.28	33.56

## 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 presented in the table represent the net book value of financial assets divided into stages of impairment.

31 December 2023	Note	Book value	Stage 1	Stage 2	Stage 3
		MDL'000	MDL'000	MDL'000	MDL'000
Accounts with National Bank of Moldova	5	441,354	-	-	-
Current accounts and deposits with banks	6	39,884	-	-	-
Investment securities at amortized cost (debt securities)	7	232,414	232,414	-	-
Investment securities at amortized cost (loans, net)	8	703,893	608,279	76,015	19,599
Financial assets at fair value through other comprehensive income (equity instruments)	9	153	-	-	-
<b>Total</b>		<b>1,417,698</b>	<b>840,693</b>	<b>76,015</b>	<b>19,599</b>

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



### 31. Risk management (continued)

#### (a) Loan risk (continued)

##### Loans and advances

Loans and down payments are grouped as follows:

	2023		2022	
	Legal entities MDL'000	Individuals MDL'000	Legal entities MDL'000	Individuals MDL'000
Stage 1	456,073	152,615	350,278	177,430
Stage 2	57,783	20,648	68,033	19,802
Stage 3	15,232	9,305	10,949	7,936
<b>Gross</b>	<b>529,088</b>	<b>182,568</b>	<b>429,260</b>	<b>205,168</b>
Allowance for impairment of loans	(6,049)	(1,713)	(5,623)	(2,719)
<b>Net</b>	<b>523,039</b>	<b>180,855</b>	<b>423,637</b>	<b>202,449</b>

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

	2023		2022	
	Legal entities MDL'000	Individuals MDL'000	Legal entities MDL'000	Individuals MDL'000
No overdue days	510,085	161,238	415,505	181,590
Overdue for up to 30 days	4,564	10,554	743	12,208
Overdue between 31-60 days	1,367	1,659	-	1,520
Overdue between 61-90 days	1,468	692	-	1,482
More than 90 days	5,555	6,713	7,389	5,649
	<b>523,039</b>	<b>180,855</b>	<b>423,637</b>	<b>202,449</b>

##### Maximum exposure to credit risk

	Nota	31 December 2023	31 December 2022
		MDL'000	MDL'000
Accounts with National Bank of Moldova	5	441,354	423,523
Current accounts and deposits with banks	6	39,884	40,094
Investment securities at amortized cost (debt securities)	7	232,414	312,787
Investment securities at amortized cost (loans, net)	8	703,893	626,086
Other financial assets	9	153	153
		<b>1,417,698</b>	<b>1,402,642</b>
Off-balance (conditional commitments)	28	55,311	18,337
<b>Maximum exposure to credit risk</b>		<b>1,473,009</b>	<b>1,420,979</b>

##### Concentrația expunerii maxime la riscul de credit

The sum of the first ten exposures to loans, (including groups) of the Bank at 31 December 2023 amounted to MDL'000 156,574, which represents 22,96% of the total portfolio of conditional loans and commitments (as of 31 December 2022: MDL'000 128,239 or 21,88% of the total portfolio of conditional loans and commitments).

### 31. 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, 2023 and December 31, 2022. In this table, the assets and liabilities of the Bank are included at their carrying amount and are classified per currency:

