
Banca Comercială Română Chișinău SA

Financial Statements

For the Year Ended 31 December 2022

Prepared in Accordance with

International Financial Reporting Standards

CONTENT

Auditors' report

| | |
|--|--------|
| Statement of Profit or Loss and Other Comprehensive Income | 2 |
| Statement of Financial Position | 3 |
| Statement of Changes in Equity | 4 |
| Statement of Cash Flows | 5 |
| Notes to the financial statements | 6 – 76 |



Independent auditor's report

To the shareholders of Banca Comercială Română Chișinău SA

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Banca Comercială Română Chișinău SA (the "Company") as of 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") 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 2022;
- the profit and loss account and other comprehensive income statement for the year ended 31 December 2022;
- the statement of changes in equity for the year ended 31 December 2022;
- the statement of cash flows for the year ended 31 December 2022; and
- the notes to the financial statements as at 31 December 2022, 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 No 271/15 December 2017 regarding audit of financial statements with subsequent amendments (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 ethical requirements of 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.

ÎCS PricewaterhouseCoopers Audit S.R.L.
strada Maria Cibotari 37, Chișinău, 2012, Republica Moldova
Număr de identificare (IDNO): 1003600008161
T: +373 22 25 17 00; F: +373 22 23 81 20, www.pwc.com/md

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.



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.

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 all material aspects 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 21 April 2023

Chişinău, 21 April 2023

Banca Comercială Română Chișinău SA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended 31 December 2022

| | Notes | 2022 MDL'000 | 2021 MDL'000 |
|--|-------|-----------------|-----------------|
| Interest income using Effective Interest Rate method | 20 | 178,536 | 90,499 |
| Other similar income | 20 | 54,000 | 2,425 |
| Interest and similar expense | 20 | (49,849) | (30,137) |
| Net interest income | | 182,687 | 62,787 |
| Provision for impairment of loans and other financial assets | 7, 24 | (18,934) | (2,199) |
| Net interest income after impairment loss | | 163,753 | 60,588 |
| Fee and commission income | 21 | 31,190 | 27,460 |
| Fee and commission expense | 21 | (13,467) | (10,830) |
| Net fee and commission income | | 17,723 | 16,630 |
| Financial income, net | 22 | 62,378 | 34,018 |
| Other operating income | 23 | 1,473 | 2,976 |
| Total non-interest income | | 63,851 | 36,994 |
| Personnel expenses | 25 | (45,617) | (45,816) |
| General and administrative expense | 26 | (28,977) | (33,615) |
| Contributions to Deposit Guarantee Fund | | (544) | (568) |
| Depreciation and amortization expense | 27 | (11,580) | (11,410) |
| Provision for other assets | | (9,463) | 2,151 |
| Total non-interest expense | | (96,181) | (89,258) |
| Operating profit before tax | | 149,146 | 24,954 |
| Tax expense | 18 | (18,454) | (484) |
| Net profit for the year | | 130,692 | 24,470 |
| Other comprehensive income | | | |
| Revaluation of financial assets at fair value through other comprehensive income (FVOCI) | | 7,347 | 661 |
| Total Other comprehensive income | | 7,347 | 661 |
| Total comprehensive income for the year | | 138,039 | 25,131 |

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

The financial statements were authorized for issue on 21 April 2023 by the Executives of the Bank represented by:

President
Juan Luis Martin Ortigosa



Chief Accountant
Victoria Galben

Banca Comercială Română Chișinău SA
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

| | Notes | 31/12/2022 MDL'000 | 31/12/2021 MDL'000 |
|---|-------|-----------------------|-----------------------|
| ASSETS | | | |
| Cash on hand | 3 | 78,170 | 99,000 |
| Balances with National Bank | 4 | 1,129,017 | 510,280 |
| Due from banks | 5 | 111,581 | 406,443 |
| Financial assets at amortized cost - loans and advances to customers | 6 | 1,180,275 | 1,077,270 |
| Financial assets at fair value through other comprehensive income (FVOCI) | 7 | 253,223 | 122,271 |
| Financial assets at amortized cost – state securities | 7 | 296,763 | 448,770 |
| Property and equipment | 8 | 15,585 | 20,179 |
| Intangible assets | 9 | 3,552 | 3,841 |
| Deferred tax assets | 18 | 2,314 | 2,142 |
| Other assets | 10 | 39,693 | 24,879 |
| Total assets | | 3,110,173 | 2,715,075 |
| LIABILITIES | | | |
| Due to banks | 11 | 117,866 | 53,989 |
| Other borrowings | 12 | 178,117 | 50,449 |
| Due to customers | 13 | 2,112,693 | 2,067,937 |
| Other liabilities | 14 | 32,645 | 22,982 |
| Lease liabilities | 15 | 6,156 | 10,708 |
| Current liabilities on income tax | | 19,201 | 3,554 |
| Total liabilities | | 2,466,678 | 2,209,619 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 16 | 728,130 | 728,130 |
| Reserve capital | 17 | 22,250 | 21,027 |
| Accumulated deficit | | (119,927) | (249,396) |
| Reserve of FV of financial assets at FVOCI | | 13,042 | 5,695 |
| Total shareholders' equity | | 643,495 | 505,456 |
| Total liabilities and shareholders' equity | | 3,110,173 | 2,715,075 |

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

The financial statements were authorized for issue on 21 April 2023 by the Executives of the Bank represented by:

President
Juan Luis Martin Ortigosa



Chief Accountant
Victoria Galben

Banca Comercială Română Chișinău SA
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2022

| 2022 | Share capital MDL'000 | Reserve capital MDL'000 | Accumulated deficit MDL'000 | Other reserves MDL'000 | Reserve of FV of financial assets at FVOCI MDL'000 | Total MDL'000 |
|---|----------------------------------|------------------------------------|--|-----------------------------------|---|--------------------------|
| Balance as at 1 January | 728,130 | 21,027 | (249,396) | - | 5,695 | 505,456 |
| Net profit for the year | - | - | 130,692 | - | - | 130,692 |
| Other comprehensive income | - | - | - | - | 7,347 | 7,347 |
| Transfers between reserves | - | 1,224 | (1,224) | - | - | - |
| Balance as at 31 December | 728,130 | 22,251 | (119,928) | - | 13,042 | 643,495 |
| 2021 | Share capital MDL'000 | Reserve capital MDL'000 | Accumulated deficit MDL'000 | Other reserves MDL'000 | Reserve of FV of financial assets at FVOCI MDL'000 | Total MDL'000 |
| Balance as at 1 January originally presented | 728,130 | 19,840 | (261,635) | 11,315 | 5,034 | 502,684 |
| Correction of error (note 35) | - | - | (22,359) | - | - | (22,359) |
| Restated balance as at 1 January | 728,130 | 19,840 | (283,994) | 11,315 | 5,034 | 480,325 |
| Net profit for the year | - | - | 24,470 | - | - | 24,470 |
| Other comprehensive income | - | - | - | - | 661 | 660 |
| Transfers between reserves | - | 1,187 | 10,128 | (11,315) | - | - |
| Balance as at 31 December | 728,130 | 21,027 | (249,396) | - | 5,695 | 505,456 |

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

Banca Comercială Română Chișinău SA
STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2022

| | Note | 2022 MDL'000 | 2021 MDL'000 |
|--|-----------|------------------|------------------|
| Cash flows from operating activities | | | |
| Interest receipts | | 221,438 | 92,903 |
| Interest payments | | (45,931) | (29,960) |
| Fee and commission receipts | | 31,190 | 27,383 |
| Fee and commission payments | | (13,467) | (10,874) |
| Net financial and other operating income receipt | | 63,851 | 36,994 |
| Recovery of loans previously written-off | | 785 | 2,301 |
| Staff costs paid | | (41,010) | (43,423) |
| Payments of general and administrative expenses | | (31,799) | (33,488) |
| Income tax payments | | (18,976) | (383) |
| Operating profit before working capital changes | | 166,081 | 41,453 |
| <i>(Increase) / decrease in operating assets:</i> | | | |
| Placements in banks | | 8,491 | - |
| Loans and advances to customers, net | | (121,089) | (175,620) |
| Other assets | | (14,986) | (1,134) |
| <i>Increase / (decrease) in operating liabilities</i> | | | |
| Due to banks | | 81,196 | (53,036) |
| Due to customers | | 40,838 | (307,595) |
| Other liabilities | | 18,825 | 1,448 |
| Net cash flow from / (used in) operating activities before income tax | | 179,356 | (494,484) |
| Purchase of property and equipment and intangible assets | | (6,697) | (3,914) |
| Receipts from tangible and intangible assets | | 6,912 | 14 |
| Receipts from maturity of financial investments – measured at fair value through OCI | | 5,918,232 | 3,998,982 |
| Purchase of financial investments – OCI | | (5,912,134) | (3,998,300) |
| Receipts from maturity of state securities– loans and receivables at AC | | 3,491,907 | 3,654,396 |
| Purchase of financial investments – state securities – loans and receivables at AC | | (3,481,500) | (3,650,245) |
| Net cash used in investing activities | | 16,720 | 933 |
| Cash flows from financing activities | | | |
| Receipts from borrowings | | 142,679 | 15,729 |
| Repayments of borrowings | | (21,580) | (4,538) |
| Payments for leases | | (6,786) | (7,348) |
| Net cash from financing activities | | 114,313 | 3,843 |
| Foreign currency effect | | 1,147 | (666) |
| <i>Net increase/(decrease) in cash and cash equivalents</i> | | 311,536 | (490,374) |
| Balance as at 1 January | | 1,020,881 | 1,511,255 |
| Balance as at 31 December | 19 | 1,332,417 | 1,020,881 |

