Banca Comercială Română Chişinău SA

Financial Statements
For the Year Ended 31 December 2020
Prepared in Accordance with
International Financial Reporting Standards

Translation of the Bank's financial statements issued in the Romanian language

CONTENT

Independent Auditor's Report

To the shareholders of Banca Comercială Română Chișinău SA

Our Opinion

In our opinion, financial statements give a true and fair view of the financial position of Banca Comercială Română Chișinău SA (the "Company") as of 31 December 2020, and the Company's financial performance and the Company's cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and Decision of the Government of the Republic of Moldova no. 238 / 29.02.2008 on the application of IFRS on the territory of the Republic of Moldova and the Law on accounting and financial reporting no. 287 / 15.12.2017 ("Law 287/2017").

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2020;
- the profit and loss account and other comprehensive income statement for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Law regarding audit activity no. 271 dated 15 December 2017 (the "Law 271/2017"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law 271/2017 that are relevant to our audit of the financial statements in the Republic of Moldova. We have fulfilled our other ethical responsibilities in accordance the IESBA Code and the ethical requirements of the Law 271/2017.

Reporting on other information including the Management Report

Management is responsible for the other information. The other information comprises Management Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, including the Management Report and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 Management Report our responsibility is to consider whether the it was prepared in accordance with Law 287/2017, article 23.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Management Report has been prepared in accordance with Law 287/2017, article 23.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements, that give a true and fair view in accordance with the Law 287/2019 and IFRS, 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. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 control relevant to the audit in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 Company 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.

We communicate with management 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.

Refer to the original signed Romanian version

On behalf of
ICS PricewaterhouseCoopers Audit SRL
Audit firm registered with the Public register of audit firms under no. 1902025

Eduard Maxim
Auditor
Qualification Certificate AG no 000061 dated 22.06.2018
Qualification Certificate AIF no 0030 dated 26.04.2019
Registered with the Public register of auditors under no. 1806122

Stefan Weiblen
Partener, acting based on the power of attorney dated 16 April 2020

Chişinău, 13 April 2021

This version of our report is a translation from the original, which was prepared in Romanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

	Notes	2020 MDL'000	2019 MDL'000
Interest and similar income	**20**	88,817	96,175
Interest and similar expense	**20**	(32,521)	(33,724)
Net interest income		**56,296**	**62,451**
Provision for impairment of loans and other financial assets	**7, 24**	(6,352)	1,728
Net interest income after impairment loss		**49,944**	**64,179**
Fee and commission income	**21**	24,470	25,366
Fee and commission expense	**21**	(9,131)	(11,028)
Net fee and commission income		**15,339**	**14,338**
Financial income, net	**22**	35,746	26,125
Other operating income	**23**	2,449	943
Total non-interest income		**38,195**	**27,068**
Personnel expenses	**25**	(39,746)	(36,814)
General and administrative expense	**26**	(23,938)	(26,398)
Contributions to Deposit Guarantee Fund		(667)	(637)
Depreciation and amortization expense	**27**	(13,261)	(15,064)
Provision for other assets		(983)	(109)
Total non-interest expense		**(78,595)**	**(79,022)**
Operating profit before tax		**24,883**	**26,563**
Tax expense	**18**	(1,146)	(1,855)
Net profit for the year		**23,737**	**24,708**
Other comprehensive income			
Revaluation of financial assets at fair value through other comprehensive income (FVOCI)		4,649	(6,112)
Total Other comprehensive income		**4,649**	**(6,112)**
Total comprehensive income for the year		**28,386**	**18,596**

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

The financial statements were authorized for issue on 12 April 2021 by the Executives of the Bank represented by:

President
Juan Luis Martin Ortigosa

Chief Accountant
Victoria Galben

Banca Comercială Română Chişinău SA
STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	31/12/2020 MDL'000	31/12/2019 MDL'000
ASSETS			
Cash on hand	4	107,462	113,678
Balances with National Bank	5	799,209	695,956
Due from banks	6	599,305	336,886
Financial assets at amortized cost - loans and advances to customers	7	903,976	686,649
Financial assets at fair value through other comprehensive income (FVOCI)	8	107,746	8,847
Financial assets at amortized cost – state securities	8	417,529	429,571
Property and equipment	9	26,394	33,177
Intangible assets	10	5,136	6,833
Deferred tax assets	18	1,344	975
Other assets	11	46,902	48,236
Total assets		**3,015,003**	**2,360,808**
LIABILITIES			
Due to banks	12	55,775	16,727
Other borrowings	13	41,235	18,998
Due to customers	14	2,375,355	1,778,039
Other liabilities	15	37,648	69,862
Current liabilities on income tax		2,306	2,884
Total liabilities		**2,512,319**	**1,886,510**
SHAREHOLDERS' EQUITY			
Share capital	16	728,130	728,130
Reserve capital	17	19,840	18,605
Accumulated deficit		(261,635)	(311,334)
Other reserves		11,315	38,512
Reserve of FV of financial assets at FVOCI		5,034	385
Total shareholders' equity		**502,684**	**474,298**
Total liabilities and shareholders' equity		**3,015,003**	**2,360,808**

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

The financial statements were authorized for issue on 12 April 2021 by the Executives of the Bank represented by:

President
Juan Luis Martin Ortigosa

Chief Accountant
Victoria Galben

2020	**Share capital MDL'000**	**Reserve capital MDL'000**	**Accumula -ted deficit MDL'000**	**Other reserves MDL'000**	**Other comprehen -sive income MDL'000**	**Total MDL'000**
Balance as at 1 January	**728,130**	**18,605**	**(311,334)**	**38,512**	**385**	**474,298**
Net profit for the year	-	-	23,737	-	-	**23,737**
Other comprehensive income	-	-	-	-	4,649	**4,649**
Transfers between reserves	-	1,235	25,962	(27,197)	-	-
Balance as at 31 December	**728,130**	**19,840**	**(261,635)**	**11,315**	**5,034**	**502,684**

2019	**Share capital MDL'000**	**Reserve capital MDL'000**	**Accumula -ted deficit MDL'000**	**Other reserves MDL'000**	**Other comprehen -sive income MDL'000**	**Total MDL'000**
Balance as at 1 January	**728,130**	**17,870**	**(335,653)**	**38,858**	**6,497**	**455,702**
Net profit for the year	-	-	24,708	-	-	**24,708**
Other comprehensive income	-	-	-	-	(6,112)	**(6,112)**
Transfers between reserves	-	735	(389)	(346)	-	-
Balance as at 31 December	**728,130**	**18,605**	**(311,334)**	**38,512**	**385**	**474,298**

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

	Note	2020 MDL'000	2019 MDL'000
Cash flows from operating activities			
Interest receipts		84,738	102,695
Interest payments		(34,115)	(32,030)
Net fee and commission receipts		15,339	14,338
Net financial and other operating income receipt		37,370	26,703
Recovery of loans previously written-off		792	1,731
Staff costs paid		(38,391)	(37,409)
Payments of general and administrative expenses		(24,648)	(26,398)
Income tax payments		(1,724)	(1,423)
Operating profit before working capital changes		**39,361**	**48,207**
(Increase) / decrease in operating assets:			
Loans and advances to customers, net		(219,633)	34,028
Other assets		965	535
Increase / (decrease) in operating liabilities			
Due to banks		(43,536)	(2,885)
Due to customers		599,455	716,479
Other liabilities		33,526	37,794
Net cash flow from / (used in) operating activities before income tax		**343,086**	**834,158**
Purchase of property and equipment and intangible assets		(4,862)	(7,157)
Receipts from tangible and intangible assets		81	329
Receipts from maturity of financial investments – available-for-sale		3,868,461	3,617,049
Purchase of financial investments – available-for-sale		(3,863,795)	(3,478,017)
Receipts from maturity of state securities– loans and receivables		2,103,863	2,500,118
Purchase of financial investments – state securities – loans and receivables		(2,104,044)	(2,702,800)
Net cash used in investing activities		**(296)**	**(70,478)**
Cash flows from financing activities	**13**		
Receipts from borrowings		29,414	38,149
Repayments of borrowings		(9,548)	(220,350)
Net cash from financing activities		**19,866**	**(182,201)**
Foreign currency effect		(1,738)	(578)
Net increase/(decrease) in cash and cash equivalents		360,918	580,901
Balance as at 1 January		**1,150,337**	**569,436**
Balance as at 31 December	19	**1,511,255**	**1,150,337**

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

1. Corporate information

Banca Comercială Romana Chisinau SA (hereinafter the Bank) was established in October 1998. The Bank activates as a commercial and savings Bank, offering a large spectrum of services and banking products for all client categories through Front Office, two branches and one agency in Chisinau, one branch in Cahul and one branch in Balti (2019: 4 branches and 1 representative offices).

Banca Comerială Română Chisinau S.A. (BCRC) is 100% subsidiary of Banca Comerciala Romäna S.A., being part of BCR Group. The ultimate parent of the Bank is Erste Group Bank AG.

At year-end 2020 the Bank possessed the license number A MMII nr. 004471, granted by the National Bank of Moldova at 02 December 2008, which allows the Bank to be engaged in all banking activities stipulated in article 26 of Law of financial institutions nr.550 – XIII from 21 July 1995.

The Bank has 90 employees as at 31 December 2020 (96 as at 31 December 2019).

The registered office of the Bank is located at Pushkin Street, 60/2, Chisinau, Republic of Moldova.

As the Bank's operations do not have significantly different risks and returns and the regulatory environment, the nature of its services, the business process, as well as the types of customers for the products and services and the methods used to provide the services are homogenous for all Bank's activities, the Bank operates as a single business segment unit.

1.1 Operating environment

The Extraordinary National Commission in Public Health of the Republic of Moldova declared a state of emergency in public health on the entire territory of the Republic of Moldova, between March 19 and April 18, 2021, including by Decision no. 51 of March 19, 2021. During this period, a series of restrictive measures entered into force.

As of the date of approval of the financial statements, the Bank has not received requests for loan restructuring and no significant increases have been identified in the number and value of new non-performing exposures and no significant increases in default days in the loan portfolio. As at December 31, 8% of loan portfolio of legal entities or 67.1 mln lei, and 1.7% of loan portfolio of individuals or 2.4 mln lei were restructured due to COVID-19. Effects of these modifications are immaterial for the Financial Statements of the Bank.

At the end of 2020, vaccination against COVID-19 began in the United Kingdom, the United States, the European Union, China, the Russian Federation and others. This has boosted optimism in international markets about postponing coronavirus restrictions and recovering pre-pandemic economies as soon as possible. Vaccination rates are uneven worldwide, which raises uncertainty about the resumption of international tourism. Also, it is not guaranteed when the expected collective immunity will be formed that will allow the cancellation of all coronavirus restrictions. Another uncertainty is related to the small and medium business, especially in the field of HoReCa, regarding the resumption of economic activity against the background of numerous bankruptcies in 2020.

The above events do not have a significant negative impact on the Bank or the Group so far. However, it is difficult to predict any impact COVID-19 might have on the Bank's financial statements.

2. Accounting policies

2.1 Basis of preparation

The financial year starts on 1 January and ends on 31 December, and includes all operations performed by the Bank during this period.

The financial statements have been prepared on a historical cost basis, except for financial assets at FVOCI, which have been measured at fair value.

The financial statements are presented in Moldovan lei ("MDL"), the currency of the country in which the Bank operates, and all values are rounded to the nearest thousand Moldovan lei, except when otherwise indicated.

The financial statements are prepared on a going concern basis.

The financial statements are presented to the Executive Committee and Management Board with final approval by General Shareholders Meeting. After approval they cannot be modified.

Statement of compliance
The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by IASB.

2.2 New and revised standards and interpretations

Other new standards, applicable from 1 January 2020 but with no major impact or irrelevant for the Bank:

- **Amendments to the Conceptual Framework for Financial Reporting** (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a business – **Amendments to IFRS 3** (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020);
- Definition of materiality – **Amendments to IAS 1 and IAS 8** (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Interest rate benchmark reform – **Amendments to IFRS 9, IAS 39 and IFRS 7** (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020);
- Covid-19-Related Rent Concessions – **Amendments to IFRS 16** (issued on 28 May 2020 and effective for annual periods beginning on or after 1 January 2020).

2. Accounting policies (continued)

2.3 Significant accounting judgments and estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts and balances reported in the financial statements and accompanying notes.

SPPI valuation

The assessment of whether the contractual cash flows of financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) is subject to the application of significant judgements.

These judgements are crucial in the IFRS 9 classification and measurement process as they determine whether the asset must be measured at FVPL or, depending on the business model assessment, at amortised cost or at FVOCI.

When taking into consideration specific features of loans in the business of the Bank, significant areas of judgement are prepayment fees, project financing loans and benchmark test for loans with interest mismatch features.

The assessment whether the prepayment fees applied to loans can be considered as a reasonable compensation for early terminations or prepayments is based on comparing the level of the fees with the economic costs incurred by the Bank upon the early termination.

For these purposes, BCR Chisinau uses a quantitative test where the costs relate to the lost interest margin and the lost interest differential due to a decrease in the interest rates upon early termination or prepayment.

The evaluation is normally performed on a portfolio level. The adequacy of the fees can also be defended on a qualitative basis such as common market practice regarding level of prepayment fees and their acceptance by authorities.

For project financing loans, BCR Group assesses whether they represent basic loan agreements rather than investments in the financed projects. In this respect credit rating, level of collateralisation, existing sponsor guarantees and the extent of equity funding of the financed projects are considered.

Interest mismatches relate mainly to floating rate agreements for which the floating base rate is contractually repriced based on past date price (ex. loans with rate linked to 3-month Euribor and reset frequency of 3 months but the rate is always fixed as of the last day of previous month).

For this purpose, BCR Group has developed what is called a 'benchmark test' to assess whether the interest mismatch feature could result in contractual (undiscounted) cash flows that are significantly different from benchmark deal.

Apart from the interest mismatch features, the terms of this benchmark deal correspond to the asset in the test (i.e. if the floating rate reset frequency is 3 months then the floating rate would be the 3-month Euribor and/or no time lag exists in the floating rate fixation).

For assets with interest mismatches resulting only from prior and average rates (i.e. no mismatches resulting from a tenor different from the reset frequency), SPPI compliance is considered to be met based on a qualitative assessment if the time lag between the fixation of the rate and the start of the interest period does not exceed one month.

The quantitative benchmark test is performed at the deal's initial recognition and compares the present value of the original loan with the present value of the benchmark loan.

The quantitative significance threshold is set to 5%. If the significance thresholds is breached, the benchmark test is not passed, and the financial asset must be measured at fair value through profit or loss.

2. Accounting policies (continued)

2.3 Significant accounting judgments and estimates (continued)

Analysis of business model

For each SPPI-compliant financial asset at initial recognition, BCR Chisinau must assess whether it is part of a business model where the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets, or they are held in other business models.

As a consequence, the critical aspect in distinguishing the business models is frequency and significance of sales of assets in the respective business model. Since asset allocation to business models is based on the initial assessment, it may happen that in subsequent periods cash flows are realised differently than originally expected, and a different measurement method may seem to be appropriate.

In accordance with IFRS 9, such subsequent changes do not generally lead to reclassifications or prior period error corrections in respect of existing financial assets.

The new information on how cash flows are realised may, however, indicate that the business model, and thus the measurement method changes for newly acquired or newly originated financial assets. The model is stable, with rare changes and is aligned to BCR Chisinau strategy.

At BCR Chisinau, sales due to increases in credit risk, sales close to assets' maturity, infrequent sales triggered by a non-recurring event (such as changes in regulatory or tax environment, major internal reorganisation or a business combination, severe liquidity crisis, etc.) are considered as not contradicting the held to collect contractual cash flows business model.

Other kinds of sales carried out in the 'held to collect' business model are assessed retrospectively, and if they exceed certain quantitative thresholds, or whenever it is considered necessary with regard to new expectations, BCR Chisinau performs a prospective test.

If the outcome was that the carrying amount of assets expected to be sold over the expected life of the current business model portfolio, for reasons other than the cases above, exceeds 10% of the carrying amount of the portfolio, any new acquisitions or originations of assets would be classified in a different business model.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgment is required to establish fair values. Disclosures for valuation models, the fair value hierarchy, fair values of financial instruments and sensitivity analysis for level 3 financial instruments can be found in Note 29 Fair value of financial assets and liabilities.