31 December 2023	Total	MDL	USD	EUR	Other currencies
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
<b>ASSETS</b>					
Cash and cash equivalents	149,019	49,251	31,918	62,637	5,213
Accounts with National Bank of Moldova	441,354	240,947	63,817	136,589	-
Current accounts and deposits with banks	39,884	-	32,962	5,771	1,152
Investment securities at amortized cost (debt securities)	232,414	232,414	-	-	-
Investment securities at amortized cost (loans, net)	703,893	623,152	15,617	65,124	-
Financial assets at fair value through other comprehensive income (equity instruments)	153	153	-	-	-
Tangible assets, net	85,463	85,463	-	-	-
Intangible assets, net	8,831	8,831	-	-	-
Other assets	16,674	4,456	1,951	10,267	-
<b>Total assets</b>	<b>1,677,685</b>	<b>1,244,667</b>	<b>146,265</b>	<b>280,388</b>	<b>6,365</b>
<b>LIABILITIES</b>					
Other financial debts (Borrowing)	78,746	77,684	627	435	-
Due to clients	1,163,802	658,490	172,355	328,651	4,304
Deferred tax liabilities	2,874	2,874	-	-	-
Other financial liabilities	16,695	14,553	281	1,860	-
<b>Total Liabilities</b>	<b>1,262,117</b>	<b>753,601</b>	<b>173,264</b>	<b>330,946</b>	<b>4,304</b>
<b>Gap</b>	<b>415,568</b>	<b>491,066</b>	<b>(26,998)</b>	<b>(50,558)</b>	<b>2,061</b>

### 31. Risk management (continued)

#### (b) Currency risk (continued)

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

The ratio of the open currency position, as a percentage ratio of the size of the open currency position and the size of the Bank's own funds, was respected on December 31, 2023 (20% established by the NBM). Thus, the ratio of the long open foreign exchange position of the Bank constituted 6,83% (2022: 1.77%), and the ratio of the short open foreign exchange position constituted -3,89% (2022: -2.07%).

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

31 December 2023	Possible rate increase %	Income/loss effect MDL'000	Possible rate decrease %	Income/loss effect MDL'000
EUR	10%	(5,056)	-10%	5,056
USD	10%	(2,700)	-10%	2,700

  

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

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**31. Risk management (continued)**

**(c) Liquidity risk**

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

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

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

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

31 December 2023	Total	less than 1 month	1-2 months	2 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 5 years	More than 5 years
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
<b>ASSETS</b>									
Cash and cash equivalents	149,019	149,019	-	-	-	-	-	-	-
Accounts with National Bank of Moldova	441,354	441,354	-	-	-	-	-	-	-
Current accounts and deposits with banks	39,884	39,884	-	-	-	-	-	-	-
Financial assets held to maturity	232,415	24,972	34,759	-	58,594	47,958	66,132	-	-
Loans to customers, net	915,960	44,956	19,946	17,210	61,711	70,909	88,706	520,345	92,177
Investment securities up for sale	153	153	-	-	-	-	-	-	-
Other financial assets	12,565	12,565	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>1,791,350</b>	<b>712,903</b>	<b>54,705</b>	<b>17,210</b>	<b>120,305</b>	<b>118,867</b>	<b>154,838</b>	<b>520,345</b>	<b>92,177</b>
<b>LIABILITIES</b>									
Borrowing	90,923	984	371	371	2,040	3,503	2,974	77,080	3,600
Due to clients	1,379,739	477,630	45,852	54,455	164,663	90,936	141,002	182,335	222,866
Other financial liabilities	4,614	4,614	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1,475,276</b>	<b>483,228</b>	<b>46,223</b>	<b>54,826</b>	<b>166,703</b>	<b>94,439</b>	<b>143,976</b>	<b>259,415</b>	<b>226,466</b>
<b>Maturity gap</b>	<b>316,072</b>	<b>229,673</b>	<b>8,483</b>	<b>(37,616)</b>	<b>(46,398)</b>	<b>24,428</b>	<b>10,862</b>	<b>260,930</b>	<b>(134,290)</b>

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31. Gestionarea riscurilor (continuare)

(c) Riscul lichidității (continuare)