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

1. Corporate information

Banca Comercială Română 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 in Chisinau, one branch in Cahul and one branch in Balti (2021: 4 branches and 1 representative offices).

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

At year-end 2022 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 86 employees as at 31 December 2022 (96 as at 31 December 2021).

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, issues related to COVID-19 and the impact of military intervention in Ukraine

The year 2022 ended on a very negative note, with the IMF announcing, at the turn of the year, that a third of the world's economies are entering recession. Rising interest rates in most economies, aimed at easing pro-inflationary pressures, will dampen global consumer demand and dampen the outlook for economic growth. The rise in the number of COVID-19 cases in China and the delay in easing restrictions have fueled investor perceptions of subdued consumer demand and commodity inventories at very high levels in China. At the same time, the high temperatures in Europe caused the natural gas quotations to drop, given that the reduced gas consumption allows maintaining satisfactory levels of gas reserves in Europe. Oil prices fell after December 5, 2022, when the EU embargo on Russian oil came into effect, but uncertainties remain quite high, which causes oil prices to persist at high levels. The gradual decline in commodity and food prices on the international market in correlation with the high base of the past 18 months have reduced overall pro-inflationary pressures, even though levels are well above historical averages. The regional economy continues to be affected by the war in Ukraine, and the outlook is clouded by uncertainties and risks.

In the current forecast round, external assumptions point to weak external demand, lower rates of international price growth and the persistence of risks and uncertainties in the region. As the IMF warned, in 2023, one third of the world's economies will enter recession. Rising interest rates and tempering global demand will moderate international price growth rates, but they will still be well above pre-pandemic averages. In the region, the economic situation will continue to be affected by the war in Ukraine and the energy crisis in Europe. Although the abnormally high temperatures for the cold period of the year in Europe caused the natural gas quotations to fall, the energy crisis in Europe is far from over and will considerably influence the economic evolution in the coming years. Starting from the trajectory of interest rate forecasts in the US and the Eurozone, we can anticipate an increase in the EUR/USD parity, respectively a depreciation of the US dollar and the appreciation of the single European

currency. At the same time, it is anticipated that the prices of agri-food products on the world market will decrease compared to the highs of 2022.

According to the National Bank of Moldova communication the annual rate of inflation will continue to trend downward rapidly during the current year and relatively stable thereafter until the end of the forecast period¹. Inflation will return to the target range in the second quarter of 2024 and will hold until the end of the forecast horizon. In terms of monthly inflation, there is a high probability that it will be within the range of uncertainty at the end of December 2023.

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

The following amended standards entered into force on January 1, 2022, but did not have any significant impact on the Company:

- *Receipts before intended use, onerous contracts – the cost of fulfilling the contract, Reference to the Conceptual Framework – specific 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 applicable for annual periods beginning on or after 1 January 2022).*
- The amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any revenue received from the sale of items produced while the entity is preparing the asset for its intended use. Revenue from the sale of such items, together with the costs of producing them, is now recognized in profit or loss. An entity must use IAS 2 to assess the cost of these items. The cost does not include depreciation of the tested asset because it is not yet ready for its intended use. The amendments to IAS 16 also specified that an entity "tests whether the asset is functioning properly" when assessing the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Therefore, an asset may be able to perform as intended by management and be subject to depreciation before it reaches the level of operational performance expected by management.

- The amendment to IAS 37 clarifies the meaning of "costs to fulfill a contract". The amendment explains that the direct cost of fulfilling a contract includes the incremental costs of fulfilling that contract; and an allocation of other costs directly related to performance. The amendment also clarifies that, before establishing a separate provision for an onerous contract, an entity recognizes any impairment loss that has occurred on assets used in the performance of the contract rather than on assets dedicated to that contract.
- The amendment to IFRS 9 addresses which fees should be included in the 10% test for the derecognition of financial liabilities. Costs or fees may be paid either to third parties or to the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
- Illustrative example 13 accompanying IFRS 16 has been amended to remove the illustration of payments from the lessor relating to home improvements. The reason for the change is to remove any potential confusion about the treatment of rental incentives.
- *Rent concessions related to Covid-19 – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).* In May 2020, an amendment to IFRS 16 was issued that provided lessees with an optional practical solution to assess whether a COVID-19-related rent concession that results in a reduction in lease payments due by 30 June 2021 or before June 30, 2021, there was a modification to the lease. An amendment issued on March 31, 2021 extended the practical approach date from June 30, 2021 to June 30, 2022.

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, The Bank 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, the Bank 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, the Bank 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.

For each SPPI-compliant financial asset at initial recognition, The Bank 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 The Bank strategy.

At The Bank, 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, The Bank 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, The Bank 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.

Under the IFRS 9 incurred loss impairment model, The Bank 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.

a. IFRS 9 Financial Instruments

AC – amortised cost

FV – fair value

FVOCI – fair value through other comprehensive income

FVTPL – fair value through profit or loss

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, 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 The Bank 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 The Bank, 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');
- 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, The Bank 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.

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 the Bank, 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 Bank 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

The Bank 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.
- 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, the Bank 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.

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, the Bank 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 the Bank 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. The Bank 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.

g. Derecognition of financial assets 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
- The Bank 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, The Bank 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, The Bank 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.

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.

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.

2.4 Other accounting policies

a. 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 National Bank of Moldova ("NBM").

The year end and average rates for the period were:

| 2022 | | 2021 | |
|------|------|------|------|
| USD | Euro | USD | Euro |

| | | | | |
|------------------------|---------|---------|---------|---------|
| Average for the period | 18.9032 | 19.8982 | 17.6816 | 20.9255 |
| Year end | 19.1579 | 20.3792 | 17.7452 | 20.0938 |

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.

b. Due from banks

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

c. 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.

d. 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).

e. 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 uncollateralized
- consumer lending collateralized
- residential mortgages

f. 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.

g. 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.

h. 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) the Bank 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 Bank 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) The Bank 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.

i. 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.

j. 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.

k. 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.

I. 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.

m. 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.

n. 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.

o. Repossessed assets

Reposessed 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 reposessed assets in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy reposessed properties for business use.

p. 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.

q. 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.

r. 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%.

s. 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 or 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.

Adoption of new or revised standards and interpretations

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, and which the Bank has not early adopted.

- *Amendments to IAS 1 and Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).*

IAS 1 has been amended to require companies to disclose their significant accounting policy information rather than their significant accounting policies. The amendment provided the definition of significant accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. In addition, the amendment to IAS 1 made it clear that immaterial accounting policy information should not be disclosed to you. However, if disclosed, it should not convey material accounting policy information. To support this change, IFRS 2 Statement of Practice, Making Materiality Judgments, has also been amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- *Amendments to IAS 8: Definition of accounting estimates (issued on 12 February 2021 and*

effective for annual periods beginning on or after 1 January 2023).

The amendments to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

- *Deferred tax related to assets and liabilities generated by a specific transaction - Amendments to IAS 12 (issued on May 7, 2021 and applicable for annual periods beginning on or after January 1, 2023).*

The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and other liabilities. In specified circumstances, entities are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and other obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognize deferred tax on such transactions. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

- *Amendments to IFRS 16 Leases: Lease liabilities in a sale and leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).*

The changes relate to sale and leaseback transactions that meet the requirements of IFRS 15 to be accounted for as sales. The amendments require the seller-lessee to subsequently measure the liabilities arising from the transaction in a way that does not recognize any gain or loss on the right of use it has reserved. This means deferring such earnings even though the obligation is to make variable payments that do not depend on an index or rate.