Impairment of financial instruments

The expected credit loss impairment model is inherently based on judgement since it requires assessment of significant increases in credit risk and measurement of expected credit losses without providing detailed guidance. In respect of significant increases in credit risk, BCR Chisinau has determined specific assessment rules consisting of qualitative information and quantitative thresholds. Another area of complexity relates to establishing groups of similar assets when credit risk deterioration has to be assessed on a collective basis before specific information is available at individual instrument level. Measurement of expected credit losses involves complex models relying on historical statistics of probabilities of default and loss rates in case of defaults, their extrapolations in case of insufficient observations, individual estimates of credit-adjusted cash flows and probabilities of various scenarios including forward-looking information. In addition, the life of the instruments has to be modelled in respect of prepayment possibilities and in respect of behavioural life of revolving credit facilities.

2. Accounting policies (continued)

2.3 Significant accounting judgments and estimates (continued)

Under the IAS 39 incurred loss impairment model used for the comparative period, BCR Chisinau reviewed its financial assets not measured at fair value through profit or loss at each balance sheet date to assess whether an impairment loss should be recorded in the statement of income. In particular, this involved determining whether there is objective evidence of impairment as a result of a loss event occurring after initial recognition and estimating the amount and timing of future cash flows when determining an impairment loss.

The impairment loss on loans and advances is disclosed in more detail in Note 24.

3. Significant accounting policies

a. IFRS 9 Financial Instruments

AC – amortised cost
AFS – available for sale
FV – fair value
FVOCI – fair value through other comprehensive income
FVTPL – fair value through profit or loss
HTM – held-to-maturity
ECL – expected credit loss
L&R – loans and advances
SOCE – statement of changes in equity
OCI – other comprehensive income
POCI – purchased or originated credit-impaired
CLA – cumulated loss
EIR – effective interest rate
SPPI – solely payment of principal and interest

b. Financial Instruments

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. In accordance with IFRS 9 (as well as IAS 39), all financial assets and liabilities – which also include derivative financial instruments – have to be recognised on the balance sheet and measured in accordance with their assigned categories.

c. Initial recognition and measurement

i. Initial recognition

Financial instruments are initially recognised when BCR Chisinau becomes a party to the contractual provisions of the instrument. Regular way (spot) purchases and sales of financial assets are recognised at the settlement date, which is the date that an asset is delivered.

ii. Initial measurement

Financial instruments are measured initially at their fair value including transaction costs (except for financial instruments at fair value through profit or loss, for which transaction costs are recognised directly in profit or loss). In most cases, the fair value at initial recognition equals the transaction price, i.e. the price transferred to originate or acquire a financial asset or the price received to issue or incur a financial liability.

d. Classification and subsequent measurement of financial assets under IFRS 9

In accordance with IFRS 9, the classification and subsequent measurement of financial assets depend on the following two criteria:

- The business model for managing the financial assets – the assessment is focused on whether the financial asset is part of a portfolio in which the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets or they are held in other business models.
- The cash flow characteristics of the financial assets – the assessment is focused on whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

i. Financial assets at amortised cost

Financial assets are measured at amortised cost if they are held in a business model whose objective is to collect contractual cash flows, and their contractual cash flows are SPPI.

On the balance sheet, these assets are carried at amortised cost, i.e. the gross carrying amount net of the credit loss allowance. They are presented under the line 'Financial assets at amortised cost – loans and receivables', 'Financial assets at amortised cost – state securities', 'Other assets' and 'Cash and cash balances'. Cash balances include only claims (deposits) against central banks and credit institutions that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. Mandatory minimum reserves are also shown under this item.

Interest income on these assets is calculated by effective interest method and is included under the line 'Net interest income' in the statement of income. Impairment gains or losses are included in the line 'Impairment result from financial instruments'.

At BCR Chisinau, financial assets at amortised cost constitute the largest measurement category, which includes all loans to customers, interbank lending business (including reverse repo transactions), deposits with central banks, amounts in the course of settlement, trade and other receivables. The main items under "other assets" position are represented by factoring assets. Recourse factoring is initially recognized against the Seller at the date when the Bank becomes contractually bound to the terms and conditions of the underlying factoring contract with the seller(typically, the sign-up date of that underlying factoring contract).

In case of non-recourse factoring, the related assets are recognized against the underlying buyers at the dates when the Bank acquires from the seller the right to collect from the underlying buyers the contractual cash-flows of the related underlying invoices (typically, the date of a down-payment required by the seller).

Regarding the timing and amount of revenue recognition, the IFRS 15 requirements are applied in case of all fees related to non-recourse factoring and in case of the fees derived from recourse factoring which are not part of the effective interest rate.

Contractual modifications and related de-recognition triggers are deemed not applicable in case of factoring assets.

Investments in debt securities measured at amortised cost may be acquired with different business objectives (such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield enhancement activities). Their common attribute is that significant and frequent sales of such securities are not expected.

The EIR is used for recognition of interest income and interest expense. Interest income is calculated in the following way:

- EIR applied to the gross carrying amount for financial assets that are not credit-impaired (Stage 1 and Stage 2, see part 'Impairment of financial instruments');

3. Significant accounting policies (continued)

d. Classification and subsequent measurement of financial assets under IFRS 9 (continued)

- EIR applied to the amortised cost for financial assets that are credit-impaired (Stage 3, see 'Impairment of financial instruments'); and
- credit-adjusted EIR applied to the amortised cost for POCI financial assets.

ii. Financial assets at fair value through other comprehensive income

Debt instrument financial assets are measured at fair value through other comprehensive income (FVOCI) if their contractual cash flows are SPPI-compliant and they are held within a business model whose objective is achieved by both to collect contractual cash flows and sell the assets. On the balance sheet, they are included as 'Debt securities' under the line 'Financial asset at fair value through other comprehensive income'.

Interest income on these assets is calculated using the effective interest method and is included under the line 'Net interest income' in the statement of income. Impairment gains and losses are recognised in profit or loss in the line 'Provision for impairment of loans and other financial assets'. As a result, the measurement impact recognised in profit or loss is the same as for financial assets measured at amortised cost.

The difference between the fair value at which the assets are carried in the balance sheet and the amortised cost component is recognised as accumulated OCI in equity specifically under 'FVOCI revaluation reserve' in the statement of changes in equity. The change for the period is reported as OCI in the statement of comprehensive income in the line 'Debt instruments at fair value through other comprehensive income'.

The debt instruments belonging to this category are subject to the impairment requirements of the standard (IFRS 9.5.5.1) and their respective credit loss allowances are calculated based on the one-year or lifetime expected losses, depending on the particular stage the asset is assigned to. However, the loss allowance is recognised in other comprehensive income and it does not reduce the carrying amount of the financial asset on the balance sheet. The amount of credit loss allowance is recognized in the income statement under the respective positions dedicated to the particular type of instrument. The amount accumulated under the CLA position within OCI determines an increase in the OCI reserve due to the fact that it represents a counter-booking to the amounts already presented in the Income statement. The impairment booking entry between the Income statement and OCI does not constitute reclassification ('recycling') from OCI to profit or loss.

When the debt financial asset is derecognised, the amount previously accumulated in OCI is reclassified to profit or loss and reported under the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

Debt securities measured at FVOCI are part of 'held to collect and sell' business models. Similarly to debt instruments, assets measured at amortised cost, they relate to various business objectives such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield-enhancement activities.

The common attribute for investments in debt instruments at FVOCI is that an active yield optimisation via sales is integral to achieving the objectives. The sales are carried out in order to optimise the liquidity position or to realise the fair value gains or losses. As a result, the business objectives are achieved through both collecting contractual cash flows and sales of the securities.

For certain investments in equity instruments that are not held for trading, BCR Chisinau makes use of the option to measure them at FVOCI. This election is only applied at initial recognition, is irrevocable and is considered only for strategic, significant banking business relationship investments. The fair value gains or losses for the period are reported as OCI in the line 'Fair value changes of equity instruments' of the statement of comprehensive income.

3. Significant accounting policies (continued)

d. Classification and subsequent measurement of financial assets under IFRS 9 (continued)

The cumulative gains or losses are included under 'FVOCI revaluation reserve' in the statement of changes in equity. The amount recognised in OCI is never reclassified to profit or loss. Dividends received on these investments are reported under the line 'Dividend income' of the statement of income. On the balance sheet, financial assets measured at fair value through OCI are included as 'Equity instruments' under the line 'Financial asset at fair value through other comprehensive income'.

iii. Financial assets at fair value through profit or loss

There are various reasons for assigning the fair value through profit or loss (FVPL) measurement category to financial assets:

Financial assets whose contractual cash flows are not considered as SPPI are automatically measured at FVPL. In the business of BCR Group, this concerns certain loans to customers and equity instruments.

Other source of FVPL measurement relates to financial assets that are part of residual business models, i.e. they are neither held to collect contractual cash flows nor held to either collect contractual cash flows or sell the assets. These financial assets are generally expected to be sold before their maturity or they are managed and their performance is evaluated on a fair value basis. The Bank does not held any financial assets at FVPL.

e. Classification and subsequent measurement of financial liabilities under IFRS 9

Financial liabilities are classified as measured at amortised cost unless they are measured at fair value through profit or loss.

i. Financial liabilities at amortised cost

For presentation on the balance sheet, financial liabilities are: 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Interest expenses incurred are reported in the line item 'Net interest income' in the statement of income. Gains and losses from derecognition (mainly repurchase) are reported under the line item 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

ii. Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL consist of financial liabilities held for trading and financial liabilities designated at FVPL. The Group did not designate any financial liabilities at fair value through profit or loss.

The gains or losses on financial liabilities held for trading are reported in the line 'Net trading result' in the statement of income.

f. Impairment of financial instruments under IFRS 9

BCR Chisinau recognises loss allowances for impairment on its debt instrument financial assets, other than those measured at FVPL, its lease receivables, and its off-balance credit risk exposures arising from financial guarantees and certain loan commitments. The impairment is based on expected credit losses whose measurement reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3. Significant accounting policies (continued)

f. Impairment of financial instruments under IFRS 9 (continued)

The amount of the impairment loss is recognised as a loss allowance. For the purpose of the measurement of the amount of expected credit loss and recognition of interest income, BCR Chisinau distinguishes between three stages of impairment.

As per IFRS 9 requirements the following definitions of expected credit losses are used:

- lifetime expected credit losses - the expected credit losses that result from all possible default events over the expected life of a financial instrument.
- 12-month expected credit losses - the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

To compute the credit loss allowance, an expected credit loss (ECL) model is applied based on a three stages approach that either leads to a twelve-month ECL or to a lifetime ECL. ECL is discounted product of exposure at default (EAD) that includes as well credit conversion factor in case of off-balance sheet exposures, probability of default (PD) and loss given default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per definition of default below), either over next 12 month (1Y PD) or over remaining lifetime (LT PD).
- EAD is based on the amounts the Bank expects to be owed at the time of default, over next 12 months (1Y EAD) or over remaining lifetime (LT EAD). Current balance, expected repayments and expected drawings up to the current contractual limit by the time of default (should it occur) are included in the estimation.
- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit exposure at the time of default (EAD).

The risk parameters used in the ECL calculation take into account available information at the reporting date about past events, current conditions and forecasts on future economic trends.

Parameters are determined to reflect the risk as a "point-in-time" measure and with consideration of forward-looking information ("FLI"), which resulted in introducing a baseline forecast and a number of alternative scenarios for selected macroeconomic variables. These are derived, together with their probabilities of occurrence, as a deviation from baseline forecasts, where the baseline forecasts are, with a few exceptions, internally determined by BCR. Given multiple scenarios, the "neutral" PDs (and also LGDs, with a few exceptions) are adjusted through macro models which link relevant macroeconomic variables with risk drivers. Forward looking information is incorporated for first three years of ECL measurement. Measurement of the remaining life time returns back to through the cycle observations in the year four immediately.

Thus, the unbiased, probability-weighted ECL is derived with the weights representing the occurrence probabilities of each macroeconomic scenario. Typical macroeconomic variables may include real gross domestic product, unemployment rate, inflation rate, production index as well as market interest rates. The selection of variables also depends on the availability of reliable forecasts for the given local market. Nevertheless, main indication of the estimated economic development can be predicted through GDP development.

In the local calculation of 1Y LGD for Corporate clients and Banks, BCRC uses the forward-looking information determined by BCR.

3. Significant accounting policies (continued)

f. Impairment of financial instruments under IFRS 9 (continued)

The three stages approach applies to financial instruments in the scope of the impairment requirements of IFRS 9 and which are not categorised as purchased or originated credit-impaired financial assets (POCI), which form a category on their own. Depending on the impairment status and the assessment of the development of credit risk, these financial instruments are assigned to one of three stages.

Stage 1 relates to financial instruments for which no significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the 12-month expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset.

If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. Instruments in Stage 2 have their ECL measured based on expected credit losses on a lifetime (LT) basis. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset.

Financial assets in Stage 3 are credit-impaired. In respect of applying the 'credit-impaired' concept of IFRS 9, BCR Group generally adopted the approach of aligning it with the regulatory concept of 'default' for lending exposures. In principle, a financial instrument becomes credit-impaired when the customer defaults. The default definition applied in BCRC has been developed in accordance with BCR Group definition. The definition specifies the rules for default contagion across groups of connected clients and clarifies the concept of technical default. BCR Chisinau generally applies a customer view in applying the default definition, which leads to an impairment of all claims even if the customer defaults only on one of several transactions ("pulling effect"). On the other side, an upgrade to a non-defaulted rating grade implies that the total exposure ceases to be impaired. In stage 3, the credit loss allowances are calculated as lifetime ECL. The impairment for such financial assets is measured in the amount of lifetime expected credit loss. Interest income is recognised by EIR applied to the amortised cost (i.e. the net carrying amount) of the financial asset.

From a balance sheet perspective, interest is accrued based on the financial assets' gross carrying amount. The difference between the interest accrued on the assets and the interest income recognised is reflected through the allowance account (without impacting the impairment loss).

The loss allowances decrease the value of the assets, i.e. for financial assets measured at amortised cost, the net carrying amount of the financial asset presented on the balance sheet is the difference between the gross carrying amount and the cumulative loss allowance. However, for financial assets measured at FVOCI, the loss allowance is recognised in accumulated OCI, specifically under 'FVOCI revaluation reserve' in the statement of changes in equity and it does not reduce the carrying amount of the financial asset on the balance sheet.

For financial assets that are credit-impaired at initial recognition (purchased or originated credit-impaired – POCI – financial assets) lifetime expected credit losses are initially reflected in the credit-adjusted effective interest rate. As a result, no loss allowance is recognised at inception.

Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets.

Loss allowances for loan commitments and financial guarantees are presented under the balance sheet line item 'Provisions'. Measurement of ECL for credit lines and other facilities with undrawn component is done separately for the undrawn component.

In the statement of income, impairment losses and their reversals (gains) on all categories of financial instruments are presented in the line item 'Provision for impairment of loans and other financial assets'. Disclosures concerning impairment of financial assets are in Note 24.

3. Significant accounting policies (continued)

g. Derecognition of financial instruments including treatment of contractual modifications

i. Derecognition of financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired; or
- BCR Chisinau has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;

and either:

- it has transferred substantially all risks and rewards connected with ownership of the asset, or
- has neither transferred nor retained substantially all risks and rewards connected with ownership of the asset but has transferred control of the asset.

The difference between the carrying amount of the derecognised asset and the consideration received is presented in the statement of income in the line 'Gains/losses from derecognition of financial assets measured at amortised cost' or, for debt financial assets at FVOCI, in the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

For financial assets measured at FVPL the derecognition gains or losses are recognised together with the measurement result in the lines 'Net trading result' or 'Gains/losses from financial instruments measured at fair value through profit or loss'.

ii. Derecognition criteria with respect to contractual modifications of financial assets

In the normal course of running its lending business and in agreement with the respective debtors, BCR Chisinau may renegotiate or otherwise modify some terms or conditions of the underlying contracts. This can involve either market-driven commercial renegotiations or contractual changes aimed at alleviating or preventing borrower's financial difficulty.