31 December 2022	Total	less than 1 month	1-2 months	2 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 5 years	More than 5 years
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
<b>ASSETS</b>									
Cash and cash equivalents	109,574	109,574	-	-	-	-	-	-	-
Accounts with National Bank of Moldova	423,523	423,523	-	-	-	-	-	-	-
Current accounts and deposits with banks	40,094	40,094	-	-	-	-	-	-	-
Financial assets held to maturity	312,787	119,427	21,677	-	120,676	-	51,007	-	-
Loans to customers, net	866,060	43,788	17,071	18,091	57,673	82,473	98,097	437,410	111,458
Investment securities up for sale	153	153	-	-	-	-	-	-	-
Other financial assets	3,978	3,978	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>1,756,169</b>	<b>740,537</b>	<b>38,748</b>	<b>18,091</b>	<b>178,349</b>	<b>82,473</b>	<b>149,104</b>	<b>437,410</b>	<b>111,458</b>
<b>LIABILITIES</b>									
Borrowing	160	1	1	1	130	2	2	23	-
Due to clients	1,276,903	385,095	23,991	28,416	241,422	99,037	117,672	219,901	161,368
Other financial liabilities	1,946	1,946	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1,279,010</b>	<b>387,042</b>	<b>23,992</b>	<b>28,417</b>	<b>241,552</b>	<b>99,039</b>	<b>117,674</b>	<b>219,924</b>	<b>161,368</b>
<b>Maturity gap</b>	<b>477,158</b>	<b>353,494</b>	<b>14,755</b>	<b>(10,327)</b>	<b>(63,203)</b>	<b>(16,566)</b>	<b>31,430</b>	<b>217,486</b>	<b>(49,910)</b>

### 31. Risk management (continued)

#### (d) Interest rate risk

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

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

The level of interest rate as of December 31, 2023 and December 31, 2022 is presented as follows:

	31 December 2023	31 December 2022
<b>Financial assets</b>		
Deposits due from banks	0%	(0.2)% - 0,05%
Loans and advances to customers	2% -26%	1% -26%
Investment securities at amortized cost	6.1% - 8.99%	5.46% - 22.02%
<b>Financial liabilities</b>		
Borrowings	1.35% - 6.6%	1.35% - 15,60%
Client's deposits	0,05% - 16.5%	0,05% - 20.0%

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.

31. Risk management (continued)

(d) Interest rate risk (continued)

31 December 2023

	Total	less than 1 month	1-2 months	2 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 5 years	More than 5 years	Non-interest bearing
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
<b>ASSETS</b>										
Cash and cash equivalents	149,019	149,019	-	-	-	-	-	-	-	-
Accounts with National Bank of Moldova	441,354	-	-	-	-	-	-	-	-	441,354
Current accounts and deposits with banks	39,884	-	-	-	-	-	-	-	-	39,884
Financial assets held to maturity	232,415	24,972	34,759	-	58,594	47,958	66,132	-	-	-
Loans to customers, net	703,892	37,063	15,054	12,510	48,062	47,254	72,592	412,753	58,604	-
Investment securities up for sale	153	-	-	-	-	-	-	-	-	153
Other financial assets	12,565	-	-	-	-	-	-	-	-	12,565
<b>Total financial assets</b>	<b>1,579,282</b>	<b>211,054</b>	<b>49,813</b>	<b>12,510</b>	<b>106,656</b>	<b>95,212</b>	<b>138,724</b>	<b>412,753</b>	<b>58,604</b>	<b>493,956</b>
<b>LIABILITIES</b>										
Borrowing	73,315	613	-	-	940	2,404	1,874	63,884	3,600	-
Due to clients	1,163,801	31,374	43,658	52,322	159,668	87,074	138,276	167,126	133,419	350,884
Other financial liabilities	4,614	-	-	-	-	-	-	-	-	4,614
<b>Total liabilities</b>	<b>1,241,730</b>	<b>31,987</b>	<b>43,658</b>	<b>52,322</b>	<b>160,608</b>	<b>89,478</b>	<b>140,150</b>	<b>231,010</b>	<b>137,019</b>	<b>355,498</b>
<b>GAP in interest</b>	<b>337,552</b>	<b>179,067</b>	<b>6,155</b>	<b>(39,812)</b>	<b>(53,952)</b>	<b>5,734</b>	<b>(1,426)</b>	<b>181,744</b>	<b>(78,415)</b>	<b>138,458</b>
<b>GAP in interest, cumulative</b>			<b>185,222</b>	<b>(33,657)</b>	<b>(93,764)</b>	<b>(48,218)</b>	<b>4,308</b>	<b>180,318</b>	<b>103,329</b>	<b>60,043</b>