- *Classification of short-term or long-term liabilities – Amendments to IAS 1 (issued on 23 January 2020 and applicable for annual periods beginning on or after 1 January 2022).*

These amendments clarify that liabilities are classified as either current or long-term, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantial 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. The October 2022 amendment established that loan obligations that must be met after the reporting date do not affect the classification of the liability as current or long-term at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect the classification of liabilities. A liability is classified as current if a condition is breached on or before the reporting date, even if a waiver of that condition is obtained from the creditor after the end of the reporting period. Conversely, a loan is classified as long-term if a contractual condition a

the loan is breached only after the reporting date. In addition, the amendments include clarification of the classification requirements for debt that a company could settle by converting it into equity. "Settlement" is defined as the settlement 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 could 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.

The Company is currently evaluating the impact of the changes on its financial statements. Except as otherwise described above, the new standards and interpretations are not expected to materially affect the Company's financial statements.

3. Cash on hand

| | 31/12/2022 | 31/12/2021 |
|--------------|-------------------|-------------------|
| | MDL'000 | MDL'000 |
| Cash | 63,443 | 82,688 |
| Cash in ATMs | 14,727 | 16,312 |
| Total | 78,170 | 99,000 |

4. Balances with National Bank

| | 31/12/2022 | 31/12/2021 |
|-----------------------------------|-------------------|-------------------|
| | MDL'000 | MDL'000 |
| Current accounts | 471,746 | 226,378 |
| Mandatory reserve | 495,087 | 283,902 |
| Overnight | 170,168 | - |
| Total | 1,137,001 | 510,280 |
| Provision for impairment (IFRS 9) | (7,984) | - |
| Total | 1,129,017 | 510,280 |

Current account and compulsory reserves

The 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 the 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 2022 the rate for calculation of the minimum compulsory reserve in MDL was 37% and for foreign currencies was 45% (31 December 2021: the rate for calculation of the minimum compulsory reserve in MDL was 26% and for foreign currencies was 30%).

The Bank maintains its compulsory reserves on a current account opened with the NBM in amount of 37% of funds attracted in Moldovan Lei and non-convertible currencies. 45% reserves on funds denominated in USD and EUR are held in a special compulsory reserve account with the NBM.

The minimum average balance for the period 16 December 2022 – 15 January 2023 was calculated in amount of MDL'000 392,562 (31 December 2021: MDL'000 183,682). 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 9,025 and EUR'000 15,787 respectively (31 December 2021 – USD'000 3,828 and EUR'000 11,033).

The interest received from by the NBM on the compulsory reserves during 2022 was 0.01% per annum for reserves in foreign currency and varied between 6.50% and 19.50% for reserves in MDL (2021: 0.01% p. a. in foreign currency (FCY) and between 0.15% and 4.50% in MDL). The compulsory reserves held in the current account at the NBM are available for use in the Bank's day to day operations.

5. Due from banks

| | | 31/12/2022 | 31/12/2021 |
|-----------------------------------|-----------|-------------------|-------------------|
| | | MDL'000 | MDL'000 |
| Current accounts | 19 | 117,246 | 411,601 |
| Total | | 117,246 | 411,601 |
| Provision for impairment (IFRS 9) | | (5,665) | (5,158) |
| Total | | 111,581 | 406,443 |

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

6. Loans and advances to customers

Gross value of loans and advances as at 31.12.2022 was 1,236,807 th. MDL, increasing by 10.3% (115,509 th. MDL) compared with the same period of previous year.

| | 31/12/2022 | | | 31/12/2021 | | |
|-----------------------------------|--------------------|------------------|------------------|--------------------|------------------|------------------|
| | Gross value | Provision | Net value | Gross value | Provision | Net value |
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| Corporate lending | 1,049,295 | 54,064 | 995,231 | 948,298 | 42,014 | 906,284 |
| Microenterprise lending | 142 | 142 | - | 142 | 142 | - |
| Consumer lending uncollateralized | 11,919 | 247 | 11,673 | 9,369 | 173 | 9,196 |
| Consumer lending collateralized | 1,073 | 9 | 1,064 | 1,052 | 14 | 1,038 |
| Residential mortgages | 174,378 | 2,070 | 172,307 | 162,437 | 1,685 | 160,752 |
| Total | 1,236,807 | 56,532 | 1,180,275 | 1,121,298 | 44,028 | 1,077,270 |

Loan portfolio analysis by industries is presented below:

| | 31/12/2022 | | | 31/12/2021 | | |
|--------------------------------|--------------------|------------------|------------------|--------------------|------------------|------------------|
| | Gross value | Provision | Net value | Gross value | Provision | Net value |
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| Manufacturing | 133,104 | 4,753 | 128,352 | 143,610 | 3,346 | 140,264 |
| Trade | 820,954 | 20,668 | 800,286 | 649,682 | 9,142 | 640,540 |
| Services | 30,928 | 27,406 | 3,521 | 120,755 | 28,612 | 92,143 |
| Individuals | 187,370 | 2,326 | 185,044 | 172,859 | 1,872 | 170,987 |
| Construction | 33,739 | 462 | 33,277 | - | - | - |
| Agricultural and food industry | 30,712 | 917 | 29,795 | 34,392 | 1,056 | 33,336 |
| Total | 1,236,807 | 56,532 | 1,180,275 | 1,121,298 | 44,028 | 1,077,270 |

The average interest rate for the year on loans granted in EUR 3.90% (2021: 3.19%), in USD 3.68% (2021: 3.75%) and in MDL – 8.86% (2021: 8.58%).

The movements in provision for impairment of loans by classification of clients during the years 2022 and 2021 are presented below:

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

Change in provision due to stages:

| | 2022 MDL'000 | | | | | |
|-------------------------------------|----------------------|---------------------------------|---|---------------------------------------|--------------------------|---------------|
| | Corporate lending | Micro- enterprise lending | Consumer lending uncollateralized | Consumer lending collateralized | Residential mortgages | Total |
| At 1 January | 42,040 | 142 | 162 | 3 | 1,707 | 44,054 |
| Recoveries | (2) | - | - | - | - | (2) |
| Decrease in provision | (2,369) | - | (2,099) | (1) | (2,444) | (6,913) |
| - <i>due to change in stage</i> | (238) | - | (450) | - | (1,279) | (1,967) |
| Increase in provision | 11,356 | 18 | 4,475 | 4 | 3,987 | 19,840 |
| - <i>due to change in stage</i> | 7,167 | - | 2,897 | - | 2,493 | 12,557 |
| FX difference | 3,039 | (18) | (2,291) | 3 | (1,180) | (447) |
| At 31 December | 54,064 | 142 | 247 | 9 | 2,070 | 56,532 |
| Individual Impairment | 27,197 | - | - | - | 376 | 27,573 |
| Collective Impairment | 26,867 | 142 | 247 | 9 | 1,694 | 28,959 |
| At 31 December | 54,064 | 142 | 247 | 9 | 2,070 | 56,532 |

| | 2021 MDL'000 | | | | | |
|-------------------------------------|----------------------|---------------------------------|---|---------------------------------------|--------------------------|---------------|
| | Corporate lending | Micro- enterprise lending | Consumer lending uncollateralized | Consumer lending collateralized | Residential mortgages | Total |
| At 1 January | 40,850 | 159 | 150 | 14 | 2,440 | 43,613 |
| Recoveries | - | - | - | - | - | - |
| Decrease in provision | (6,318) | - | (73) | (12) | (1,013) | (7,416) |
| - <i>due to change in stage</i> | (2,291) | - | (4) | - | (270) | (2,565) |
| Increase in provision | 9,177 | - | 96 | 6 | 308 | 9,587 |
| - <i>due to change in stage</i> | 2,309 | - | 52 | - | 67 | 2,428 |
| FX difference | (1,695) | (17) | - | 6 | (50) | (1,756) |
| At 31 December | 42,014 | 142 | 173 | 14 | 1,685 | 44,028 |
| Individual Impairment | 27,839 | - | - | - | 581 | 28,420 |
| Collective Impairment | 14,175 | 142 | 173 | 14 | 1,104 | 15,608 |
| At 31 December | 42,014 | 142 | 173 | 14 | 1,685 | 44,028 |