For the purpose of capturing the economic substance and financial effect of such contractual modifications, BCR Chisinau has developed a set of criteria to assess whether or not the modified terms are substantially different from the original terms.

Substantial modifications lead to derecognition of the original financial asset and initial recognition of the modified financial asset as a new financial instrument. They include the following events:

- change of the contractual counterparty (unless this is a formal change such as changes in legal name);
- change in the currency of the contract (unless the change results from exercising an embedded option in the original contract with pre-agreed conditions of the change, or if the new currency is pegged to the original currency);
- introduction of a non-SPPI contractual feature (unless it is intended to improve recoveries from debtors by granting concessions supporting them to recover from financial difficulties); and
- removal of a non-SPPI contractual feature.

Some derecognition criteria distinguish whether contractual modifications are applied to debtors facing financial difficulties. Application of certain modifications to debtors in financial difficulties is not considered as substantial since they are aimed at improving the prospects of the bank to recover the claims by tailoring the repayment schedules to specific financial conditions of those debtors.

3. Significant accounting policies (continued)

g. Derecognition of financial instruments including treatment of contractual modifications (continued)

On the other hand, such contractual modifications applied to performing debtors may be considered as substantial enough to warrant the derecognition, as further detailed below.

From this perspective, the following criteria lead to derecognition unless they are considered as forbearance measures, they are applied to customers in default or they trigger default:

- repayment schedule changed in a way that the weighted remaining maturity of the assets is modified by more than 100% and not less than two years compared to the original asset;
- change in timing/amount of contractual cash flows resulting in the present value of the modified cash flows (discounted at pre-modification effective interest rate) being different by more than 10% of the gross carrying amount of the asset immediately before the modification (cumulative assessment considering all modifications occurring over the last twelve months); or
- commercial renegotiations initiated by a debtor seeking better terms as an alternative to re-financing while a prepayment/early termination option and a sufficiently competitive refinancing market exist . This derecognition trigger rarely applies to loan assets in Stage 2 and never in Stage 3.

If contractual modifications that qualify as forbearance measures are applied to customers in default or trigger default are so significant that they are qualitatively assessed as an extinguishment of original contractual rights, they result in derecognition. Examples of such modifications are:

- a new agreement with materially different terms signed up as part of distressed restructuring following a standstill agreement suspending the rights of the original assets;
- consolidation of multiple original loans into one with substantially different terms; or
- transformation of a revolving loan into non-revolving.

Contractual modifications leading to derecognition of the related original assets result in the initial recognition of new financial assets. If the debtor is in default or the significant modification leads to the default, then the new asset will be treated as POCI. The difference between the carrying amount of the derecognised asset and initial fair value of the new POCI asset is presented in the statement of income in the line 'Provision for impairment of loans and other financial assets'.

If the debtor is not in default or the significant modification does not lead to default, the new asset recognised after derecognition of the original asset will be in Stage 1. For loans measured at amortised cost, the unamortized balance of the origination fees/transaction costs considered in the effective interest rate is presented in the line 'Net interest income' at the derecognition date.

The release of the credit loss allowance attached to the original asset at the date of that significant modification as well as the credit loss allowance recognised for the new asset are presented in the line 'Provision for impairment of loans and other financial assets'.

For financial assets measured at FVPL, irrespective of whether they are in default, the derecognition gains and losses are included in the same line items of the statement of income as their measurement result, i.e. in 'Gains/losses from financial instruments measured at fair value through profit or loss'. For debt instrument assets not measured at FVPL that are subject to contractual modifications that do not result in derecognition, the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in profit or loss.

The modification gain or loss equals the difference between the gross carrying amount before the modification and the present value of the cash flows based on the modified terms discounted with the original effective interest rate.

3. Significant accounting policies (continued)

g. Derecognition of financial instruments including treatment of contractual modifications (continued)

In the statement of income, the modification gain or loss is presented in the line 'Net interest income' if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line 'Provision for impairment of loans and other financial assets'.

iii. Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. This normally occurs when the liability is repaid or repurchased.

In the statement of income, the difference between the carrying amount of the derecognised financial liability and the consideration paid is presented in the line 'Other gains/losses from financial instruments not measured at fair value through profit or loss' (in the comparative period, 'Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net'), 'Gains/losses from financial instruments measured at fair value through profit or loss' and 'Net trading result' depending on the measurement category of the derecognised financial liability.

h. Foreign currency translation

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate established by NBM.

The year end and average rates for the period were:

	2020		2019	
	USD	Euro	USD	Euro
Average for the period	17.3201	19.7436	17.3201	19.7436
Year end	17.2146	21.1266	17.2146	21.1266

Exchange differences arising on the settlement of the transactions at rates different from those at the date of the transaction, and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in the income statement.

i. Due from banks

These are stated at amortized cost, less any provisions for impairment

j. Interest income on impaired financial assets (Unwinding)

Unwinding is calculated as the difference between net present value, calculated for two consecutive times of estimated cash flows. To calculate net present value for two different times, the main assumption is that cash flow estimates remain unchanged.

At the date of recognition of the provision for an off-balance sheet exposure, its value is lower than the nominal amount of expected net loss as a result of the application of an appropriate discount rate for the time slots to the estimated cash flow data, of the cash outflow related to the materialization of the off-balance sheet exposure by conversion into the balance sheet receivable and the subsequent expected recoveries of that receivable.

Subsequently, during the period to the estimated time of conversion into the balance sheet receivable, the present value of the liability thus formed will be adjusted systematically by recording a financial expense as the present value of the obligation increases as the estimated date of materialization by cash outflow and conversion into the receivable.

3. Significant accounting policies (continued)

k. Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate (EIR).

l. Loans and advances to customers

Loans originated by the Bank represent loans where money is provided directly to the borrower and are recognized when the cash is advanced to borrowers. They are initially recorded at the fair value of the cash disbursed, and are subsequently measured at amortized cost using the effective interest rate method.

The Bank presents the information regarding its loan portfolio and the provision for impairment based on the following classification of clients:

- corporate lending
- microenterprise lending
- consumer lending uncollaterilized
- consumer lending collaterilized
- residential mortgages

m. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment loss.

Expenses for repairs and maintenance are charged to operating expenses as incurred. Subsequent expenditure on property and equipment is only recognized as an asset when the expenditures improve the condition of the asset beyond the originally assessed standard of performance.

Where the carrying amount of an asset is greater than the estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of property and equipment are determined by reference to their carrying amount and are taken to income or expenses.

Depreciation is computed on a straight-line basis over the estimated useful life of the asset, as stated below:

Fixed assets	**Rate per annum (%)**
Buildings	3%
Furniture and equipment	20-33%
Vehicles	20%

n. Intangibles

Intangible assets are accounted at cost less accumulated depreciation. Subsequent expenses are capitalized, when it will increase the useful life or the future economic benefits inflow associated with these assets. Other expenditures are expensed as incurred.

Amortization is calculated using the straight line method according to the useful life of intangible assets. The approved amortization rates are presented below:

Intangible assets	**Rate per annum (%)**
Licenses	10-20%
Software	20-100%

3. Significant accounting policies (continued)

o. Leasing contracts

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Under IFRS 16, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases (less than 12 months) and leases of low-value items.

The right-of-use asset is initially measured at cost. The cost comprises the amount of the initial measurement of the lease liability and also includes other elements such as initial direct costs incurred by the lessee. Subsequently, the right-of-use asset is depreciated to the earlier of the end of its useful life or the end of the lease term. The Group uses the straight-line method of depreciation. The right-of-use assets are presented on the balance sheet as part of 'Property and equipment' or, if they are subleased to third parties, as part of 'Investment properties'.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments comprise fixed lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee. Additionally, the exercise price under a purchase option and lease payments in an optional renewal period are considered if the lessee is reasonably certain to exercise the options.

Subsequently, the carrying amount of the lease liability is increased by interest accrued using the applicable discount rate, reduced by lease payments made and remeasured to reflect any reassessment or lease modification. On the balance sheet the lease liabilities are presented in the line item 'Lease liabilities'.

In the comparative period when IAS 17 Leases was applied, operating lease payments are recognised as an expense in the statement of income on the line item 'Other administrative expenses' on a straight-line basis over the lease term.

(ii) Group as a lessor

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. In the case of a finance lease, the lessor reports a receivable from the lessee under the line item 'Finance lease receivables'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the statement of income in the line item 'Other similar income' under 'Net interest income'.

In the case of operating leases, which are leases other than finance leases, the leased asset is reported by the lessor in 'Property and equipment' or in 'Investment properties' and is depreciated in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term in the statement of income under the line item 'Rental income from investment properties and other operating leases'. Operating leases mainly include the leasing of commercial real estate and cars.

p. Borrowings

Borrowings are initially recognized at fair value, being their issue proceeds net of transaction costs incurred. Subsequently borrowings are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period to maturity using the effective yield method.

3. Significant accounting policies (continued)

q. Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle or realize on a net basis or realize the asset and settle the liability simultaneously.

r. Income and expenses recognition

Incomes are recognized to the extent that it is probable that the economic benefits will be generated for the bank and the income can be measured reliably. Prior to recognizing income, the specific recognition criteria described below should be met.

Interest income and expense

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest method (EIR). EIR is the rate that accurately updates payments and future cash receipts over the expected life of the financial instrument or, where appropriate, for a shorter period, to the net book value of the financial asset or financial liability. The calculation takes into account the contractual terms of the financial instrument (eg prepayment options) and includes all incremental charges or costs that are directly attributable to the instrument and are an integral part of the EIR but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the bank reviews its estimates of payments or receipts. The adjusted book value is calculated on the basis of the original EIR and the change in the carrying amount is recorded as interest income on financial assets and interest expense for financial liabilities.

Fees and commissions directly related to the generation of the asset or financial liability (both income and expense) are recognized in the financial performance report as part of the effective interest rate calculation. Loan commitments for loans that are likely to be used gradually are deferred with related direct costs and are recognized as part of the effective interest rate on the loan.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to the impairment loss, interest income continues to be accounted for using the interest rate used to update the future cash flows for the purpose of measuring the impairment loss.

Fees and commissions

Income from fees and commissions is generated during financial services provided by the Bank, card fees, cash management services, etc.

Income from fees and commissions that are incurred in the course of the Bank's financial services include cash management services and are recognized in the financial performance report using the year-end method when the related service is provided.

Other charges related to fees and commissions are largely related to transaction and service charges and are recognized as an expense when the service is rendered.

Dividend income

Income from dividends received is recognized by the Bank when the right to receive dividends is settled, which usually coincides with the moment when the dividends are approved by the shareholders for payment.

Net trading income

Net trading income includes all changes in the fair value of derivatives, income less losses from foreign exchange transactions and net income on securities held for sale.

3. Significant accounting policies (continued)

s. Cash and cash equivalents

Cash and cash equivalents include cash in hand, money in transit, and money in ATMs.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, placements in National Bank of Moldova, current accounts and short-term placements at other banks with less than 90 days maturity from the date of acquisition.

t. Provisions

The Bank recognizes provisions when:

- it has a present legal or constructive obligation to transfer economic benefits as a result of past events
- it is likely that an outflow of resources will be required to settle the obligation; and
- a reasonable estimate of the obligation can be made.

If there are a number of similar obligations, the probability that an outflow of resources will be required in a settlement is determined by considering the obligation group as a whole. Provisions for which resource outflow is known are valued at the present value of the expense if the flow does not occur within one year. The Bank recognizes provisions for unused vacations, loan commitments, legal provisions, etc.

u. Pension costs and employees' benefits

The Bank makes contributions to the funds set up by the State of Moldova for pensions, health care and unemployment benefits calculated on the basis of salaries of all employees of the Bank. The Bank does not operate any other retirement plan and has no obligation to provide further benefits to current or former employees.

v. Repossessed assets

Repossessed assets include foreclosed collateral on non-performing loans. They are initially recognized at fair value and are subsequently measured at the lower of carrying amount and fair value less costs to sell. Repossessed assets are disclosed in the Note 11 "Other assets".

It is the Bank's policy to dispose of repossessed assets in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

w. Contributions to the deposit guarantee fund

Contributions to the Deposit Guarantee Fund are recognized as liabilities when the obligatory event giving rise to the payment occurs, triggering the obligation to pay it. If a contribution is paid before the mandatory event, it is recognized as a prepayment.

x. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related party transactions represent a transfer of resources or obligations between related parties, regardless of whether a price is charged.

3. Significant accounting policies (continued)

y. Taxation

Current income tax

Current income tax receivables and payables for the current period of the previous years are measured at the amount that is expected to be recovered from or paid to the tax authorities. The tax and tax rates used to calculate the amounts are those adopted or largely adopted at the reporting date.

Deferred tax

Deferred tax is presented using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

Where the deferred tax liability arises from the initial recognition of goodwill or an asset or net liability in a transaction is not a business combination and, at the date of the transaction, does not affect either the accounting profit or taxable profit and loss;

Regarding the taxable temporary differences in subsidiaries, associates and interests in joint ventures, unless the moment of resumption of temporary differences can be controlled and it is probable that temporary differences will be restated in the foreseeable future.

Deferred tax assets are recognized for all deductible differences, for the deferral of unused tax credits and any unused tax losses in which it is probable that taxable profit will be available against which deductible temporary differences can be utilized and deferred unused tax credits and any losses unused tax expense unless the deferred tax asset related to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the date of the transaction, does not affect the accounting profit, nor the taxable profit or loss.

In the case of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets should be recognized only to the extent that there is a likelihood that the temporary differences will resume in the near future and there will be taxable profit against which temporary differences may be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is unlikely that sufficient taxable profit is available to allow the benefit of a portion of the deferred tax asset or of its total. Unrecognized deferred tax assets are revalued at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the recovery of the deferred tax asset.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applicable for the period in which the asset is incurred or the liability is settled on the basis of the tax rates (and tax laws) that were adopted or largely adopted up to reporting date.

Current and deferred income tax on items recognized directly in equity are also recognized in equity and not in profit or loss.

Deferred tax assets and liabilities are offset if there is a legal right to offset current tax receivables from current tax and deferred tax liabilities of the same taxable entity and the same tax authority.

Starting January 1, 2012, the corporate tax rate is 12%.

3. Significant accounting policies (continued)

z. Recognition and de-recognition of financial instruments

The Bank recognizes a financial asset or a financial liability on its statement of financial position when, and only when, the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the settlement date, i.e. the date that an asset is delivered to or by the Bank. Regular way purchases of sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

A financial asset is derecognized where:

- The rights to receive cash flows from the asset have expired;
- The Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

aa. Standards issued but not yet effective and not early adopted

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Bank has not early adopted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

The Bank will monitor if this standard will impact somehow its Financial Situations.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).

These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

3. Significant accounting policies (continued)

aa. Standards issued but not yet effective and not early adopted (continued)

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

3. **Significant accounting policies (continued)**

aa. Standards issued but not yet effective and not early adopted (continued)

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The Bank will monitor if this standard will impact somehow its Financial Situations.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).

The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.

- End date for Phase 1 relief for non contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.

3. Significant accounting policies (continued)

aa. Standards issued but not yet effective and not early adopted (continued)

- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

Amendment to IAS 1: Presentation of Accounting Policies (issued on 12 February 2021 with effect from 1 January 2023)

IAS 1 has been amended to require companies to disclose material and non-material accounting policies. The amendment describes the definition of the materiality of accounting policies. Likewise, this clarifies the information regarding the accounting policies to be material, only if without this information, the users of the financial statements would not be able to understand other material information from the financial statements. The amendment also has some examples of accounting policies that will probably be considered material.

Amendment to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 with effect from 1 January 2023

The amendment describes and clarifies how companies can differentiate between changes in accounting policies and changes in accounting estimates.

Unless otherwise described above, the new standards and interpretations will not have a significant impact on the Bank's financial statements.