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31. Risk management (continued)

(d) Interest rate risk (continued)

31 December 2022

	Total	less than 1 month	1-2 months	2 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 5 years	More than 5 years	Non-interest bearing
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
<b>ASSETS</b>										
Cash and cash equivalents	109,574	109,574	-	-	-	-	-	-	-	-
Accounts with National Bank of Moldova	423,523	-	-	-	-	-	-	-	-	423,523
Current accounts and deposits with banks	40,094	-	-	-	-	-	-	-	-	40,094
Financial assets held to maturity	312,787	119,427	21,677	-	120,676	-	51,007	-	-	-
Loans to customers, net	626,085	32,590	11,836	13,481	44,060	58,823	81,079	319,306	64,910	-
Investment securities up for sale	153	-	-	-	-	-	-	-	-	153
Other financial assets	3,978	-	-	-	-	-	-	-	-	3,978
<b>Total financial assets</b>	<b>1,516,194</b>	<b>261,591</b>	<b>33,513</b>	<b>13,481</b>	<b>164,736</b>	<b>58,823</b>	<b>132,086</b>	<b>319,306</b>	<b>64,910</b>	<b>467,748</b>
<b>LIABILITIES</b>										
Borrowing	128	-	-	-	128	-	-	-	-	-
Due to clients	1,104,631	7,841	18,764	23,338	229,484	92,056	113,288	205,202	103,601	311,057
Other financial liabilities	1,946	-	-	-	-	-	-	-	-	1,946
<b>Total liabilities</b>	<b>1,106,705</b>	<b>7,841</b>	<b>18,764</b>	<b>23,338</b>	<b>229,612</b>	<b>92,056</b>	<b>113,288</b>	<b>205,202</b>	<b>103,601</b>	<b>313,003</b>
<b>GAP in interest</b>	<b>409,489</b>	<b>253,750</b>	<b>14,749</b>	<b>(9,857)</b>	<b>(64,876)</b>	<b>(33,232)</b>	<b>18,798</b>	<b>114,104</b>	<b>(38,691)</b>	<b>154,744</b>
<b>GAP in interest, cumulative</b>										
		268,499		258,642	193,766	160,534	179,332	293,436	254,745	409,489



### 31. Risk management (continued)

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

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

	Increase in basis points	Sensitivity of net interest income MDL'000	Decrease in basis points	Sensitivity of net interest income, MDL'000
<b>2023</b>	100	116 930	(100)	(116 930)
	50	115 935	(50)	(115 935)
<b>2022</b>	100	72 294	(100)	(72 294)
	50	71 020	(50)	(71 020)

#### (e) Market risk

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

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

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

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

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

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

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

#### (f) Operational risk

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

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

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

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

### 31. Risk management (continued)

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

Această responsabilitate este susținută prin aplicarea standardelor bancare pentru gestionarea riscului operațional în următoarele domenii:

- Appropriate division 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 and use efficiently software and equipment means belonging to the Interbank Automatic Payment System, guaranteeing 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 (armed security, video control system, alarm button and others).

### 32. Geographical concentration and business segments

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

Name of the country	31 December 2023		31 December 2022	
	Total assets (MDL'000)	Total bonds (MDL'000)	Total assets (MDL'000)	Total bonds (MDL'000)
Moldova	1,663,305	1,632,565	1,586,129	1,607,238
EU Countries	6,825	4,859	2,231	3,504
USA	1	264	384	-
off-shore	6	1,019	1,379	41
Other Countries	7,546	38,976	23,141	2,481
	<b>1,677,683</b>	<b>1,677,683</b>	<b>1,613,264</b>	<b>1,613,264</b>

### 33. Events subsequent to the reporting date

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