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

Loans and advances are presented below:

| 2022 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 | 747,595 | 572,704 | - | 11,681 | 1,073 | 162,137 |
| 0 days | 747,586 | 572,704 | - | 11,672 | 1,073 | 162,137 |
| 1-30 days | 9 | - | - | 9 | - | - |
| Gross Value of loans and advances, not impaired, Stage 2 | 456,575 | 446,457 | - | 127 | - | 9,990 |
| 0 days | 455,871 | 446,457 | - | 56 | - | 9,357 |
| 1-30 days | 701 | - | - | 68 | - | 633 |
| 61-90 days | 3 | - | - | 3 | - | - |
| Gross Value of loans and advances, impaired, Stage 3 | 32,637 | 30,134 | 142 | 111 | - | 2,250 |
| 0 days | 689 | - | - | - | - | 689 |
| 1-30 days | 313 | - | - | 13 | - | 300 |
| 91-180 days | 671 | - | - | 4 | - | 667 |
| 180-360 days | 572 | - | - | 7 | - | 566 |
| >360 days | 30,392 | 30,134 | 142 | 87 | - | 28 |
| Total Gross Value | 1,236,807 | 1,049,295 | 142 | 11,919 | 1,073 | 174,377 |
| Provision for impairment (IFRS 9) | 56,532 | 54,064 | 142 | 246 | 9 | 2,070 |
| Total Net Value | 1,180,275 | 995,231 | - | 11,673 | 1,064 | 172,307 |

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

| 2021 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 | 933,346 | 775,101 | - | 9,091 | 1,041 | 148,113 |
| 0 days | 933,344 | 775,101 | - | 9,089 | 1,041 | 148,113 |
| 1-30 days | 2 | - | - | 2 | - | - |
| Gross Value of loans and advances, not impaired, Stage 2 | 154,345 | 143,212 | - | 128 | - | 11,005 |
| 0 days | 152,359 | 143,212 | - | - | - | 9,147 |
| 1-30 days | 1,980 | - | - | 122 | - | 1,858 |
| 61-90 days | 6 | - | - | 6 | - | - |
| Gross Value of loans and advances, impaired, Stage 3 | 33,607 | 29,985 | 142 | 150 | 11 | 3,319 |
| 0 days | 486 | - | - | 21 | - | 465 |
| 1-30 days | 330 | - | - | - | - | 330 |
| 31-60 days | 44 | - | - | - | - | 44 |
| 61-90 days | 2 | - | - | 2 | - | - |
| 91-180 days | 748 | - | - | 38 | - | 710 |
| 180-360 days | 549 | - | - | - | - | 549 |
| >360 days | 31,448 | 29,985 | 142 | 89 | 11 | 1,221 |
| Total Gross Value | 1,121,298 | 948,298 | 142 | 9,369 | 1,052 | 162,437 |
| Provision for impairment (IFRS 9) | 44,028 | 42,014 | 142 | 173 | 14 | 1,685 |
| Total Net Value | 1,077,270 | 906,284 | - | 9,196 | 1,038 | 160,752 |

7. Financial investments

Financia assets at AC - State securities

| | 31/12/2022 MDL'000 | 31/12/2021 MDL'000 |
|------------------|-------------------------------|-------------------------------|
| State securities | 311,372 | 470,921 |
| Total | 311,372 | 470,921 |
| Value adjustment | (14,609) | (22,151) |
| Total | 296,763 | 448,770 |

Financial assets at FVOCI

| | | 31/12/2022 | 31/12/2021 |
|---|-----------|-------------------|-------------------|
| | | MDL'000 | MDL'000 |
| State securities | | 252,204 | 121,253 |
| Total | 19 | 252,204 | 121,253 |
| Change in fair value | | (11,833) | (5,703) |
| Total | | 252,204 | 121,253 |
| Share capital in SRL „Biroul de Credit” | | 1,018 | 1,018 |
| Total | | 253,223 | 122,271 |

Investments in state securities and certificates issued by NBM

Investments in state securities as at 31 December 2022 represent MDL treasury bonds and treasury bills of 91 days to 5 years maturity issued by the Ministry of Finance of the Republic of Moldova with an interest rate between 6.60% and 22.01% p.a. (2021: 4.99% and 9.23% p.a.)

Investments in securities are presented below:

| | Domain of activity | Participation quote | 31/12/2022 |
|------------------------|---------------------------|----------------------------|-------------------|
| | | | MDL'000 |
| SRL „Biroul de Credit” | Credit service | 9.12% | 1,018 |
| Total | | | 1,018 |

| | Domain of activity | Participation quote | 31/12/2021 |
|------------------------|---------------------------|----------------------------|-------------------|
| | | | MDL'000 |
| SRL „Biroul de Credit” | Credit service | 9.12% | 1,018 |
| Total | | | 1,018 |

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

The movement in Financial assets at FVOCI is presented below:

| | 31/12/2022 | 31/12/2021 |
|------------------------------|-------------------|-------------------|
| | MDL'000 | MDL'000 |
| Carrying amount at January 1 | 122,271 | 107,746 |
| Fair value gains less losses | 7,347 | 661 |
| Interest income accrued | 47,320 | 8,994 |
| Interest income received | (45,696) | (8,994) |
| Purchases | 6,036,167 | 4,012,186 |
| Disposals | (5,914,186) | (3,998,322) |
| Total | 253,223 | 122,271 |

Moodys' country rating for Moldova is B3 (2021 –B3).

Provision for impairment determined according to IFRS 9:

| | 31/12/2022 | 31/12/2021 |
|---------------------------|-------------------|-------------------|
| | MDL'000 | MDL'000 |
| Financial assets at AC | (14,609) | (22,151) |
| Financial assets at FVOCI | (11,833) | (5,703) |
| Total | (26,442) | (27,854) |

8. Property and equipment

| | Land and buildings | Furniture and equipment | Motor vehicles | Improvements of leased assets | Assets under construction | Right of use assets | Total |
|---------------------------------|-----------------------|----------------------------|----------------|-------------------------------------|------------------------------|------------------------|---------------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| Cost | | | | | | | |
| Balance as at 1 January 2022 | 2,364 | 40,185 | 3,384 | 2,536 | 616 | 25,945 | 75,030 |
| Additions | - | 4 | - | - | 2,816 | 2,820 | 5,640 |
| Transfers | - | 2,836 | - | - | (2,836) | - | - |
| Disposals | - | (539) | - | (616) | - | (2,667) | (3,822) |
| Balance as at 31 December | 2,364 | 42,486 | 3,384 | 1,920 | 596 | 26,098 | 76,848 |
| Accumulated depreciation | | | | | | | |
| Balance as at 1 January 2022 | 682 | 33,698 | 1,929 | 1,866 | - | 16,676 | 54,851 |
| Annual charge | 52 | 2,523 | 414 | 457 | - | 5,653 | 9,099 |
| Disposals | - | (532) | - | (616) | - | (1,538) | (2,686) |
| Balance as at 31 December | 734 | 35,689 | 2,343 | 1,707 | - | 20,791 | 61,264 |
| Net book value | | | | | | | |
| At 31 December 2022 | 1,630 | 6,797 | 1,042 | 213 | 596 | 5,307 | 15,585 |
| At 31 December 2021 | 1,682 | 6,487 | 1,456 | 670 | 616 | 9,269 | 20,179 |

As at 31 December 2022 the cost of fully depreciated property and equipment used by the Bank amounted at MDL'000 24,970 (as at 31 December 2021 – MDL'000 27,120).

In 2022 were acquired other tangible assets (property, equipment, etc).