4. Cash on hand

	31/12/2020 MDL'000	31/12/2019 MDL'000
Cash	85,899	99,301
Cash in ATMs	21,562	14,376
Other	1	1
Total	**107,462**	**113,678**

5. Balances with National Bank

		31/12/2020 MDL'000	31/12/2019 MDL'000
Current accounts	19	315,551	562,533
Mandatory reserve		474,128	133,423
Overnight		9,530	-
Total		799,679	695,956
Provision for impairment (IFRS 9)		(470)	-
Total		**799,209**	**695,956**

Current account and compulsory reserves

The National Bank of Moldova (NBM) requires commercial banks to maintain for liquidity purposes minimum reserves calculated at a certain rate of the average funds borrowed by banks during the previous month (period between the date of 8 of the previous month and 7 of current month) including all customer deposits. Based on the decision Nr. 85 of the Administrative Council of NBM dated 15 April 2004, the method for calculation and maintaining the compulsory reserves changed. Funds attracted in Moldovan Lei (MDL) as well as non-convertible currencies are reserved in MDL. Funds attracted in convertible currencies are reserved in US Dollars (USD) and/or EURO (EUR). As of 31 December 2020 the rate for calculation of the minimum compulsory reserve in MDL was 32% and for foreign currencies was 30% (31 December 2019: the rate for calculation of the minimum compulsory reserve in MDL was 42.5% and for foreign currencies was 17%).

The Bank maintains its compulsory reserves on a current account opened with the NBM in amount of 32% of funds attracted in Moldovan Lei and non-convertible currencies. 30% reserves on funds denominated in USD and EUR are held in a special compulsory reserve account with NBM.

The minimum average balance for the period 16 December 2020 – 15 January 2021 was calculated in amount of MDL'000 222,924 (31 December 2019: MDL'000 344,835). This balance included compulsory reserve on funds attracted in Moldovan Lei and non-convertible currencies. The balance reserved on USD and EUR compulsory reserve accounts amounted to USD'000 3,658 and EUR'000 19,462 respectively (31 December 2019 – USD'000 1,448 and EUR'000 5,634).

The interest received from by NBM on the compulsory reserves during 2020 was 0.01% per annum for reserves in foreign currency and varied between 0.15% and 2.5%f or reserves in MDL (2019: between 0.01% and 0.27% p. a. in foreign currency (FCY) and between 2.5% and 4.5% in MDL). The compulsory reserves held in the current account at NBM are available for use in the Bank's day to day operations.

6. Due from banks

		31/12/2020 MDL'000	31/12/2019 MDL'000
Current accounts		604,584	280,470
Overnight placements		-	60,234
	19	**604,584**	**340,704**
Provision for impairment (IFRS 9)		(5,279)	(3,818)
Total		599,305	336,886

There no overdue or impaired current accounts and deposists with banks, and the Bank does not hold any collateral for these amounts. In Note 32 is presented the rating for banks.

7. Loans and advances to customers

Gross value of loans and advances as at 31.12.2020 was 947,589 th. MDL, decreasing by 30.0% (218,541 th. MDL) compared with the same period of previous year.

	31/12/2020			31/12/2019		
	Gross value MDL'000	Provision MDL'000	Net value MDL'000	Gross value MDL'000	Provision MDL'000	Net value MDL'000
Corporate lending	807,720	40,850	766,870	635,081	39,455	595,626
Microenterprise lending	159	159	-	375	375	-
Consumer lending uncollateralized	3,885	150	3,735	3,947	600	3,347
Consumer lending collateralized	747	14	733	622	21	601
Residential mortgages	135,078	2,440	132,638	89,023	1,948	87,075
Total	**947,589**	**43,613**	**903,976**	**729,048**	**42,399**	**686,649**

Loan portfolio analysis by industries is presented below:

	31/12/2020			31/12/2019		
	Gross value MDL'000	Provision MDL'000	Net value MDL'000	Gross value MDL'000	Provision MDL'000	Net value MDL'000
Manufacturing	130,415	1,747	128,668	109,047	3,589	105,458
Trade	529,391	5,307	524,084	430,796	5,643	425,153
Services	106,690	33,674	73,016	91,581	30,471	61,110
Individuals	139,710	2,604	137,106	93,592	2,569	91,023
Construction	484	61	423	546	63	483
Agricultural and food industry	40,899	220	40,679	3,486	64	3,422
Total	**947,589**	**43,613**	**903,976**	**729,048**	**42,399**	**686,649**

The average interest rate for the year on loans granted in EUR 3.90% (2019: 4.23%), in USD 4.07% (2019: 5.84%) and in MDL - 7.89% (2019: 9.10%).

7. Loans and advances to customers (continued)

The movements in provision for impairment of loans by classification of clients during the years 2020 and 2019 are presented below:
Change in provision due to stages:

2020
MDL'000

	Corporate lending	Micro-enterprise lending	Consumer lending uncollateralized	Consumer lending collateralized	Residential mortgages	Total
At 1 January	39,455	375	600	21	1,948	42,399
Recoveries	(711)	-	-	-	-	(711)
Decrease in provision	(6,899)	-	(64)	(22)	(939)	(7,924)
- due to change in stage	*(1,980)*	-	*(4)*	-	*(100)*	*(2,084)*
Increase in provision	5,091	1	68	8	1,357	6,525
- due to change in stage	*2,920*	-	*43*	-	*922*	*3,885*
FX difference	3,914	(216)	(454)	6	74	3,324
At 31 December	**40,850**	**160**	**150**	**13**	**2,440**	**43,613**
Individual Impairment	31,503	-	-	-	994	32,497
Collective Impairment	9,347	160	150	13	1,446	11,116
At 31 December	**40,850**	**160**	**150**	**13**	**2,440**	**43,613**

2019
MDL'000

	Corporate lending	Micro-enterprise lending	Consumer lending uncollateralized	Consumer lending collateralized	Residential mortgages	Total
At 1 January	51,405	345	510	2	2,025	54,287
Recoveries	(7,614)	-	-	-	-	(7,614)
Decrease in provision	(11,125)	-	(51)	(464)	(450)	(12,090)
- due to change in stage	*(432)*	-	-	*(326)*	*(54)*	*(812)*
Increase in provision	6,550	31	156	28	832	7,597
- due to change in stage	*3,426*	-	*5*	-	*410*	*3,841*
FX difference	239	(1)	(15)	455	(459)	219
At 31 December	**39,455**	**375**	**600**	**21**	**1,948**	**42,399**
Individual Impairment	29,311	-	-	-	1,090	30,401
Collective Impairment	10,144	375	600	21	858	11,998
At 31 December	**39,455**	**375**	**600**	**21**	**1,948**	**42,399**

7. Loans and advances to customers (continued)

Loans and advances are presented below:

2020 MDL'000	Total	Corporate lending	Micro-enterprise lending	Consumer lending uncollateralized	Consumer lending collateralized	Residential mortgages
Gross Value of loans and advances, not impaired, Stage 1	**707,781**	**584,465**	**-**	**3,663**	**747**	**118,906**
0 days	707,769	584,465	-	3,651	747	118,906
1-30 days	12	-	-	12	-	-
Gross Value of loans and advances, not impaired, Stage 2	**194,047**	**181,494**	**-**	**80**	**-**	**12,473**
0 days	191,548	181,494	-	-	-	10,054
31-60 days	2,477	-	-	58	-	2,419
61-90 days	22	-	-	22	-	-
>360 days	-	-	-	-	-	-
Gross Value of loans and advances, impaired, Stage 3	**45,761**	**41,761**	**159**	**142**	**-**	**3,699**
0 days	1,528	-	-	-	-	1,528
31-60 days	559	-	-	22	-	537
61-90 days	574	-	-	-	-	574
91-180 days	672	-	30	-	-	642
180-360 days	99	-	-	99	-	0
>360 days	42,329	41,761	129	21	-	418
Total Gross Value	**947,589**	**807,720**	**159**	**3,885**	**747**	**135,078**
Provision for impairment (IFRS 9)	**43,613**	**40,850**	**159**	**150**	**14**	**2,440**
Total Net Value	**903,976**	**766,870**	**-**	**3,735**	**733**	**132,638**

7. Loans and advances to customers (continued)

2019 MDL'000	Total	Corporate lending	Micro-enterprise lending	Consumer lending uncollatera-lized	Consumer lending collatera-lized	Residential mortgages
Gross Value of loans and advances, not impaired, Stage 1	**580,696**	**492,549**	**-**	**3,374**	**622**	**84,151**
0 days	579,333	492,549	-	3,302	576	82,906
1-30 days	1,363	-	-	72	46	1,245
Gross Value of loans and advances, not impaired, Stage 2	**102,873**	**101,820**	**-**	**79**	**-**	**974**
0 days	101,820	101,820	-	-	-	-
31-60 days	974	-	-	-	-	974
61-90 days	77	-	-	77	-	-
>360 days	2	-	-	2	-	-
Gross Value of loans and advances, impaired, Stage 3	**45,479**	**40,712**	**375**	**494**	**-**	**3,898**
0 days	1,816	(900)	-	-	-	2,716
1-30 days	786	-	-	-	-	786
31-60 days	2	-	-	1	-	1
61-90 days	4	1	-	19	-	(16)
91-180 days	3	2	-	-	-	1
180-360 days	42,868	41,609	375	474	-	410
>360 days	729,048	635,081	375	3,947	622	89,023
Total Gross Value	**42,399**	**39,455**	**375**	**600**	**21**	**1,948**
Provision for impairment (IFRS 9)	**686,649**	**595,626**	**-**	**3,346**	**601**	**87,075**
Total Net Value	**580,696**	**492,549**	**-**	**3,374**	**622**	**84,151**

8. Financial investments

Financia assets at AC - State securities

	31/12/2020 MDL'000	31/12/2019 MDL'000
State securities	438,138	449,651
Total	**438,138**	**449,651**
Value adjustment	(20,609)	(20,080)
Total	**417,529**	**429,571**

Financial assets at FVOCI

		31/12/2020 MDL'000	31/12/2019 MDL'000
State securities		106,728	7,829
Total	19	**106,728**	**7,829**
Change in fair value		(5,020)	(350)
Total		**106,728**	**7,829**
Share capital in SRL „Biroul de Credit"		1,018	1,018
Total		**107,746**	**8,847**

Investments in state securities and certificates issued by NBM

Investments in state securities as at 31 December 2020 represent MDL treasury bonds and treasury bills of 182 days to 5 years maturity issued by the Ministry of Finance of the Republic of Moldova with an interest rate between 4.49% and 6.80% p.a. (2019: 4.79% and 8.35% p.a.)

Investments in securities are presented below:

	Domain of activity	Participation quote	31/12/2020 MDL'000
SRL „Biroul de Credit"	Credit service	8.36%	1,018
Total			**1,018**

	Domain of activity	Participation quote	31/12/2019 MDL'000
SRL „Biroul de Credit"	Credit service	8.36%	1,018
Total			**1,018**

8. Financial investments (continued)

The movement in Financial assets at FVOCI is presented below:

	31/12/2020 MDL'000	31/12/2019 MDL'000
Carrying amount at January 1	8,847	147,783
Fair value gains less losses	4,649	(37)
Interest income accrued	6,517	11,030
Interest income received	(6,517)	(11,030)
Purchases	3,958,062	3,478,054
Disposals	(3,863,812)	(3,616,953)
Total	**107,746**	**8,847**

Moodys' country rating for Moldova is B3 (2019 –B3).

Provision for impairment determined according to IFRS 9:

	31/12/2020 MDL'000	31/12/2019 MDL'000
Financial assets at AC	(20,609)	(20,080)
Financial assets at FVOCI	(5,020)	(350)
Total	**(25,629)**	**(20,430)**

9. Property and equipment

	Land and buildings MDL'000	Furniture and equipment MDL'000	Motor vehicles MDL'000	Improvements of leased assets MDL'000	Assets under construction MDL'000	Right of use assets MDL'000	Total MDL'000
Cost							
Balance as at 1 January 2020	2,364	47,089	3,205	8,306	785	26,382	88,131
Additions	-	-	-	-	1,548	2,760	4,308
Transfers	-	1,594	605	110	(2,309)	-	-
Disposals	-	(7,263)	(426)	(5,880)	(24)	(2,658)	(16,251)
Balance as at 31 December 2020	2,364	41,420	3,384	2,536	-	26,484	76,188
Accumulated depreciation							
Balance as at 1 January 2020	577	41,234	1,434	5,683	-	6,026	54,954
Annual charge	53	1,907	481	1,513	-	6,219	10,173
Disposals	-	(7,694)	(427)	(5,880)	-	(1,332)	(15,333)
Balance as at 31 December 2020	630	35,447	1,488	1,316	-	10,913	49,794
Net book value							
At 31 December 2020	1,734	5,973	1,897	1,220	-	15,571	26,394
At 31 December 2019	1,787	5,855	1,771	2,623	785	20,356	33,177

As at 31 December 2020 the cost of fully depreciated property and equipment used by the Bank amounted at MDL'000 29,208 (as at 31 December 2019 – MDL'000 37,109).

In 2020 were aquired other tangible assets (property, equipment, etc).

9. **Property and equipment (continued)**

	Land and buildings MDL'000	Furniture and equipment MDL'000	Motor vehicles MDL'000	Improvements of leased assets MDL'000	Assets under construction MDL'000	Right of use assets MDL'000	Total MDL'000
Cost							
Balance as at 1 January 2019	2,364	46,690	2,860	11,303	9	-	63,226
Effect of changes to IFRS 16	-	-	-	-	-	25,948	25,948
Restated balance as at 1 January	**2,364**	**46,690**	**2,860**	**11,303**	**9**	**25,948**	**89,174**
Additions	-	-	-	-	2,082	1,435	3,517
Transfers	-	399	905	-	(1,304)	-	-
Disposals	-	-	(560)	(2,997)	(2)	(1,001)	(4,560)
Balance as at 31 December 2019	2,364	47,089	3,205	8,306	785	26,382	88,131
Accumulated depreciation							
Balance as at 1 January 2019	525	39,021	1,555	5,613	-	-	46,714
Annual charge	52	2,213	344	3,067	-	6,145	11,821
Disposals	-	-	(465)	(2,997)	-	(119)	(3,581)
Balance as at 31 December 2019	577	41,234	1,434	5,683	-	6,026	54,954
Net book value							
At 31 December 2019	**1,787**	**5,855**	**1,771**	**2,623**	**785**	**20,356**	**33,177**
At 31 December 2018	**1,839**	**7,669**	**1,305**	**5,690**	**9**	**-**	**16,512**

10. Intangible assets

Movement in intangible assets during the year ended 31 December 2020 is presented in the table below:

	Software	Other intangible assets	Intangible assets in progress	Total
Cost	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**
Balance as at 1 January 2020	19,808	6,069	671	26,548
Additions	-	-	1,441	1,441
Transfers	491	1,621	(2,112)	-
Disposals	(932)	(601)	-	(1,533)
Balance as at 31 December 2020	19,367	7,089	-	26,456
Accumulated amortization				
Balance as at 1 January 2020	16,880	2,835	-	19,715
Annual charge	2,442	696	-	3,138
Disposals	(932)	(601)	-	(1,533)
Balance as at 31 December 2020	18,390	2,930	-	21,320
Net book value				
As at 31 December 2020	977	4,159	-	5,136
As at 31 December 2019	2,928	3,234	671	6,833

In 2020 were aquired software for 24 banking and licences, etc.

Movement in intangible assets during the year ended 31 December 2019 is presented in the table below:

	Software	Other intangible assets	Intangible assets in progress	Total
Cost	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**
Balance as at 1 January 2019	19,689	3,822	331	23,842
Additions	-	-	2,706	2,706
Transfers	119	2,247	(2,366)	-
Disposals	-	-	-	-
Balance as at 31 December 2019	19,808	6,069	671	26,548
Accumulated amortization				
Balance as at 1 January 2019	13,965	2,507	-	16,472
Annual charge	2,915	328	-	3,243
Balance as at 31 December 2019	16,880	2,835	-	19,715
Net book value				
As at 31 December 2019	2,928	3,234	671	6,833
As at 31 December 2018	5,724	1,315	331	7,370

As at 31 December 2020 the cost of fully depreciated intangible assets used by the Bank amounted at MDL'000 11,509 (as at 31 December 2019 – MDL'000 4,685).

11. Other assets

	Note	31/12/2020 MDL'000	31/12/2019 MDL'000
Non-financial assets			
Repossessed assets		3,789	7,447
Other prepaid expenses		1,652	1,563
Other assets		16	161
Other materials and goods		454	633
Total non-financial assets		**5,911**	**9,804**
Financial assets			
Non-recourse factoring		32,796	32,236
Operations with bank cards		1,836	1,557
Receivables on rent		1,349	849
Receivables on collection services		282	465
Settlements with clients		2,359	971
State tax		2,350	2,335
Settlements through payment systems		19	19
Total financial assets	**32**	**40,991**	**38,432**
Total		**46,902**	**48,236**

The structure of real estate retained into possession is the following:

	31/12/2020 MDL'000	31/12/2019 MDL'000
Real estate	6,284	13,779
Impairment	(2,495)	(6,332)
Total	**3,789**	**7,447**

Below is presented the net book value of the real estate retained into possession for 2020:

	Gross value MDL'000	Impairment MDL'000	NBV MDL'000
Moldconinvest SRL	6,284	(2,495)	3,789
Total	**6,284**	**(2,495)**	**3,789**

The impairment loss of MDL'000 2,495 was recognised based on market value of repossessed assets arising from the revaluation made by independent valuators.

11. Other assets

The Bank plans to sell the repossessed assets in the next years. The sales of repossessed assets is promoted by the Bank's employees responsible for the management of loans under supervision of Work-Out Department, as well as by specialized companies with which the Bank has concluded cooperation agreements. Goods are placed on the website of the Bank and on specialized websites. Most of repossessed assets were commercialized by the Bank in the past which is an indicator of actively looking for potential customers.

Below is presented the movement in the real estate retained into possession for 2020 and 2019:

	31/12/2020 MDL'000	31/12/2019 MDL'000
Cost		
Balance as at 1 January	13,779	13,779
Additions		-
Transfers	(7,495)	-
Balance as at 31 December	6,284	13,779
Impairment		
Balance as at 1 January	6,332	6,067
Increase/(decrease)	(41)	265
Disposals	(3,796)	-
Balance as at 31 December	2,495	6,332
Net book value	**3,789**	**7,447**

Major part of financial assets represent receivables on non-recource factoring. Movement in receivables on non-recource factoring for 2020 and 2019 is presented below:

	31/12/2020 MDL'000	31/12/2019 MDL'000
Receivables on non-recource factoring	34,253	32,936
Provision for impairment	(1,457)	(700)
Total	**32,796**	**32,236**

12. Due to banks

	31/12/2020 MDL'000	31/12/2019 MDL'000
Citibank Europe PLC, Dublin - Sucursala Romania	185	941
Erste Group Bank AG	13,850	7,195
B.C. Procredit Bank SA	4,666	671
BCR Romania	3,626	1,193
B.C. Energbank S.A.	266	1,955
B.C. Victoriabank S.A.	118	80
B.C. Fincombank S.A.	1,018	294
B.C. EUROCREDITBANK S.A.	28,746	4,398
LGT Bank Ltd	3,300	-
Total	**55,775**	**16,727**

13. Other borrowings

	31/12/2020 MDL'000	31/12/2019 MDL'000
BCR Romania	-	9,780
DLC	41,235	9,218
Total	**41,235**	**18,998**

The funds attracted from BCR Romania represent borrowings in USD and EUR with 9 months maturity with an average interest rate of 7.55% for contracts in USD (2019: 7.55%) and 5.38% for contracts in EUR (2019: 5.38%).

At 31 December 2020 and 2019 there are no specific financial indicators required under the Loan Agreement.

Below is presented the movement in attracted funds:

	31/12/2020 MDL'000	31/12/2019 MDL'000
Balance as at 1 January	18,998	191,163
Increase/(decrease)	29,414	38,149
Disposals	(9,548)	(214,203)
Foreign currency difference	2,371	3,889
Net book value	**41,235**	**18,998**

14. Due to customers

	31/12/2020 MDL'000	31/12/2019 MDL'000
Due to individuals		
Current accounts	312,767	243,351
Term deposits	593,420	494,343
Total due to individuals	**906,187**	**737,694**
Due to legal entities		
Current accounts	1,220,226	582,427
Term deposits	248,942	457,918
Total due to legal entities	**1,469,168**	**1,040,345**
Total	**2,375,355**	**1,778,039**

As at 31 December 2020 current accounts of legal entities include restricted deposits through collateral agreements in total amount of MDL'000 1,910 (31 December 2019: MDL'000 2,830).

The annual interest rates paid by the Bank for the MDL and FCY deposits of individuals and companies ranged as follows:

	2020						2019					
	MDL			FCY			MDL			FCY		
	%		%	%			%		%	%		
Legal entities												
Demand deposits	1.35	-	1.72	0.12	-	0.29	1.72	-	2.72	0.24	-	0.64
Term deposits up to 3 months	1.45	-	3.25	-	-	-	3.25	-	3.98	0.00	-	0.00
Term deposits >3 months < 1 year	0.82	-	3.00	0.15	-	1.17	1.00	-	4.48	0.15	-	1.64
Term deposits over 1 year	4.25	-	4.50	1.50	-	2.65	4.50	-	4.50	1.50	-	2.30
Individuals												
Demand deposits	1.61	-	3.34	-	-	-	2.09	-	2.72	0.25	-	0.25
Term deposits up to 3 months	1.26	-	1.71	0.13	-	0.50	0.75	-	2.25	0.24	-	0.50
Term deposits >3 months < 1 year	2.86	-	4.69	0.28	-	1.82	2.82	-	5.21	0.71	-	1.55
Term deposits over 1 year	4.14	-	6.44	1.13	-	2.87	5.24	-	6.91	1.78	-	3.09

15. Other liabilities

	Note	31/12/2020 MDL'000	31/12/2019 MDL'000
Financial liabilities			
Escrow contracts		289	22,552
Settlement accounts		-	6,006
Factoring operations		1,649	2,865
Amounts to be settled		3,051	3,010
Items pending instructions from customers		43	25
Accrual for audit costs		747	439
Accrual for litigation		159	201
Lease liabilities		18,089	20,939
Total financial liabilities		**24,027**	**56,037**
Non-financial liabilities			
Accrual for bonuses and related contributions		5,546	5,153
Accrual for unused vacations		2,630	1,676
Other liabilities		4,021	5,681
Accrual for contingent liabilities		1,256	1,123
Other deferred income		168	192
Total non-financial liabilities		**13,621**	**13,825**
Total		**37,648**	**69,862**

In 2020 were registered 1,367 th. MDL as interest expenses for lease (2019: 1,867 th. MDL).

Below is presented the movement in lease liabilities:

:

	31/12/2020 MDL'000	31/12/2019 MDL'000
Balance as at 1 January	20,940	-
Recognition at transition	-	25,948
Additions	2,556	1,086
Disposals	(891)	(877)
Accrued interest	1,367	1,869
Payments	(6,741)	(7,230)
FX differences	858	143
Net book value	**18,089**	**20,940**

16. Share capital

As at 31 December 2020 share capital constituted 72,813 ordinary authorized shares issued in circulation with the nominal value of MDL 10,000 (2019: 72,813 shares).

Structure of Bank shareholders

Name of shareholder	31/12/2020 Shareholding		31/12/2019 Shareholding	
	MDL'000	%	MDL'000	%
Banca Comerciala Romana S.A.	728,130	100%	728,130	100%
Total	**728,130**	**100%**	**728,130**	**100%**

17. Statutory reserves and common risk reserves

In accordance with the local legislation, at least 5% of the net profit of the Bank is required to be transferred to a non-distributable statutory reserve until such time as this represents at least 10% of the share capital of the Bank. General reserve cannot be distributed among the shareholders. Statutory reserve is disclosed under line "Reserve capital".

According to National Bank regulations, a common risk reserve should be created using a part of Bank's net profit in the end of financial year, which represents a difference between loans and assets depreciation (by IFRS) and prudential off-balance risk reserves (by NBM rules). Common risk reserve is disclosed under line "Other reserves".

18. Taxation

	2020 MDL'000	2019 MDL'000
Current income tax expenses		
Current income tax expenses	1,517	1,427
Deferred income tax		
Related to origination and reversal of temporary differences	(371)	428
Income tax expenses/(credit) for the period	**1,146**	**1,855**

The standard income tax rate in 2020 was 12% (2019: 12%).

The reconciliation between income tax expense reflected in the financial statements and the amounts calculated at the standard tax rate of 12% (2019: 12%) is as follows:

18. Taxation (Continued)

	2020 MDL'000	2019 MDL'000
Accounting profit before tax	**24,883**	**26,563**
At Moldovan statutory income tax rate of 12% (2018 – 12%)	2,986	3,188
Adjustment of prior year income tax	(237)	(1,108)
Non-deductible expenses (at 12% tax rate)	602	1,400
Income not subject to tax (at 12% tax rate)	(2,205)	(1,625)
Total	**1,146**	**1,855**
Effective income tax	**5%**	**7%**

Income not subject to tax represents interest income from State Securities and income from recoveries on written off loans.

Non-deductible expenses represent:

- Depreciation expenses on Bank`s appartment and equipment;
- Maintenance expenses on buildings retained into possession;
- Expenses on risk insurance premium;
- Expenses related to obtaining the income not subject to tax (interest expenses for resourses used for placements in State Securities);
- Provision expenses for unused vacation, legal costs, audit services, etc.

Deferred tax was calculated by applying the 2020 standard tax rate of 12% (2019: standard tax rate of 12%).

	2020 MDL'000	2019 MDL'000
Balance as at 1 January	975	1,407
Income statement (credit)/charge	371	(428)
Temporary difference through OCI	(2)	(4)
Income tax paid		
Balance as at 31 December	**1,344**	**975**

Deferred income tax as of 31 December 2020 and 2019 relates to the following:

18. Taxation (Continued)

2020	***Receivables / (payables) on deferred income tax January 1***	***Income statement***	***Other comprehensive income***	***Receivables / (payables) on deferred income tax December 31***
	MDL'000	**MDL'000**	**MDL'000**	**MDL'000**
Revaluation of financial assets FVOCI	4	-	(2)	2
Accrual for unused vacation	201	114	-	315
Accrual for legal expenses	23	(1)	-	22
Accrual for audit services	53	37	-	90
Accrual for bonus	617	48	-	665
Tangible assets	20	184	-	204
Amortization of commissions for loans	57	(11)	-	46
Net deferred tax asset/(liability)	**975**	**371**	**(2)**	**1,344**

2019	***Receivables / (payables) on deferred income tax January 1***	***Income statement***	***Other comprehensive income***	***Receivables / (payables) on deferred income tax December 31***
	MDL'000	**MDL'000**	**MDL'000**	**MDL'000**
Revaluation of financial assets FVOCI	8		(4)	4
Accrual for unused vacation	215	(14)	-	201
Accrual for legal expenses	23	-	-	23
Accrual for audit services	65	(12)	-	53
Accrual for bonus	676	(59)	-	617
Tangible assets	338	(318)	-	20
Amortization of commissions for loans	82	(25)	-	57
Net deferred tax asset/(liability)	**1,407**	**(428)**	**(4)**	**975**

19. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity:

	Notes	31/12/2020 MDL'000	31/12/2019 MDL'000
Cash on hand	4	107,462	113,678
Due from banks	6	604,584	340,703
Balances with National Bank	5	799,209	695,956
Total		**1,511,255**	**1,150,337**

20. Net interest income

	2020 MDL'000	2019 MDL'000
Interest income		
Due from NBM and other banks	2,612	10,739
Financial investments	26,221	28,878
Loans and advances	59,984	56,674
Unwinding		(116)
Total interest income	**88,817**	**96,175**
Interest expense		
Deposits and borrowings from banks	(3,554)	(7,047)
Deposits from customers-individuals	(18,234)	(14,942)
Deposits from customers-companies	(9,366)	(9,868)
Leasing	(1,367)	(1,867)
Total interest expense	**(32,521)**	**(33,724)**
Net interest income	**56,296**	**62,451**

Interest income on impaired assets recognised during the year 2020 is MDL'000 830 (2019: MDL'000 3,901).

21. Net fee and commission income

	2020 MDL'000	2019 MDL'000
Fee and commission income		
Commission on cash operations	8,102	7,674
Commissions on guarantees issued	1,083	1,531
Income from cards transactions	11,970	11,669
Commission on clients' accounts servicing	2,498	2,719
Commission on loans issuance	85	72
Other bank commissions	732	1,701
Total fee and commission income	**24,470**	**25,366**
Fee and commission expense		
Commissions on guarantees, foreign currency transactions and other bank fees and commissions	(2,549)	(3,528)
Expenses with cards transactions	(6,582)	(7,500)
Total fee and commission expense	**(9,131)**	**(11,028)**
Net fee and commission income	**15,339**	**14,338**

22. Financial Income, net

	2020 MDL'000	2019 MDL'000
Net result from exchange transactions	37,484	26,703
Net foreign currency translation result	(1,738)	(578)
Net financial income	**35,746**	**26,125**

23. Other operating income

	2020 MDL'000	2019 MDL'000
Fees, penalties and other received sanctions	92	175
Income from disposal of long-term assets	144	374
Other operational income	1,231	228
Dividend income	157	166
Income from loans written off in previous years	825	-
Total other operating income	**2,449**	**943**

24. Provision charge /(release) for impairment of loans and other financial assets

	Note	2020 MDL'000	2019 MDL'000
Financial assest AC – loans and advances	7	1,388	5,641
Financial assest AC – state securities	8	(529)	(8,958)
Current accounts and deposits in banks	5,6	(1,930)	(1,159)
Financial assest at FVOCI	8	(4,671)	6,204
Financial assets AC - factoring		(610)	-
Total		**(6,352)**	**1,728**

Below is presented the change in provision for impairment of loans and advances:

	Note	2020 MDL'000	2019 MDL'000
Increase in impairment of loans	7	(6,521)	(8,261)
Reduction in impairment	7	7,909	12,101
Income from loans written off in previous years		-	1,801
Total		**1,388**	**5,641**

25. Personnel expenses

	2020 MDL'000	2019 MDL'000
Salary	32,150	29,740
Social insurance contributions	5,203	4,628
Medical contribution	1,434	1,425
Meal tickets	959	1,021
Total	**39,746**	**36,814**

Salary expenses for management are presented in Note 30.

26. General and administrative expense

	2020 MDL'000	2019 MDL'000
Utilities and rent	1,035	1,112
Risk insurance premium	2,455	2,443
Other expenses	2,979	3,882
Repair and maintenance of fixed assets	3,294	3,605
Postage and telecommunication expenses	2,341	2,348
Maintenance for intangible assets	2,316	2,525
Safeguarding of assets and insurance costs	1,376	1,633
Audit and consulting fees	1,476	1,206
Net result related to sale of repossessed property	152	343
Taxes	1,956	2,334
Travel	54	500
Advertising and sponsorship expenses	1,771	1,538
Cash collection	235	873
Legal expenses	496	1,204
Expenses with office supplies	152	315
Training costs	91	248
Salary calculation	349	284
Transportation	45	5
Contribution to Resolution Fund	1,365	-
Total	**23,938**	**26,398**

27. Depreciation and amortization expense

	2020 MDL'000	2019 MDL'000
Depreciation expense	10,123	11,821
Amortization expense	3,138	3,243
Total	**13,261**	**15,064**

28. Guarantees and other financial commitments

The aggregate amounts of outstanding guarantees, commitments, and other off balance sheet items as of 31 December 2020 and 2019 are:

	2020 MDL'000	2019 MDL'000
Guarantees	54,086	52,404
Financing commitments and other	1,893	6,672
Total	**55,978**	**59,076**

28. Guarantees and other financial commitments (continued)

Financing commitments do not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

The Bank has entered into commercial leases on premises. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Starting with January 1 2019 the Bank applies IFRS 16 where leasing is treated different. For detailes please see note 9 „Tangible assets".

29. Fair value of financial instruments

a) Recurrent values of fair value

2020

	Total	(Level 1) MDL'000	(Level 2) MDL'000	(Level 3) MDL'000
Financial investments at FVOCI	**106,727**	-	106,727	-

2019

	Total	(Level 1) MDL'000	(Level 2) MDL'000	(Level 3) MDL'000
Financial investments at FVOCI	**7,829**	-	7,829	-

Financial assets FVOCI are financial assets whose market value is determined by tracking the latest quotation of securities issued by the Ministry of Finance through the National Bank of Moldova. The model involves the application of last available published quotations for Treasury bills, bonds and bank certificates.