8. Property and equipment (continued)

| | Land and buildings | Furniture and equipment | Motor vehicles | Improvements of leased assets | Assets under construction | Right of use assets | Total |
|---------------------------------|-----------------------|----------------------------|----------------|-------------------------------------|------------------------------|------------------------|---------------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| Cost | | | | | | | |
| Balance as at 1 January 2021 | 2,364 | 41,420 | 3,384 | 2,536 | - | 26,484 | 76,188 |
| Additions | - | - | - | - | 3,352 | 1,232 | 4,584 |
| Transfers | - | 2,736 | - | - | (2,736) | - | - |
| Disposals | - | (3,971) | - | - | - | (1,771) | (5,742) |
| Balance as at 31 December | 2,364 | 40,185 | 3,384 | 2,536 | 616 | 25,945 | 75,030 |
| Accumulated depreciation | | | | | | | |
| Balance as at 1 January 2021 | 630 | 35,447 | 1,488 | 1,316 | - | 10,913 | 49,794 |
| Annual charge | 52 | 2,206 | 441 | 550 | - | 5,763 | 9,012 |
| Disposals | - | (3,955) | - | - | - | - | (3,955) |
| Balance as at 31 December | 682 | 33,698 | 1,929 | 1,866 | - | 16,676 | 54,851 |
| Net book value | | | | | | | |
| At 31 December 2021 | 1,682 | 6,487 | 1,456 | 670 | 616 | 9,269 | 20,179 |
| At 31 December 2020 | 1,734 | 5,973 | 1,897 | 1,220 | - | 15,571 | 26,394 |

9. Intangible assets

Movement in intangible assets during the year ended 31 December 2022 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 2022 | 19,603 | 7,089 | 2 | 26,694 |
| Additions | - | - | 2,195 | 2,195 |
| Transfers | 2,197 | - | (2,197) | - |
| Disposals | (3) | - | - | (3) |
| Balance as at 31 December | 21,797 | 7,089 | - | 28,886 |
| Accumulated amortization | | | | |
| Balance as at 1 January 2022 | 19,102 | 3,751 | - | 22,853 |
| Annual charge | 1,660 | 821 | - | 2,481 |
| Disposals | - | - | - | - |
| Balance as at 31 December | 20,762 | 4,572 | - | 25,334 |
| Net book value | | | | |
| As at 31 December 2022 | 1,035 | 2,517 | - | 3,552 |
| As at 31 December 2021 | 501 | 3,338 | 2 | 3,841 |

In 2022 were acquired software for cards personalisation.

Movement in intangible assets during the year ended 31 December 2021 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 2021 | 19,367 | 7,089 | - | 26,456 |
| Additions | 3 | - | 1,100 | 1,103 |
| Transfers | 1,098 | - | (1,098) | - |
| Disposals | (865) | - | - | (865) |
| Balance as at 31 December | 19,603 | 7,089 | 2 | 26,694 |
| Accumulated amortization | | | | |
| Balance as at 1 January 2021 | 18,390 | 2,930 | - | 21,320 |
| Annual charge | 1,577 | 821 | - | 2,398 |
| Disposals | (865) | - | - | (865) |
| Balance as at 31 December | 19,102 | 3,751 | - | 22,853 |
| Net book value | | | | |
| As at 31 December 2021 | 501 | 3,338 | 2 | 3,841 |
| As at 31 December 2020 | 977 | 4,159 | - | 5,136 |

As at 31 December 2022 the cost of fully depreciated intangible assets used by the Bank amounted at MDL'000 9,164 (as at 31 December 2021 – MDL'000 5,921).

10. Other assets

| | Note | 31/12/2022 MDL'000 | 31/12/2021 MDL'000 |
|-------------------------------------|-------------|-------------------------------------|-------------------------------------|
| Non-financial assets | | | |
| Other prepaid expenses | | 2,897 | 3,286 |
| Other assets | | 55 | 423 |
| State tax | | 18,696 | 2,698 |
| Total non-financial assets | | 22,010 | 4,348 |
| Financial assets | | | |
| Non-recourse factoring | | 12,617 | 12,866 |
| Operations with bank cards | | 2,031 | 1,477 |
| Receivables on rent | | 805 | 845 |
| Receivables on collection services | | 193 | 193 |
| Settlements with clients | | 1,894 | 2,130 |
| Settlements through payment systems | | - | 20 |
| Receivables on capital investments | | 143 | 303 |
| Total financial assets | 32 | 17,683 | 20,532 |
| Total | | 39,693 | 24,880 |

Major part of financial assets represent receivables on non-recourse factoring. Movement in receivables on non-recourse factoring for 2022 and 2021 is presented below:

| | 31/12/2022 MDL'000 | 31/12/2021 MDL'000 |
|---------------------------------------|-------------------------------------|-------------------------------------|
| Receivables on non-recourse factoring | 12,649 | 12,892 |
| Provision for impairment | (32) | (26) |
| Total | 12,617 | 12,866 |

11. Due to banks

| | 31/12/2022 MDL'000 | 31/12/2021 MDL'000 |
|---|-------------------------------------|-------------------------------------|
| Citibank Europe PLC, Dublin - Sucursala Romania | 10 | 19 |
| Erste Group Bank AG | 11,072 | 15,501 |
| B.C. Procredit Bank SA | 616 | 5,964 |
| BCR Romania | 86,561 | 3,739 |
| B.C. Energbank S.A. | 468 | 231 |
| B.C. Victoriabank S.A. | - | 1 |
| B.C. Fincombank S.A. | 840 | 600 |
| B.C. EUROCREDITBANK S.A. | 18,299 | 27,934 |
| Total | 117,866 | 53,989 |

12. Other borrowings

| | 31/12/2022 | 31/12/2021 |
|----------------------------------|-------------------|-------------------|
| | MDL'000 | MDL'000 |
| B.C. Moldova - Aagroindbank S.A. | 61,153 | - |
| BCR Romania | 38,629 | - |
| OGPAE | 78,335 | 50,449 |
| | 178,117 | 50,449 |

As of December 2022, the funds attracted from Oficiul de Gestionare a Programelor Asistență Externă (OGPAE former DLC) represented borrowings in EUR denomination performed under several refinancing projects. The maximum maturity of the borrowings was year 2030, while the average interest rate was 0,97 % (2020: 0,65%).

At 31 December 2022 and 2021 there are no specific financial indicators required under the Loan Agreements.

Below is presented the movement in attracted funds:

| | 31/12/2022 | 31/12/2021 |
|-----------------------------|-------------------|-------------------|
| | MDL'000 | MDL'000 |
| Balance as at 1 January | 50,449 | 41,235 |
| Increase/(decrease) | 142,679 | 15,729 |
| Disposals | (21,580) | (4,538) |
| Foreign currency difference | 6,569 | (1,977) |
| Net book value | 178,117 | 50,449 |

13. Due to customers

| | 31/12/2022 | 31/12/2021 |
|-------------------------------------|-------------------|-------------------|
| | MDL'000 | MDL'000 |
| <i>Due to individuals</i> | | |
| Current accounts | 317,929 | 341,227 |
| Term deposits | 633,115 | 626,012 |
| Total due to individuals | 951,044 | 967,239 |
| <i>Due to legal entities</i> | | |
| Current accounts | 936,912 | 861,135 |
| Term deposits | 224,737 | 239,563 |
| Total due to legal entities | 1,161,649 | 1,100,698 |
| Total | 2,112,693 | 2,067,937 |

As at 31 December 2022 current accounts of legal entities include restricted deposits through collateral agreements in total amount of MDL'000 3,068 (31 December 2021: MDL'000 4,076).

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

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

| | 2022 | | | | | | 2021 | | | | | |
|------------------------------|------|---|------|------|---|------|------|---|------|------|---|------|
| | MDL | | FCY | | | | MDL | | FCY | | | |
| | % | % | % | % | % | % | % | % | % | % | % | % |
| Legal entities | | | | | | | | | | | | |
| Demand deposits | 1.42 | - | 8.13 | 0.24 | - | 0.25 | 1.43 | - | 1.64 | 0.24 | - | 0.25 |
| Term deposits up to 3 months | - | - | - | - | - | - | - | - | - | - | - | - |
| Term deposits >3 months < 1 | 1.25 | - | 2.50 | 0.10 | - | 1.58 | 0.95 | - | 1.53 | 0.10 | - | 0.84 |
| Term deposits over 1 year | - | - | - | 0.50 | - | 3.24 | 4.25 | - | - | 0.76 | - | 1.99 |
| Individuals | | | | | | | | | | | | |
| Demand deposits | 1.82 | - | 4.81 | - | - | - | 1.63 | - | 1.99 | - | - | - |
| Term deposits up to 3 months | 1.17 | - | 13.0 | 0.25 | - | 0.50 | 1.25 | - | 1.50 | 0.10 | - | 0.40 |
| Term deposits >3 months < 1 | 4.28 | - | 19.7 | 0.26 | - | 4.88 | 2.34 | - | 4.10 | 0.25 | - | 0.90 |
| Term deposits over 1 year | 3.44 | - | 12.9 | 0.96 | - | 3.34 | 3.01 | - | 5.94 | 1.00 | - | 2.38 |