The Bank uses the following hierarchy for determining and disclosing fair values of financial instruments:

Level 1: Quoted prices in active markets for the same instrument (i.e. without changes or mixing);

Level 2: Quoted prices in active markets for similar assets or liabilities or other valuation techniques where all inputs are based on observable market data; and

Level 3: valuation techniques in which all input data are not based on observable market data.

29. Fair value of financial instruments (continued)

b) Financial assets not held at fair value

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

	Carrying value 2020 MDL'000	Fair value 2020 MDL'000	Hierarchic level	Carrying value 2019 MDL'000	Fair value 2019 MDL'000	Hierarchic level
Financial assets						
Cash on hand	107,462	107,462	2	113,678	113,678	2
Placements with NBM	799,209	799,209	2	695,956	695,956	2
Placements with banks	599,305	599,305	2	336,886	336,886	2
Financial assets AC - loans and advances to customers	903,976	913,456	3	686,649	693,201	3
Financial assets AC -state securities	417,529	418,474	2	429,571	429,444	2
Other assets	40,991	40,991	3	38,432	38,432	3
Financial liabilities						
Due to banks	55,774	55,774	2	16,726	16,726	2
Other borrowings	41,235	41,235	2	18,998	18,998	2
Due to customers	2,375,355	2,373,182	2	1,778,038	1,778,007	2
Other liabilities	24,027	24,027	3	56,037	56,037	3

Financial assets AC -loans and advances to customers and Due to customers are financial instruments whose fair value is determined by applying the market rate for similar instruments available near to the reporting date. These rates are available on BNM's website.

For other financial assets and liabilities there is no an active market. In these circumstances the Bank believes that these financial instruments due to the nature and the short term, the fair value approximates the carrying value.

(i) Financial assets AC -loans and advances to customers

Financial assets AC -loans and advances to customers are net of provisions for impairment. The estimated fair value of Financial assets AC -loans and advances to customers represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(ii) Financial assets AC -state securities

Carrying amount Financial assets AC -state securities is presented at amortized cost. Fair value for Financial assets AC -state securities is based on market prices.

(iii) Borrowings, including due to other banks and due to customers

The fair value of floating rate borrowings approximates their carrying amount. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

29. Fair value of financial instruments (continued)

c) Presentation of financial instruments according to measurement category

31 December 2020	Financial assets at AC	Financial assets At FVOCI	FinancialAssets at FVTPL	Total
	MDL'000	MDL'000	MDL'000	MDL'000
Financial assets				
Cash on hand	107,462		-	**107,462**
Placements with NBM	799,679	-	-	**799,679**
Placements with banks	604,584	-	-	**604,584**
Financial assets at AC -Loans and advances to customers				
Corporate lending	807,720	-	-	**807,720**
Microenterprise lending	159	-	-	**159**
Consumer lending uncollateralized	3,885	-	-	**3,885**
Consumer lending collateralized	747	-	-	**747**
Residential mortgages	135,078	-	-	**135,078**
	947,589	-	-	**947,589**
Financial assets at FVOCI	-	107,746	-	**107,746**
Financial assets at AC - State securities	417,529	-	-	**417,529**
Other assets	40,991	-	-	**40,991**
	2,917,834	**107,746**	-	**3,025,580**

31 December 2019	Financial assets at AC	Financial assets At FVOCI	FinancialAssets at FVTPL	Total
	MDL'000	MDL'000	MDL'000	MDL'000
Financial assets				
Cash on hand	113,678	-	-	**113,678**
Placements with NBM	695,956	-	-	**695,956**
Placements with banks	336,886	-	-	**336,886**
Financial assets at AC -Loans and advances to customers				
Corporate lending	635,081	-	-	**635,081**
Microenterprise lending	375	-	-	**375**
Consumer lending uncollateralized	3,947	-	-	**3,947**
Consumer lending collateralized	622	-	-	**622**
Residential mortgages	89,023	-	-	**89,023**
	729,048	-	-	**729,048**
Financial assets at FVOCI	-	8,848	-	**8,848**
Financial assets at AC - State securities	429,571	-	-	**429,571**
Other assets	38,432	-	-	**38,432**
	2,343,571	**8,848**	-	**2,352,419**

30. Related parties

During the year, a number of banking and non-banking transactions were entered into with related parties in the normal course of business. These include loans granting, deposit taking, trade finance, payment settlement, foreign currency transactions and acquisition of services and goods from related parties. Loans to employees were granted at market rates. Below are presented the balances and transactions with related parties during the current year:

Related party		Nostro acc. and placements in banks MDL'000	Loan loss provision MDL'000	Deposits at the year end MDL'000	Borrowings MDL'000	Interest and commission income MDL'000	Interest and commission expenses MDL'000	Non-interest expenses /costs MDL'000
Shareholders (BCR) and their related parties:	2020	582,372	(560)	17,476	-	229	3,903	2,455
Erste Group		567,931	(533)	13,850	-	229	3,567	2,455
BCR		14,441	(27)	3,626	-	-	336	-
Shareholders (BCR) and their related parties:	2019	323,742	(316)	8,388	9,780	897	9,083	2,443
Erste Group		311,065	(292)	7,195	-	897	1,241	2,443
BCR		12,677	(24)	1,193	9,780	-	7,842	-
Bank administrators members of credit committee (CC) and their related parties	2020	-	-	12,205	-	30	181	4,006*
Bank administrators members of CC and their related parties	2019	-	-	11,063	-	4	1	3,899*
Total	**2020**	**582,372**	**(560)**	**29,681**	**-**	**259**	**4,084**	**6,461**
Total	**2019**	**323,742**	**(316)**	**19,451**	**9,780**	**901**	**9,084**	**6,342**

*Amounts include salary expenses.

30. Related parties (continued)

In 2020 Banca Comercială Română S.A. has prolonged the subordinated loan with the Bank in the maximum limit of EUR'000 4,000 and USD'000 2,000 up to 30 September 2021. As at 31 December 2020, the balance of the subordinated loan was zero, the Bank reimbursed the full amount in February 2020.

For each Guarantee issued under the contract, BCR Chisinau pays quarterly to BCR, for the entire period of Guarantee validity, a fee: (i) Guarantee issuance fee and (ii) risk commission.

In 2020 BCR Chisinau SA paid BCR the amount of EUR 125,797 that represents the payment to BCR of Risk Insurance Premium issued by Omniasig – Viena Insurance Group SA. under Operational risk insurance Program - „Bankers Blanket Bond Insurance Program", at which BCR Chisinau SA is insured. These expenses are classified as non-interest expenses and represents the insurance premium of operational risk.

Directors' remuneration

The executive management received remuneration in amount of MDL'000 8,276 (2019 – MDL'000 8,894), the social insurance contribution amounted to MDL'000 306 (2019 – MDL'000 410), the medical insurance contribution amounted to MDL'000 343 (2019 – MDL'000 365). The non-executive members of the Bank Council didn't receive any fees in 2020 and 2019.

31. Capital adequacy

The table below presents the computation of capital adequacy, in accordance with BASEL III regulations that come into force in 2020:

2020	Nominal amount MDL'000	Risk weighted amount MDL'000
Risk-weighted amounts for exposures of credit risk, counterparty credit risk and incomplete transactions	**3,009,750**	***871,295***
Standardized approach (SA)	***3,009,750***	***871,295***
Central banks or administrations	1,323,936	-
Multilateral development banks	93,267	-
Banks	625,911	142,948
Investment companies	471,793	470,548
Retail	15,503	10,719
Exposures secured by mortgages on real estate	328,382	205,593
Other elements	150,958	41,488
Total amount of risk exposure for currency posion and currency risk	**-**	**9,893**
Total amount of risk exposure for currency posion and currency risk under standardized approach (SA)	**-**	**9,893**
Exchange rate	-	9,893
Total amount of risk exposure for operational risk (OpR)	**-**	**149,315**
The basic approach to operational risk (BIA)	***-***	***149,315***
Total amount of risk exposure	**3,009,750**	**1,030,502**

31. Capital adequacy (continued)

2019	Nominal amount MDL'000	Risk weighted amount MDL'000
Risk-weighted amounts for exposures of credit risk, counterparty credit risk and incomplete transactions	**2,462,848**	**656,940**
Standardized approach (SA)	***2,462,848***	***656,940***
Central banks or administrations	1,133,356	-
Multilateral development banks	69,441	-
Banks	373,745	91,733
Investment companies	348,564	346,950
Retail	45,589	32,735
Exposures secured by mortgages on real estate	213,651	136,157
Other elements	278,502	49,365
Total amount of risk exposure for currency posion and currency risk	**-**	**4,781**
Total amount of risk exposure for currency posion and currency risk under standardized approach (SA)	**-**	**4,781**
Exchange rate	-	4,781
Total amount of risk exposure for operational risk (OpR)	**-**	**156,294**
The basic approach to operational risk (BIA)	-	***156,294***
Total amount of risk exposure	**2,462,848**	**818,015**

Capital adequacy and the use of regulatory capital are monitored by the Bank's management.

During the 2020 and 2019, the Bank had complied in full with all its externally imposed capital requirements. According to NBM requirements

32. Risk management

Introduction

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk. It is also subject to various operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the Bank's strategic planning process.

32. Risk management (continued)

The **Supervisory Board (SB)** is responsible for granting approval in all cases in which loans and exposures reach an amount exceeding the approval authority of the Credit committee according to the credit risk approval authority regulations. In addition, it is responsible for supervising the risk management of BCRC and approves and periodic review of the main strategic documents related to risks and/or the transactions pre-approved by the Management Board. The Supervisory Board meets regularly. As the central risk control body, the Board is regularly briefed on the risk status across all risk types.

The **Audit, Compliance and Risk Administration Committee (ACRAC)** has an advisory role, assisting the Supervisory Board in exercising its responsibilities in relation to internal control, compliance, audit, risk management, legal issues.

The **Management Board** (MB) is responsible for the adequate implementation of internal control mechanism and risk management systems, constantly assessing the risks that might have an impact on fulfilling the Bank's objectives and taking measures related to any changes in the conditions under which the Bank operates. It ensures that risk management policies and processes are adequate from the perspective of Bank's risk profile and activity plan and that these are efficiently implemented within the process of risk management policies and strategies review.

The **Credit Committee (CC)** is the operative decision-making body for approvals of credit risks according to the valid credit risk approval authority regulations. Based on the advice of Credit Committee, decisions of significant exposures and extended risks are decided by the Supervisory Board. It also analyses and takes decisions on the action plan applicable to the clients with early warning signals (EWS) and also on costs of credit products. Also, it is responsible for the development and approval of debt collection strategy, maximization of recoveries, reduction of non-performing portfolio and aims to avoid the reputational risk.

The **Asset/Liability Committee (ALCO)** manages the Bank's balance sheet, focusing on all affected balance sheet risks (interest rate, exchange rate and liquidity risks). In addition, it examines proposals, statements and opinions of ALM, risk management, controlling and accounting functions.

The **Operational Liquidity Committee (OLC)** is responsible for the day-to-day management of the global liquidity position of the Bank. It analyses the liquidity situation of BCRC on a regular basis and reports directly to the ALCO. It also proposes measures to the ALCO within the scope of the management policies and principles laid down in the Liquidity Risk Management Rule Book. Furthermore, members of the OLC are points of contact for other departments for liquidity-related matters.

The **Risk Management Unit** is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained, for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This unit also ensures the complete capture of the risks in risk measurement and reporting systems.

The new organisational model of RMD is based on 3 main activities: credit underwriting, risk management (including reporting) and workout, as follows:

I. Credit underwriting comprises functions related to analysis of credit applications and issuing credit risk opinions; development/implementation of lending policies and procedures along the credit process; monitoring of early warning signals; collateral management, including principles for credit collateral evaluation and revaluation; identification and monitoring of related clients groups.

II. Risk management covers:
   - the definition, development and implementation of ICAAP framework (risk strategy, risk appetite and tolerance framework, recovery plan, stress tests, risk materiality assessment, capital adequacy, governance and execution of risk concentration analysis and others);

32. Risk management (continued)

- risk portfolio monitoring, analysis and reporting; calculation, monitoring and reporting of credit risk indicators, including within budgeting exercises; RWA calculation; technical implementation of new reporting requirements;
- counterparty, market, liquidity and operational risks measurement, controlling and reporting, including setting and monitoring the corresponding limits.

III. Workout activity refers to: workout clients monitoring and recovery, collateral selling process (including repossessed assets), development and implementation of workout procedures; initiating legal procedures.

Bank Treasury

Bank Treasury is responsible for managing the Bank`s assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Risk and capital management

Enterprise wide Risk Management (ERM) includes as its fundamental component the Internal Capital Adequacy Assessment Process (ICAAP) required under Pillar 2 of the Basel framework.

The ERM framework is designed to support the bank's management in managing the risk portfolios as well as the coverage potential
to ensure that the bank holds at all times adequate capital for the nature and magnitude of the bank's risk profile. The framework is
tailored to the Bank's business and risk profile and reflects the strategic goal of protecting shareholders and senior debt holders while ensuring the sustainability of the organisation.

ERM framework is a modular and comprehensive management and steering system within BCRC and is an essential part of the overall steering and management instruments. The ERM components necessary to ensure all aspects, in particular to fulfil group and regulatory requirements and to provide an effective internal steering tool, can be clustered as follows:

- Risk Appetite Statement (RAS), limits and risk strategy;
- portfolio and risk analytics including Risk Materiality Assessment (RMA), concentration risk management, and stress testing;
- Risk-bearing Capacity Calculation (RCC);
- planning of key risk indicators;
- recovery and resolution planning.

In addition to the ICAAP's ultimate goal of assuring capital adequacy and sustainability at all times, the ERM components serve to support the bank's management in pursuing its strategy.

Risk limitation

The Bank actively uses collateral to reduce its credit risks.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

32. Risk management (continued)

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Credit quality by class of financial assets

The credit quality of financial assets is managed by the Bank using the regulatory credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's rating system. The amounts presented are gross of impairment allowances.

31/12/2020

	Notes	Neither past due nor impaired MDL'000	Past due but not impaired MDL'000	Individually impaired MDL'000	Collectively impaired MDL'000	Total MDL'000
Balances with National Bank	5	799,209	-	-		**799,209**
Due from banks	6	599,305	-	-		**599,305**
Loans and advances to customers	7	889,268	2,235	12,088	385	**903,976**
State securities – loans and receivables	8	417,529	-	-		**417,529**
Financial assets available-for-sale	8	107,746	-	-		**107,746**
Other financial assets	11	40,991	-	-		**40,991**
Total		**2,854,048**	**2,235**	**12,088**	**385**	**2,868,756**

31/12/2010

	Notes	Neither past due nor impaired MDL'000	Past due but not impaired MDL'000	Individually impaired MDL'000	Collectively impaired MDL'000	Total MDL'000
Balances with National Bank	5	695,956	-	-		**695,956**
Due from banks	6	336,886	-	-		**336,886**
Loans and advances to customers	7	670,563	2,088	14,094	(96)	**686,649**
State securities – loans and receivables	8	429,571	-	-		**429,571**
Financial assets available-for-sale	8	8,847	-	-		**8,847**
Other financial assets	11	31,765	6,667	-		**38,432**
Total		**2,173,588**	**8,755**	**14,094**	**(96)**	**2,196,341**

32. Risk management (continued)

Credit risk (continued)

31/12/2020
MDL'000

	Total	Balances with National Bank	Due from banks	Financial assets at AC – loans and advances	Financial assets at AC – other assets	Financial assets at AC – state securities	Financial assets at FVOCI
Gross Value of loans and advances, not impaired, Stage 1	**2,692,168**	**799,679**	**604,584**	**707,781**	**34,253**	**438,125**	**107,746**
0 days	2,692,156	799,679	604,584	707,769	34,253	438,125	107,746
1-30 days	12	-	-	12	-	-	-
Gross Value of loans and advances, not impaired, Stage 2	**194,060**	-	-	**194,047**	-	**13**	-
0 days	191,561	-	-	191,548	-	13	-
31-60 days	2,477	-	-	2,477	-	-	-
61-90 days	22	-	-	22	-	-	-
Gross Value of loans and advances, impaired, Stage 3	**45,761**	-	-	**45,761**	-	-	-
0 days	1,528	-	-	1,528	-	-	-
1-30 days	-	-	-	-	-	-	-
31-60 days	559	-	-	559	-	-	-
61-90 days	574	-	-	574	-	-	-
91-180 days	672	-	-	672	-	-	-
180-360 days	99	-	-	99	-	-	-
>360 days	42,329	-	-	42,329	-	-	-
Total Gross Value	**2,931,989**	**799,679**	**604,584**	**947,589**	**34,253**	**438,138**	**107,746**
Provision for impairment (IFRS 9)	**(76,448)**	**(470)**	**(5,279)**	**(43,613)**	**(1,457)**	**(20,609)**	**(5,020)**
Total Net Value	**2,860,561**	**799,209**	**599,305**	**903,976**	**32,796**	**417,529**	**107,746**

33. Risk management (continued)

Credit risk (continued)

31/12/2019
MDL'000

	Total	Balances with National Bank	Due from banks	Financial assets at AC – loans and advances	Financial assets at AC – other assets	Financial assets at AC – state securities	Financial assets at FVOCI
Gross Value of loans and advances, not impaired, Stage 1	**1,395,814**	**-**	**324,226**	**580,697**	**32,936**	**449,108**	**8,847**
0 days	1,394,450	-	324,226	579,333	32,936	449, 108	8,847
1-30 days	1,364	-	-	1,364	-	-	-
Gross Value of loans and advances, not impaired, Stage 2	**815,848**	**695,956**	**16,477**	**102,872**	**-**	**543**	**-**
0 days	814,796	695,956	16,477	101,820	-	543	-
31-60 days	974	-	-	974	-	-	-
61-90 days	76	-	-	76	-	-	-
>360 days	2	-	-	2	-	-	-
Gross Value of loans and advances, impaired, Stage 3	**45,478**	**-**	**-**	**45,478**	**-**	**-**	**-**
0 days	1,816	-	-	1,816	-	-	-
1-30 days	-	-	-	-	-	-	-
31-60 days	786	-	-	786	-	-	-
61-90 days	2	-	-	2	-	-	-
91-180 days	4	-	-	4	-	-	-
180-360 days	3	-	-	3	-	-	-
>360 days	42,867	-	-	42,867	-	-	-
Total Gross Value	**2,257,140**	**695,956**	**340,703**	**729,047**	**32,936**	**449,651**	**8,847**
Provision for impairment (IFRS 9)	**(67,346)**	**-**	**(3,818)**	**(42,398)**	**(700)**	**(20,080)**	**(350)**
Total Net Value	**2,190,144**	**695,956**	**336,885**	**686,649**	**32,236**	**429,571**	**8,847**

32. Risk management (continued)

Credit risk (continued)

Credit-related commitments risks

The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

Risk concentrations: maximum exposure to credit risk without taking account of any collateral and other credit enhancements

Maximum exposure to credit risk

	Note	31/12/2020 MDL'000	31/12/2019 MDL'000
Balances with National Bank of Moldova	5	799,679	695,956
Due from banks	6	604,584	336,886
Financial assets at AC –loans and advances	7	947,589	729,048
Financial assets at AC – state securities	8	417,529	449,651
Financial assets at FVOCI	8	106,727	7,829
Other assets	11	34,253	32,936
Total		**2,910,361**	**2,252,306**
Warranties	28	54,085	56,061
Future credit commitments	28	1,893	3,015
Total		**55,978**	**59,076**
Maximum exposure to credit risk		**2,966,339**	**2,311,382**

The Bank's concentrations of risk are managed by client/counterparty and by industry sector.

Major debtors

Concentration of exposure for current accounts and deposits with other banks:

	2020 MDL'000	2019 MDL'000
ERSTE GROUP BANK AG	567,398	310,773
B.C. VICTORIABANK S.A.	17,494	12,977
UNICREDIT BANK, MOSCOW, MOSCOW	-	483
BCR ROMANIA	14,413	12,653
Total	**599,305**	**336,886**

32. Risk management (continued)

Credit risk (continued)

Major debtors

Concentration of net exposure as at 31 December 2020 for first biggest debtor clients (without applying the credit risk mitigation techniques), presented in groups or individually:

2020	**MDL'000**	in % own funds – **424,376 MDL'000**
DIAZCHIM Grup	60,411	14.24%
MOLDTELCOM Grup	60,024	14.14%
DAAC- Grup	52,586	12.39%
TDS & CO Grup	48,765	11.49%
COMPLEX-TOTAL S.R.L.	42,623	10.04%
Total	**264,409**	**62.31%**

Concentration of net exposure as at 31 December 2019 for first biggest debtor clients, presented in groups or individually:

2019	**MDL'000**	in % own funds – **402,642 MDL'000**
DAAC- Grup	56,220	13.96%
TDS & CO Grup	51,693	12.84%
DIAZCHIM Grup	49,124	12.20%
MOLDTELCOM Grup	44,884	11.15%
SANDRILIONA Grup	34,941	8.68%
Total	**236,862**	**58.83%**

Concentration of the above exposure includes only principal.

The following table shows the maximum exposure to credit risk for the components of the balance sheet by industry before the effect of mitigation through the use of master netting and collateral agreements.

32. Risk management (continued)

Credit risk (continued)

Industry analysis

31 decembrie 2020	Financial Services	Government	Manufacturing	Trade	Services	Construction	Agriculture	Consumers	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Financial assets									
Balances with National Bank	799,679	-	-	-	-	-	-	-	**799,679**
Due from banks	604,584	-	-	-	-	-	-	-	**604,584**
									-
Financial assets at AC –loans and advances									-
Corporate lending	-	-	130,415	529,374	106,548	484	40,899	-	**807,720**
Microenterprise lending	-	-	-	17	142	-	-	-	**159**
Consumer lending uncollateralized	-	-	-	-	-	-	-	3,885	**3,885**
Consumer lending collateralized	-	-	-	-	-	-	-	747	**747**
Residential mortgages	-	-	-	-	-	-	-	135,078	**135,078**
Total loans	-	-	**130,415**	**529,391**	**106,690**	**484**	**40,899**	**139,710**	**947,589**
								-	
Financial assets at FVOCI	101,963	4,764	-	-	-	-	-	-	**106,727**
Financial assets at AC – State securities	-	438,138	-	-	-	-	-	-	**438,138**
Other assets	-	-	23,779	10,474	-	-	-	-	**34,253**
Total	**1,506,226**	**442,902**	**154,194**	**539,865**	**106,690**	**484**	**40,899**	**139,710**	**2,930,970**
Provision for impairment (IFRS 9)	**(10,545)**	**(20,833)**	**(3,182)**	**(5,330)**	**(33,674)**	**(61)**	**(220)**	**(2,604)**	**(76,449)**
Net accounting value	**1,495,681**	**422,069**	**151,012**	**534,535**	**73,016**	**423**	**40,679**	**137,106**	**2,854,521**

32. Risk management (continued)

Credit risk (continued)

Industry analysis

31 decembrie 2019	Financial Services	Government	Manufacturing	Trade	Services	Construction	Agriculture	Consumers	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Financial assets									
Balances with National Bank	695,956	-	-	-	-	-	-	-	**695,956**
Due from banks	340,704	-	-	-	-	-	-	-	**340,704**
Financial assets at AC –loans and advances									
Corporate lending	-	-	108,849	430,782	91,468	546	3,436	-	**635,081**
Microenterprise lending	-	-	198	14	113	-	50	-	**375**
Consumer lending uncollateralized	-	-	-	-	-	-	-	3,947	**3,947**
Consumer lending collateralized	-	-	-	-	-	-	-	622	**622**
Residential mortgages	-	-	-	-	-	-	-	89,023	**89,023**
Total loans	**-**	**-**	**109,047**	**430,796**	**91,581**	**546**	**3,486**	**93,592**	**729,048**
Financial assets at FVOCI	-	7,829	-	-	-	-	-	-	**7,829**
Financial assets at AC – State securities	249,925	199,726	-	-	-	-	-	-	**449,651**
Other assets	-	-	20,958	11,978	-	-	-	-	**32,936**
Total	**1,286,585**	**207,555**	**130,005**	**442,774**	**91,581**	**546**	**3,486**	**93,592**	**2,256,124**
Provision for impairment (IFRS 9)	**(14,979)**	**(9,268)**	**(4,262)**	**(5,670)**	**(30,472)**	**(63)**	**(63)**	**(2,569)**	**(67,346)**
Net accounting value	**1,271,606**	**198,287**	**125,743**	**437,104**	**61,109**	**483**	**3,423**	**91,023**	**2,188,778**

32. Risk management (continued)

Credit risk (continued)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables.
- For retail lending, mortgages over residential properties.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The Bank plans to sell the repossessed assets in the coming years. The sales of repossessed assets is promoted by the Bank's employees responsible for the management of loans under supervision of Work-Out Department, as well as by specialized companies with which the Bank has concluded cooperation agreements. Goods are placed on the website of the Bank and on specialised websites. Most of repossessed assets were commercialized by the Bank in the past which is an indicator of actively looking for potential customers.

Credit quality by class of financial assets according to internal rating

Internal rating models and risk parameters are developed at Erste Group level. The Bank has aligned its internal policies to the Group ones.

For the disclosure of asset quality, BCRC assigns each customer to one of the following four risk categories, based on the internal rating of the client:

Low risk. Typically regional customers with well-established and rather long-standing relationships with BCRC or large internationally recognised customers. Very good to satisfactory financial position and low likelihood of financial difficulties relative to the respective market in which the customers operate. Retail clients having long relationships with the bank, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally with clients in this risk category.

Management attention. Vulnerable non-retail clients, which may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term. Retail clients with possible payment problems in the past triggering early collection reminders. These clients typically have a good recent payment history.

Substandard. The borrower is vulnerable to short term negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place.

Non-performing. One or more of the default criteria under Article 178 of the CRR are met: among others, full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings. BCRC applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. Furthermore, non-performing exposures also comprise non-performing forborne transactions even in cases where the client has not defaulted.

32. **Risk management (continued)**

Credit risk (continued)

Credit quality by class of financial assets according to internal rating (continued)

The table below shows the credit quality by class of asset according to internal rating for all financial assets exposed to credit risk.

31/12/2020	Low risk	Management attention	Substandard	Non-performing	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Balances with National Bank	-	799,679	-	-	**799,679**
Due from banks	582,371	22,213	-	-	**604,584**
Financial assets at AC –loans and advances					
Corporate lending	603,613	162,346	-	41,761	**807,720**
Microenterprise lending	-	-	-	159	**159**
Consumer lending uncollateralized	3,651	92	-	142	**3,885**
Consumer lending collateralized	747	-	-	-	**747**
Residential mortgages	128,477	2,901	-	3,700	**135,078**
Total loans	**736,488**	**165,339**	-	**45,762**	**947,589**
Financial assets at FVOCI	-	106,727	-	-	**106,727**
Financial assets at AC – State securities	-	438,138	-	-	**438,138**
Other assets	6,453	27,800	-	-	**34,253**
Total	**1,325,312**	**1,559,896**	-	**45,762**	**2,930,970**
Provision for impairment SIRF 9	**(6,755)**	**(36,404)**	-	**(33,289)**	**(76,448)**
Net value	**1,318,557**	**1,523,492**	-	**12,473**	**2,854,522**

31/12/2019	Low risk	Management attention	Substandard	Non-performing	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Balances with National Bank	-	695,956	-	-	**695,956**
Due from banks	324,226	16,478	-	-	**340,704**
Financial assets at AC –loans and advances					
Corporate lending	391,549	243,415	-	117	**635,081**
Microenterprise lending	-	-	-	375	**375**
Consumer lending uncollateralized	-	3,374	79	494	**3,947**
Consumer lending collateralized	-	622	-	-	**622**
Residential mortgages	-	85,125	-	3,898	**89,023**
Total loans	**391,549**	**332,536**	**79**	**4,884**	**729,048**
Financial assets at FVOCI	-	7,829	-	-	**7,829**
Financial assets at AC – State securities	-	449,651	-	-	**449,651**
Other assets	11,978	20,958	-	-	**32,936**
Total	**727,753**	**1,523,408**	**79**	**4,884**	**2,256,124**
Provision for impairment SIRF 9	**(3,104)**	**(61,962)**	**(70)**	**(2,210)**	**(67,346)**
Net value	**724,649**	**1,461,446**	**9**	**2,674**	**2,188,778**

33. Risk management (continued)

Credit risk (continued)

Credit quality by class of financial assets according to NBM

The credit quality of financial assets is managed by the Bank using National Bank of Moldova grade scale, according to which assets are classified into one of 5 categories:

Standard: Unless none of the definitions expressed below applies, the asset/commitment shall be considered standard, if it is on term, all terms of the contract are observed and there is no reason to consider that the bank presently or in the future will be subject to the loss risk.

Watch: The asset/commitment in which potential weaknesses exist with regard to the counterparty's financial position and in case of credit, also, with regard to its collateral. Such asset/commitment requires management's close attention, as, if left unsolved, these problems may result in the asset/commitment impairment and a lower probability to further meet the bank's claims regarding the respective asset/commitment.

Substandard: There is a greater than normal loss risk due to one of the following factors:

a) the counterparty's financial position is unfavourable or is deteriorating;

b) the collateral (if any) is insufficient or is deteriorating;

c) other adverse factors rising concern regarding the counterparty's ability to meet the bank's claims in compliance with the existing terms.

Such asset/commitment requires bank management's special attention, as there is the possibility that the bank incurs losses if the deficiencies are not remedied.

Doubtful: There are weaknesses that make payment of bank's full volume current/future claims regarding the asset/commitment questionable and less probable based upon the existent circumstances and conditions, as well as the market value of collateral, if the asset is collateralized.

The possibility of loss occurrence is extremely high, but there are certain important, concrete and well-grounded factors that will soon be realized and may contribute to partial or full payment of the bank's current/future claims regarding the asset/commitment. Classification of this asset/commitment as loss shall be deferred until the status of the given asset/commitment is more precisely determined.

Loss: At the time of asset/commitment classification the bank's current/future claims regarding the respective asset/contingent engagement may not be met.

If the Counterparty is rated by one of the Standard & Poor's, Moody's and Fitch-IBCA International Rating Agencies, the Classification of Contingent Assets / Contingent Liabilities is made in accordance with the counterparty's rating and is included in one of the following categories:

Standard - for counterparties to which ratings from AAA / Aaa to A- / A3 are assigned by one of the Standard & Poor's, Moody's and Fitch-IBCA rating agencies.

Supervised - in the case of counterparties that are rated by one of the Standard & Poor's, Moody's and Fitch-IBCA rating agencies from BBB + / Baa1 to BBB- / Baa3 inclusive.

Substandard - for counterparties that are rated by one of the Standard & Poor's, Moody's and Fitch-IBCA rating agencies from BB + / Ba1 to BB- / Ba3 inclusive.

Dubious - in the case of counterparties that are rated by B & B / B1 to CCC- / Caa3 / C including one of the Standard & Poor's, Moody's and Fitch-IBCA international rating agencies.

Compromise - In the case of counterparties that are rated by CC / Ca / DDD up to R / C / D including one of the Standard & Poor's, Moody's and Fitch-IBCA rating agencies.

32. Risk management (continued)

Credit risk (continued)

Credit quality by class of financial assets according to NBM (continued)

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk. The amount presented are gross of impairment allowances.