14. Other liabilities

| | Note | 31/12/2022 MDL'000 | 31/12/2021 MDL'000 |
|---|------|-----------------------|-----------------------|
| Financial liabilities | | | |
| Escrow contracts | | 161 | 289 |
| Factoring operations | | 1,265 | 1,391 |
| Amounts to be settled | | 5,778 | 4,047 |
| Items pending instructions from customers | | 87 | 96 |
| Accrual for audit costs | | 823 | 918 |
| Accrual for litigation | | 125 | 133 |
| | | 8,239 | 6,874 |
| Non-financial liabilities | | | |
| Accrual for bonuses and related contributions | | 11,329 | 7,620 |
| Accrual for unused vacations | | 3,745 | 2,848 |
| Other liabilities | | 6,780 | 4,715 |
| Accrual for contingent liabilities | | 2,497 | 885 |
| Other deferred income | | 55 | 40 |
| | | 24,406 | 16,108 |
| | | 32,645 | 22,982 |

15. Lease liabilities

Below is presented the movement in lease liabilities:

| | 31/12/2022 MDL'000 | 31/12/2021 MDL'000 |
|-------------------------|-------------------------------------|-------------------------------------|
| Balance as at 1 January | 10,708 | 18,089 |
| Additions | 2,899 | 431 |
| Disposals | (1,213) | (890) |
| Accrued interest | 530 | 1,019 |
| Payments | (6,786) | (8,800) |
| FX differences | 18 | 859 |
| Net book value | 6,156 | 10,708 |

16. Share capital

As at 31 December 2022 share capital constituted 72,813 ordinary authorized shares issued in circulation with the nominal value of MDL 10,000 (2021: 72,813 shares).

Structure of Bank shareholders

| Name of shareholder | 31/12/2022 Shareholding | | 31/12/2021 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

| | 2022 | 2021 |
|--|----------------|----------------|
| | MDL'000 | MDL'000 |
| Current income tax expenses | | |
| Current income tax expenses | 18,655 | 1,285 |
| Deferred income tax | | |
| Related to origination and reversal of temporary differences | - | (801) |
| | (201) | |
| Income tax expenses/(credit) for the period | 18,454 | 484 |

The standard income tax rate in 2022 was 12% (2021: 12%).

The reconciliation between income tax expense reflected in the financial statements and the amounts calculated at the standard tax rate of 12% (2021: 12%) is as follows:

| | 2022 | 2021 |
|--|----------------|----------------|
| | MDL'000 | MDL'000 |
| Accounting profit before tax | 149,146 | 24,883 |
| At Moldovan statutory income tax rate of 12% | 17,898 | 2,994 |
| Adjustment of prior year deferred income tax | - | (1,860) |
| Non-deductible expenses (at 12% tax rate) | 556 | 139 |
| Income not subject to tax (at 12% tax rate) | - | (789) |
| Total | 18,454 | 484 |
| Effective income tax | 12% | 2% |

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 apartment 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 resources used for placements in State Securities);
- Provision expenses for unused vacation, legal costs, audit services, etc.

| | 2022 | 2021 |
|----------------------------------|----------------|----------------|
| | MDL'000 | MDL'000 |
| Balance as at 1 January | 2,142 | 1,344 |
| Income statement (credit)/charge | 201 | 801 |
| Temporary difference through OCI | (29) | (3) |
| Income tax paid | - | - |
| Balance as at 31 December | 2,314 | 2,142 |

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

Deferred income tax as of 31 December 2022 and 2021 relates to the following:

| 2022 | <i>Receivables / (payables) on deferred income tax January 1</i> | <i>Income statement</i> | <i>Other comprehensive income</i> | <i>Receivables / (payables) on deferred income tax December 31</i> |
|---|--|-----------------------------|---|--|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| Revaluation of financial assets FVOCI | (1) | - | (29) | (30) |
| Accrual for unused vacation | 343 | 105 | - | 448 |
| Accrual for legal expenses | 25 | 165 | - | 190 |
| Accrual for audit services | 188 | (89) | - | 99 |
| Accrual for bonus | 1,037 | 322 | - | 1,359 |
| Tangible assets | 510 | (298) | - | 212 |
| Amortization of commissions for loans | 40 | (4) | - | 36 |
| Net deferred tax asset/(liability) | 2,142 | 201 | (29) | 2,314 |

| 2021 | <i>Receivables / (payables) on deferred income tax January 1</i> | <i>Income statement</i> | <i>Other comprehensive income</i> | <i>Receivables / (payables) on deferred income tax December 31</i> |
|---|--|-----------------------------|---|--|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| Revaluation of financial assets FVOCI | 2 | - | (3) | (1) |
| Accrual for unused vacation | 315 | 28 | - | 343 |
| Accrual for legal expenses | 22 | 3 | - | 25 |
| Accrual for audit services | 90 | 98 | - | 188 |
| Accrual for bonus | 665 | 372 | - | 1,037 |
| Tangible assets | 204 | 306 | - | 510 |
| Amortization of commissions for loans | 46 | (6) | - | 40 |
| Net deferred tax asset/(liability) | 1,344 | 801 | (3) | 2,142 |

19. Cash and cash equivalents

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

| | Notes | 31/12/2022 MDL'000 | 31/12/2021 MDL'000 |
|-----------------------------|-------|-----------------------|-----------------------|
| Cash on hand | 3 | 78,170 | 99,000 |
| Due from banks | 5 | 117,246 | 411,601 |
| Balances with National Bank | 4 | 1,137,001 | 510,280 |
| Total | | 1,332,417 | 1,020,881 |

20. Net interest income

| | 2022 MDL'000 | 2021 MDL'000 |
|--|-----------------|-----------------|
| <i>Interest income through Effective Interest Rate method</i> | | |
| Financial investments | 110,680 | 30,182 |
| Loans and advances | 68,261 | 60,749 |
| Unwinding | (405) | (432) |
| | 178,536 | 90,499 |
| <i>Other interest income</i> | | |
| Due from NBM and other banks | 54,000 | 2,425 |
| Total interest income | 54,000 | 92,924 |
| <i>Interest expense</i> | | |
| Deposits and borrowings from banks | (3,642) | (1,652) |
| Deposits from customers-individuals | (23,457) | (18,324) |
| Deposits from customers-companies | (22,220) | (9,142) |
| Leasing | (530) | (1,019) |
| Total interest expense | (49,849) | (30,137) |
| Net interest income | 182,687 | 62,787 |

Interest income on impaired assets recognised during the year 2022 is MDL'000 2,341 (2021: MDL'000 798).

21. Net fee and commission income

| | 2022 | 2021 |
|--|-----------------|-----------------|
| | MDL'000 | MDL'000 |
| <i>Fee and commission income</i> | | |
| Commission on cash operations | 8,682 | 8,966 |
| Commissions on guarantees issued | 1,040 | 1,131 |
| Income from cards transactions | 16,245 | 13,466 |
| Commission on clients' accounts servicing | 3,256 | 2,698 |
| Commission on loans issuance | 1,265 | 456 |
| Other bank commissions | 702 | 743 |
| Total fee and commission income | 31,190 | 27,460 |
| <i>Fee and commission expense</i> | | |
| Commissions on guarantees, foreign currency transactions and other bank fees and commissions | (3,148) | (3,333) |
| Expenses with cards transactions | (10,319) | (7,497) |
| Total fee and commission expense | (13,467) | (10,830) |
| Net fee and commission income | 17,723 | 16,630 |

22. Financial Income, net

| | 2022 | 2021 |
|---|----------------|----------------|
| | MDL'000 | MDL'000 |
| Net result from exchange transactions | 66,030 | 34,684 |
| Net foreign currency translation result | (3,652) | (666) |
| Net financial income | 62,378 | 34,018 |

23. Other operating income

| | 2022 | 2021 |
|---|----------------|----------------|
| | MDL'000 | MDL'000 |
| Fees, penalties and other received | 102 | 101 |
| Income from disposal of long-term assets | 94 | 118 |
| Other operational income | 255 | 171 |
| Dividend income | 237 | 271 |
| Income from loans written off in previous | 785 | 2,315 |
| Total other operating income | 1,473 | 2,976 |

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

| | Note | 2022 MDL'000 | 2021 MDL'000 |
|--|-------------|-------------------------------|-------------------------------|
| Financial assest AC – loans and advances | 6 | (12,207) | (2,082) |
| Financial assest AC – state securities | 7 | 7,542 | (1,542) |
| Current accounts and deposits in banks | 4,5 | (8,134) | 716 |
| Financial assest at FVOCI | 7 | (6,129) | (683) |
| Financial assets AC - factoring | | (6) | 1,392 |
| Total | | (18,934) | (2,199) |

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

| | Note | 2022 MDL'000 | 2021 MDL'000 |
|---------------------------------|-------------|-------------------------------|-------------------------------|
| Increase in impairment of loans | 6 | (19,905) | (9,494) |
| Reduction in impairment | 6 | 6,913 | 7,412 |
| Recoveries | | 785 | - |
| Total | | (12,207) | (2,082) |

25. Personnel expenses

| | 2022 MDL'000 | 2021 MDL'000 |
|--------------------------------|-------------------------------|-------------------------------|
| Salary | 36,250 | 36,416 |
| Social insurance contributions | 8,135 | 8,307 |
| Medical contribution | 99 | 101 |
| Meal tickets | 1,133 | 992 |
| Total | 45,617 | 45,816 |

Salary expenses for management are presented in Note 30.

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

26. General and administrative expense

| | 2022 | 2021 |
|--|----------------|----------------|
| | MDL'000 | MDL'000 |
| Utilities and rent | 1,664 | 1,320 |
| Risk insurance premium | 2,366 | 3,006 |
| Other expenses | 4,541 | 3,857 |
| Repair and maintenance of fixed assets | 3,673 | 3,370 |
| Postage and telecommunication expenses | 1,996 | 1,783 |
| Maintenance for intangible assets | 3,557 | 2,940 |
| Safeguarding of assets and insurance costs | 1,297 | 1,486 |
| Audit and consulting fees | 1,395 | 1,604 |
| Net result related to sale of repossessed property | 223 | 2,768 |
| Taxes | 1,192 | 1,288 |
| Travel | 178 | 100 |
| Advertising and sponsorship expenses | 2,193 | 1,954 |
| Cash collection | 507 | 330 |
| Legal expenses | 112 | 1,372 |
| Expenses with office supplies | 167 | 128 |
| Training costs | 37 | 85 |
| Salary calculation | 507 | 362 |
| Transportation | 368 | 63 |
| Contribution to Resolution Fund | 3,505 | 5,799 |
| Total | 28,977 | 33,615 |

27. Depreciation and amortization expense

| | 2022 | 2021 |
|----------------------|----------------|----------------|
| | MDL'000 | MDL'000 |
| Depreciation expense | 9,099 | 9,012 |
| Amortization expense | 2,481 | 2,398 |
| Total | 11,580 | 11,410 |

28. Guarantees and other financial commitments

The aggregate amounts of outstanding guarantees, commitments, and other off balance sheet items as of 31 December 2022 and 2021 are:

| | 2022 | 2021 |
|---------------------------------|----------------|----------------|
| | MDL'000 | MDL'000 |
| Guarantees | 54,871 | 58,272 |
| Financing commitments and other | 39,922 | 14,333 |
| Total | 94,793 | 72,605 |

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

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 details please see note 8 „Tangible assets”.

29. Fair value of financial instruments

a) Recurrent values of fair value

2022

| | Total | (Level 1) MDL'000 | (Level 2) MDL'000 | (Level 3) MDL'000 |
|--------------------------------|----------------|------------------------------|------------------------------|------------------------------|
| Financial investments at FVOCI | 252,204 | - | 252,204 | - |

2021

| | Total | (Level 1) MDL'000 | (Level 2) MDL'000 | (Level 3) MDL'000 |
|--------------------------------|----------------|------------------------------|------------------------------|------------------------------|
| Financial investments at FVOCI | 121,252 | - | 121,252 | - |

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.

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 2022 MDL'000 | Fair value 2022 MDL'000 | Hierarchic level | Carrying value 2021 MDL'000 | Fair value 2021 MDL'000 | Hierarchic level |
|---|--------------------------------------|----------------------------------|---------------------|--------------------------------------|----------------------------------|---------------------|
| Financial assets | | | | | | |
| Cash on hand | 78,170 | 78,170 | 1 | 99,000 | 99,000 | 1 |
| Placements with NBM | 1,129,017 | 1,129,017 | 1 | 510,280 | 510,280 | 1 |
| Placements with banks | 111,581 | 111,581 | 1 | 406,443 | 406,443 | 1 |
| Financial assets AC - loans and advances to customers | 1,180,275 | 1,145,343 | 2 | 1,077,270 | 1,072,207 | 2 |
| Financial assets AC - state securities | 296,763 | 296,271 | 2 | 448,770 | 448,030 | 2 |
| Other assets | 17,683 | 17,683 | 3 | 20,532 | 20,532 | 3 |
| Financial liabilities | | | | | | |
| Due to banks | 117,866 | 117,866 | 2 | 53,989 | 53,989 | 2 |
| Other borrowings | 178,117 | 178,117 | 2 | 50,449 | 50,449 | 2 |
| Due to customers | 2,112,693 | 2,083,147 | 3 | 2,067,937 | 2,068,475 | 3 |
| Other liabilities | 8,239 | 8,239 | 3 | 17,582 | 17,582 | 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.

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

c) Presentation of financial instruments according to measurement category

| 31 December 2022 | Financial assets at AC | Financial assets At FVOCI | FinancialAs sets at FVTPL | Total |
|--|-----------------------------------|--|--|------------------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| Financial assets | | | | |
| Cash on hand | 78,170 | - | - | 78,170 |
| Placements with NBM | 1,129,017 | - | - | 1,129,017 |
| Placements with banks | 111,581 | - | - | 111,581 |
| Financial assets at AC -Loans and advances to customers | | | | |
| Corporate lending | 1,049,295 | - | - | 1,049,295 |
| Microenterprise lending | 142 | - | - | 142 |
| Consumer lending uncollateralized | 11,919 | - | - | 11,919 |
| Consumer lending collateralized | 1,073 | - | - | 1,073 |
| Residential mortgages | 174,378 | - | - | 174,378 |
| | 1,236,807 | - | - | 1,236,807 |
| Financial assets at FVOCI | - | 253,223 | - | 253,223 |
| Financial assets at AC - State securities | 296,763 | - | - | 296,763 |
| Other assets | 17,683 | - | - | 17,683 |
| | 2,870,021 | 253,223 | - | 3,123,244 |
| | | | | |
| 31 December 2021 | Financial assets at AC | Financial assets At FVOCI | FinancialAs sets at FVTPL | Total |
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| Financial assets | | | | |
| Cash on hand | 99,000 | - | - | 99,000 |
| Placements with NBM | 510,280 | - | - | 510,280 |
| Placements with banks | 406,443 | - | - | 406,443 |
| Financial assets at AC -Loans and advances to customers | | | | |
| Corporate lending | 948,298 | - | - | 948,298 |
| Microenterprise lending | 142 | - | - | 142 |
| Consumer lending uncollateralized | 9,369 | - | - | 9,369 |
| Consumer lending collateralized | 1,052 | - | - | 1,052 |
| Residential mortgages | 162,437 | - | - | 162,437 |
| | 1,121,298 | - | - | 1,121,298 |
| Financial assets at FVOCI | - | 122,270 | - | 122,270 |
| Financial assets at AC - State securities | 448,770 | - | - | 448,770 |
| Other assets | 20,532 | - | - | 20,532 |
| | 2,606,323 | 122,270 | - | 2,728,593 |

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 commissi on income MDL'000 | Interest and commission expenses MDL'000 | Non-interest expenses /costs MDL'000 |
|--|-------------|---|-----------------------------------|---|-----------------------|---|---|---|
| Shareholders (BCR) and their related parties: | 2022 | 84,486 | (50) | 97,965 | 38,316 | 445 | 2,835 | 2,366 |
| Erste Group | | 80,490 | (46) | 11,072 | - | 440 | 781 | 2,366 |
| BCR | | 3,996 | (4) | 86,893 | 38,316 | 5 | 2,054 | - |
| Shareholders (BCR) and their related parties: | 2021 | 383,852 | (233) | 19,240 | 39 | 15 | 2,616 | 3,006 |
| Erste Group | | 373,807 | (214) | 15,501 | - | 14 | 2,021 | 3,006 |
| BCR | | 10,045 | (19) | 3,739 | 39 | 1 | 595 | - |
| Bank administrators members of credit committee (CC) and their related parties | 2022 | - | - | 13,675 | - | 137 | 233 | 4,593* |
| Bank administrators members of CC and their related parties | 2021 | - | - | 13,096 | - | 152 | 116 | 4,195* |
| Total | 2022 | 84,486 | (50) | 111,640 | 38,316 | 582 | 3,068 | 6,959 |
| Total | 2021 | 383,852 | (233) | 32,336 | 39 | 167 | 2,732 | 7,201 |

*Amounts include salary expenses.