31/12/2020	Non-classified	Standard	Watch	Sub-standard	Doubtful	Loss	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Balances with National Bank	799,679	-	-	-	-	-	**799,679**
Due from banks	567,930	22,213	14,441	-	-	-	**604,584**
Financial assets at AC –loans and advances							
Corporate lending	-	551,700	214,259	-	-	41,761	**807,720**
Microenterprise lending	-	-	-	-	-	159	**159**
Consumer lending uncollateralized	-	3,324	381	38	22	120	**3,885**
Consumer lending collateralized	-	747	-	-	-	-	**747**
Residential mortgages	-	113,821	17,338	2,056	1,543	320	**135,078**
Total loans	**-**	**669,592**	**231,978**	**2,094**	**1,565**	**42,360**	**947,589**
Financial assets at FVOCI	106,727	-	-	-	-	-	**106,727**
Financial assets at AC – State securities	438,138	-	-	-	-	-	**438,138**
Other assets	-	27,800	6,453	-	-	-	**34,253**
Total	**1,912,474**	**719,605**	**252,872**	**2,094**	**1,565**	**42,360**	**2,930,970**

31/12/2019	Non-classified	Standard	Watch	Sub-standard	Doubtful	Loss	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Balances with National Bank	695,956	-	-	-	-	-	**695,956**
Due from banks	311,065	16,478	13,161	-	-	-	**340,704**
Financial assets at AC –loans and advances							
Corporate lending	-	471,705	122,665	(900)	-	41,611	**635,081**
Microenterprise lending	-	-	-	-	-	375	**375**
Consumer lending uncollateralized	-	2,863	508	3	76	497	**3,947**
Consumer lending collateralized	-	513	109	-	-	-	**622**
Residential mortgages	-	70,674	13,499	2,972	1,529	349	**89,023**
Total loans	**-**	**545,755**	**136,781**	**2,075**	**1,605**	**42,832**	**729,048**
Financial assets at FVOCI	7,829	-	-	-	-	-	**7,829**
Financial assets at AC – State securities	449,651	-	-	-	-	-	**449,651**
Other assets	-	27,195	5,741	-	-	-	**32,936**
Total	**1,464,501**	**589,428**	**155,683**	**2,075**	**1,605**	**42,831**	**2,256,124**

32. Risk management (continued)

Credit risk (continued)

Credit quality by class of financial assets according to NBM (continued)

The rating assigned by one of the international rating agencies.

Country	Bank name	Rating Moody's	Rating S&P's	Rating Fitch	Local classification
		31/12/2020			
Austria	ERSTE GROUP BANK AG	A2	A	A	Nesupus clasificării
Moldova	B.C. VICTORIABANK S.A.	N/A	N/A	N/A	Standard
Romania	BCR ROMANIA	Baa1	N/A	BBB+	Supravegheat
		31/12/2019			
Austria	ERSTE GROUP BANK AG	A2	A	A	Nesupus clasificării
Moldova	B.C. VICTORIABANK S.A.	N/A	N/A	N/A	Standard
Romania	BCR ROMANIA	Baa3	N/A	BBB+	Supravegheat
Rusia	AO UNICREDIT BANK	N/A	BBB-	BBB	Supravegheat

The NBM has not assigned a rating set by an ECAI (European Conference on Artificial Intelligence) so it is rated at country B3 ratings established by Moody's.

The amount of collateralization of loans and advances to customers

31-Dec-20	Over-collaterised loans		Under-collaterised loans	
	Gross exposure	Collateral value	Gross exposure	Collateral value
Corporate lending	248,408	352,343	559,312	371,795
Microenterprise lending	-	-	159	-
Consumer lending uncollateralized	-	-	3,885	-
Consumer lending collateralized	611	944	135	128
Residential mortgages	93,125	148,514	41,954	38,177
Total	**342,144**	**501,801**	**605,445**	**410,100**

31-Dec-19	Over-collaterised loans		Under-collaterised loans	
	Gross exposure	Collateral value	Gross exposure	Collateral value
Corporate lending	205,273	363,044	429,808	300,555
Microenterprise lending	-	-	375	-
Consumer lending uncollateralized	-	-	3,947	-
Consumer lending collateralized	622	1,170	-	-
Residential mortgages	82,493	135,959	6,531	5,684
Total	**288,388**	**500,173**	**440,661**	**306,239**

32. Risk management (continued)

Credit risk (continued)

Carrying amount by class of financial assets whose terms have been renegotiated

In 2020 and 2019 there were no renegotiation of financial assets.

2019	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stag1 and stage 3	
	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
Corporate lending	166,693	30,232	-	-	-	-
Microenterprise lending	-	-	-	-	-	-
Consumer lending uncollateralized	80	-	73	-	54	-
Consumer lending collateralized	-	-	-	-	-	-
Residential mortgages	11,794	358	-	-	885	-
Total gross	**178,567**	**30,590**	**73**	**-**	**939**	**-**
Value adjustment	**(4,372)**	**(258)**	**(67)**	**-**	**(403)**	**-**
Total net	**174,195**	**30,332**	**6**	**-**	**536**	**-**

2019	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stag1 and stage 3	
	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
Corporate lending	64,485	15	-	-	-	-
Microenterprise lending	-	-	-	-	-	-
Consumer lending uncollateralized	-	-	-	-	9	-
Consumer lending collateralized	-	-	-	-	-	-
Residential mortgages	974	-	-	-	516	214
Total gross	**65,459**	**15**	**-**	**-**	**525**	**214**
Value adjustment	**(5,064)**	**-**	**-**	**-**	**(163)**	**(1)**
Total net	**60,395**	**15**	**-**	**-**	**362**	**213**

Liquidity risk and funding management

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

32. Risk management (continued)

Liquidity risk and funding management (continued)

The Bank maintains a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains mandatory reserves with the National Bank of Moldova equal to 32% of its liabilities in local currency and 30% in foreign currencies. In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The most important of these is to maintain limits on the ratio of liquid assets to total assets. Liquid assets consist of cash, Nostro accounts, short-term bank deposits and liquid debt securities, less deposits for banks and other issued securities and borrowings due to mature within the next month. The ratios during the year were as follows:

Liquidity ratios		**2020**	**2019**
	Year-end	66.64%	67.61%
	Maximum	73.95%	67.61%
	Minimum	62.55%	54.33%
	Average	68.21%	59.57%

32. Risk management (continued)

Liquidity risk and funding management (continued)

Maturity structure

The maturity structure of the Bank's assets presented at carrying amount and liabilities presented based on future undiscounted cash flow split by expected remaining maturity as of 31 December 2020 and 31 December 2019 is as follows:

As at 31 December 2020	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Undefined maturity MDL'000
Financial assets							
Cash on hand	107,462	107,462	-	-	-	-	-
Balances with National Bank	799,679	799,679	-	-	-	-	-
Due from banks	604,584	604,584	-	-	-	-	-
Financial assets at AC – Loans and advances to customers	1,151,524	77,170	28,876	343,209	508,774	193,495	-
Financial assets at AC – State securities	443,213	59,101	147,203	236,904	5	-	-
Financial assets at FVOCI	107,818	102,900	1,800	2,100	-	-	1,018
Other assets	22,334	11,025	6,241	5,068	-	-	-
Total financial assets	**3,236,614**	**1,761,921**	**184,120**	**587,281**	**508,779**	**193,495**	**1,018**
Financial liabilities							
Due to banks	55,774	55,774	-	-	-	-	-
Other borrowings	43,180	26	49	226	1,204	41,675	-
Due to customers	2,396,210	1,564,593	124,626	383,266	323,725	-	-
Other liabilities	24,027	22,411	-	-	1,616	-	-
Total financial liabilities	**2,519,191**	**1,642,804**	**124,675**	**383,492**	**326,545**	**41,675**	**-**
Guarantees issued	54,085	1,927	499	27,656	24,003	-	-
Commitments to lend funds	1,893	1,893	-	-	-	-	-
	55,978	**3,820**	**499**	**27,656**	**24,003**	**-**	**-**
Liquidity gap	**661,445**	**115,297**	**58,946**	**176,033**	**158,231**	**151,820**	**1,018**
Liquidity gap, cumulative		**115,297**	**174,273**	**350,076**	**508,607**	**660,427**	**661,445**

32. Risk management (continued)

Liquidity risk and funding management (continued)

Maturity structure (continued)

As at 31 December 2019	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Undefined maturity MDL'000
Financial assets							
Cash on hand	113,678	113,678	-	-	-	-	-
Balances with National Bank	695,956	695,956	-	-	-	-	-
Due from banks	336,886	336,886	-	-	-	-	-
Financial assets at AC – Loans and advances to customers	834,702	28,196	54,438	218,247	416,061	117,760	-
Financial assets at AC – State securities	435,491	40,930	24,759	131,025	13	-	238,764
Financial assets at FVOCI	9,053	1,237	1,453	5,345	-	-	1,018
Other assets	38,432	38,432	-	-	-	-	-
Total financial assets	**2,464,198**	**1,255,315**	**80,650**	**354,617**	**416,074**	**117,760**	**239,782**
Financial liabilities							
Due to banks	16,726	16,726	-	-	-	-	-
Other borrowings	20,002	1045	8,899	225	468	9,365	-
Due to customers	1,797,887	1,105,702	83,018	350,226	258,941	-	-
Other liabilities	56,037	56,037	-	-	-	-	-
Total financial liabilities	**1,890,652**	**1,179,510**	**91,917**	**350,451**	**259,409**	**9,365**	**-**
Guarantees issued	56,061	56,061	-	-	-	-	-
Commitments to lend funds	3,015	3,015	-	-	-	-	-
	59,076	**59,076**	-	-	-	-	-
Liquidity gap	**514,470**	**16,729**	**(11,267)**	**4,166**	**156,665**	**108,395**	**239,782**
Liquidity gap, cumulative		**16,729**	**5,462**	**9,628**	**166,293**	**274,688**	**514,470**

32. Risk management (continued)

Market risk

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

The Bank has developed an internal Policy on Market Risk Management were are set internal limits calculated on a monthly basis, in order to monitor efficiently and diminish the effects of exposure to the market risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. In accordance with the Bank's policy, positions are monitored on a daily basis to ensure positions are maintained within the established limits.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's income statement.

Interest rate sensitivity, net

	2020 MDL'000	2019 MDL'000
+100 points	4,687	1,171
+50 points	2,344	586
-100 points	(4,687)	(1,171)
-50 points	(2,344)	(586)

The table below analyses the Bank's interest rate risk exposure on financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

32. Risk management (continued)

Interest rate risk (continued)

As at 31 December 2020	Total	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Non-interest bearing items
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Financial assets							
Cash on hand	107,462	-	-	-	-	-	107,462
Balances with National Bank	799,209	-	-	-	-	-	799,209
Due from banks	599,305	-	-	-	-	-	599,305
Financial assets at AC – Loans and advances to customers	903,976	851,025	-	4,700	-	-	48,251
Financial assets at AC – State securities	417,529	-	132,167	285,358	4	-	-
Financial assets at FVOCI	107,746	-	103,762	2,966	-	-	1,018
Other assets	40,991	22,916	4,807	5,061	-	-	8,207
Total assets	**2,976,218**	**873,941**	**240,736**	**298,085**	**4**	**-**	**1,563,452**
Financial liabilities							
Due to banks	55,775	-	-	-	-	-	55,775
Other borrowings	41,235	-	-	-	-	41,235	-
Due to customers	2,375,355	36,831	121,867	373,628	316,786	-	1,526,243
Other liabilities	24,027	-	-	-	-	-	24,027
Total financial liabilities	**2,496,392**	**36,831**	**121,867**	**373,628**	**316,786**	**41,235**	**1,606,045**
Maturity gap	**479,826**	**837,110**	**118,869**	**(75,543)**	**(316,782)**	**(41,235)**	**(42,592)**
Cumulative maturity gap		**837,110**	**955,979**	**880,436**	**563,654**	**522,419**	**479,826**

32. Risk management (continued)

Interest rate risk (continued)

As at 31 December 2019	Total	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Non-interest bearing items
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Financial assets							
Cash on hand	113,678	-	-	-	-	-	113,678
Balances with National Bank	695,956	398,447	-	-	-	-	297,509
Due from banks	336,886	323,740	-	-	-	-	13,146
Financial assets at AC – Loans and advances to customers	686,649	668,332	-	5,078	-	-	13,239
Financial assets at AC – State securities	429,571	279,109	23,216	127,234	12	-	-
Financial assets at FVOCI	8,847	1,199	1,390	5,240	-	-	1,018
Other assets	38,432	-	-	-	-	-	38,432
Total assets	**2,310,019**	**1,670,827**	**24,606**	**137,552**	**12**	**-**	**477,022**
Financial liabilities							
Due to banks	16,727	15,738	-	-	-	-	989
Other borrowings	18,998	18,998	-	-	-	-	-
Due to customers	1,778,039	1,451,906	-	-	-	-	326,133
Other liabilities	56,037	-	-	-	-	-	56,037
Total financial liabilities	**1,869,801**	**1,486,642**	**-**	**-**	**-**	**-**	**383,159**
Maturity gap	**440,218**	**184,185**	**24,606**	**137,552**	**12**	**-**	**93,863**
Cumulative maturity gap		**184,185**	**208,791**	**346,343**	**346,355**	**346,355**	**440,218**

32. Risk management (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. In accordance with the Bank's policy, positions are monitored on a daily basis to ensure positions are maintained within established limits.

The analysis calculates the effect of a reasonably possible movement of the currency rate against the Moldovan Leu, with all other variables held constant, on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities) A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against the MDL would have resulted in an equivalent but opposite impact.

Currency	Change in currency rate in % 2020	Effect on Profit before tax 2020	Change in currency rate in % 2019	Effect on profit before tax 2019
		MDL'000		MDL'000
USD	+10	(1,496)	+10	(524)
EUR	+10	2,457	+10	396

The table below analyses the Bank's exposure to currency risk:

	31/12/2020				
	Total	MDL	USD	EUR	Others
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS					
Cash on hand	107,462	40,054	21,820	42,958	2,630
Balances with National Bank	799,209	325,077	62,972	411,160	-
Due from banks	599,305	-	151,903	432,660	14,742
Financial assets at AC – Loans and advances to customers	903,976	347,190	38,140	518,646	-
Financial assets at AC – State securities	417,529	417,529	-	-	-
Financial assets at FVOCI	107,746	107,746	-	-	-
Other assets	46,902	13,743	6,490	26,669	-
Total assets	**2,982,129**	**1,251,339**	**281,325**	**1,432,093**	**17,372**
LIABILITIES					
Due to banks	55,774	20,960	28,651	51	6,112
Other borrowings	41,235	-	-	41,235	-
Due to customers	2,375,355	730,103	263,649	1,372,944	8,659
Other liabilities	24,032	3,967	563	19,497	5
Total liabilities	**2,496,396**	**755,030**	**292,863**	**1,433,727**	**14,776**
GAP	**485,733**	**496,309**	**(11,538)**	**(1,634)**	**2,596**

32. Risk management (continued)

Currency risk

	31/12/2019				
	Total	**MDL**	**USD**	**EUR**	**Others**
	MDL'000	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**
ASSETS					
Cash on hand	113,678	46,149	11,184	54,445	1,900
Balances with National Bank	695,956	562,531	24,915	108,510	-
Due from banks	336,886	-	83,109	241,942	11,835
Financial assets at AC – Loans and advances to customers	686,649	250,929	46,967	388,753	-
Financial assets at AC – State securities	429,571	429,571	-	-	-
Financial assets at FVOCI	8,847	8,847	-	-	-
Other assets	38,432	6,172	8,576	23,684	-
Total assets	**2,310,019**	**1,304,199**	**174,751**	**817,334**	**13,735**
LIABILITIES					
Due to banks	16,727	9,329	3	4,340	3,055
Other borrowings	18,998	-	3,061	15,937	-
Due to customers	1,778,039	817,937	173,542	777,519	9,041
Other liabilities	56,037	45,256	1,786	8,988	7
Total liabilities	**1,869,801**	**872,522**	**178,392**	**806,784**	**12,103**
GAP	**440,218**	**431,677**	**-3,641**	**10,550**	**1,632**

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

33. Contingencies

Unused credit commitments

Unused lending commitments are contractual commitments to grant revolving loans and borrowings. Commitments generally have fixed maturity or other termination clauses. Because commitments may expire without being used, the total value of the contract does not necessarily represent future cash requirements.

At the same time, the potential credit loss is less than the total unused commitments, because most credit extension commitments are contingent until customers maintain specific standards. The Bank monitors the maturity of credit commitments, as longer-term commitments generally have a higher credit risk than short-term commitments.

In case of irrevocable commitments, the Bank undertakes to make available to the client, at any time during the contractual period, the value mentioned in the contract.

Litigations

As at December 31, 2020, the Banc was not involved in his current activity as a defendant.

34. Events after the reporting date

There are no events after the reporting date.