In 2022 Banca Comercială Română S.A. has prolonged the subordinated loan with the Bank in the maximum limit of EUR'000 2,500 and USD'000 500 up to 30 September 2023, long term financing contract in the maximum limit of 10,000 th. EUR up to 30 May 2025 and short term financing contract in the maximum limit of 3,000 th. EUR up to 06 September 2023.

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

In 2022 The Bank SA paid BCR the amount of EUR 115,128 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 The Bank 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 9,519 (2021 – MDL'000 8,715), the social insurance contribution amounted to MDL'000 737 (2021 – MDL'000 550), the medical insurance contribution amounted to MDL'000 426 (2021 – MDL'000 392). The non-executive members of the Bank Council management received remuneration in amount of MDL'000 246 (2021 – MDL'000 198), the social insurance contribution amounted to MDL'000 76 (2021 – MDL'000 47), the medical insurance contribution amounted to MDL'000 28 (2021 – MDL'000 9).

31. Capital adequacy

The table below presents the computation of capital adequacy, in accordance with BASEL III regulations that for 2022 and 2021:

| 2022 | Nominal amount MDL'000 | Risk weighted amount MDL'000 |
|---|---------------------------|---------------------------------|
| Risk-weighted amounts for exposures of credit risk, counterparty credit risk and incomplete transactions | 3,133,327 | 1,037,356 |
| <i>Standardized approach (SA)</i> | 3,133,327 | 1,037,356 |
| Central banks or administrations | 1,677,984 | - |
| Public sector entities | 9,892 | 1,978 |
| Multilateral development banks | 107,935 | - |
| Banks | 130,389 | 53,732 |
| Investment companies | 707,459 | 705,129 |
| Retail | 36,008 | 24,674 |
| Exposures secured by mortgages on real estate | 335,701 | 205,931 |
| Other elements | 127,959 | 45,912 |
| Total amount of risk exposure for currency position and currency risk | - | 6,220 |
| Total amount of risk exposure for currency position and currency risk under standardized approach (SA) | - | 6,220 |
| Exchange rate | - | 6,220 |
| Total amount of risk exposure for operational risk (OpR) | - | 165,632 |
| <i>The basic approach to operational risk (BIA)</i> | - | 165,632 |
| Total amount of risk exposure | 3,133,327 | 1,209,207 |

| 2021 | Nominal amount MDL'000 | Risk weighted amount MDL'000 |
|---|---------------------------|---------------------------------|
| Risk-weighted amounts for exposures of credit risk, counterparty credit risk and incomplete transactions | 2,764,581 | 953,938 |
| <i>Standardized approach (SA)</i> | 2,764,581 | 953,938 |
| Central banks or administrations | 1,080,302 | - |
| Exposures to public sector entities | - | 1,204 |
| Banks | 411,119 | 108,946 |
| Investment companies | 720,308 | 560,211 |
| Retail | 51,363 | 25,006 |
| Exposures secured by mortgages on real estate | 367,234 | 223,315 |
| Other elements | 134,255 | 35,256 |
| Total amount of risk exposure for operational risk (OpR) | - | 165,632 |
| <i>The basic approach to operational risk (BIA)</i> | - | 165,632 |
| Total amount of risk exposure | 2,764,581 | 1,119,570 |

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

During the 2022 and 2021, 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.

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);
 - 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

The risk management activity is integrated with the Bank's governance framework and is part of the planning processes, both at operational and strategic level. The Bank has sound governance principles, which include a well-defined organizational structure, with transparent and consistent lines of responsibility, with efficient processes for identifying, managing, monitoring and reporting the risks to which it is or could be exposed, with adequate control mechanisms. internal.

The Internal Risk Capital Adequacy Assessment Process (ICAAP) within BCRC, imposed by Pillar II Basel, is an important component of the Bank's management process and decision-making culture and provides management with the opportunity to continuously assess the Bank's risk profile. and the degree of adequacy of the internal capital in relation to it.

Taking risks in a conscious and selective manner, as well as managing risks professionally is one of the main functions of BCRC, an adequate level of capitalization being essential for the Bank's financial situation and for its operations.

ICAAP is used to assess whether BCRC can bear the risks assumed, by comparing its risk portfolios (taking into account all types of risks), with the Bank's capital (capital hedging potential).

ICAAP is an integral part of the general risk management framework at BCRC level and is carried out in accordance with the Bank's strategic plans and the way in which they are correlated with macroeconomic factors.

In this regard, BCRC develops a strategy for maintaining adequate capital levels, which incorporates factors such as: credit growth forecast, information on future sources of financing and how to use resources, dividend policy, and any variation. pro-cyclical identified at the level of a business cycle.

BCRC has as fundamental objective the maintenance of an adequate level of capital, taking into account the risk profile, the economic environment, the quality of the internal control and risk management processes, the strategic plans, as well as the quality of the available internal capital.

The components necessary to ensure the entire ICAAP framework, the regulatory requirements, but in particular, to ensure the generation of added value, can be grouped as follows:

- Risk Strategy;
- Risk Appetite Statement (RAS);
- Risk analysis and crisis testing, including:
 - Risk Materiality Assessment (RMA);
 - Concentration Risk Analysis (RCA);
 - Crisis simulations;
 - Calculation of risk coverage capacity (RCC);
- Risk management, including:
 - Risk planning and budgeting activity;
 - Capital allocation;

- Performance management.
- o Recovery plan.

This framework is supplemented by a comprehensive risk architecture, which includes:

- o Policies and Processes;
- o Reporting framework;
- o Platforms and technical tools;
- o Risk data.

The capital management process comprises a number of distinct activities, starting from the establishment of capital objectives and the capital planning process, continuing with the allocation of capital and performance management to monitoring and reporting. This capital management process applies to accounting capital, capital under Pillar I and Pillar II, and capital adequacy assessment is performed for both current and planned levels of capital.

Risk limitation

The Bank actively uses collateral to reduce its credit risks.

Excessive risk concentration

Concentration risk refers to potential adverse consequences that may arise from concentrations or interactions between types of risk or similar or different risk factors between types of risk, such as the risk arising from loans to the same client, a group of related clients, to clients in the same geographical region or industry or to clients offering the same range of goods and services, the risk to a single issuer of guarantees, as well as the credit risk arising from the use of risk mitigation techniques and in particular from large indirect exposures.

Risk concentration is the exposure (s) that may occur in the case of a Bank at the level of different individual risk categories or across several risk categories, with the potential to produce: (i) losses large enough to threaten the stability of the Bank and / or its capacity to carry out its core activities or (ii) a material change in its risk profile.

To avoid excessive risk concentration, the Bank's policies and procedures include specific guidelines that focus on maintaining a diversified portfolio. The identified risk concentrations are properly controlled and managed.

The BCRC concentration risk management framework includes the necessary standards for identifying, measuring, monitoring and mitigating concentration risks, the implementation of which is essential to ensure the long-term viability of the Bank, especially in stressful economic conditions. The concentration risk is addressed through the Bank's complex system of limits, as well as through specific concentration analyzes.

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.

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

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.

| 31/12/2022 | | | | | | |
|--|-----------|---|--|--------------------------------------|--------------------------------------|------------------|
| | Note s | Neither past due nor impaired MDL'000 | Past due but not impaired MDL'000 | Individuall y impaired MDL'000 | Collectivel y impaired MDL'000 | Total MDL'000 |
| Balances with National Bank | 4 | 1,129,017 | - | - | - | 1,129,017 |
| Due from banks | 5 | 111,581 | - | - | - | 111,581 |
| Loans and advances to customers | 6 | 1,175,207 | 619 | 4,345 | 104 | 1,180,275 |
| State securities – loans and receivables | 7 | 296,763 | - | - | - | 296,763 |
| Financial assets available-for-sale | 7 | 253,223 | - | - | - | 253,223 |
| Other financial assets | 10 | 17,683 | - | - | - | 17,683 |
| Total | | 2,983,474 | 619 | 4,345 | 104 | 2,988,542 |

| 31/12/2021 | | | | | | |
|--|-----------|---|--|--------------------------------------|--------------------------------------|------------------|
| | Note s | Neither past due nor impaired MDL'000 | Past due but not impaired MDL'000 | Individuall y impaired MDL'000 | Collectivel y impaired MDL'000 | Total MDL'000 |
| Balances with National Bank | 4 | 510,280 | - | - | - | 510,280 |
| Due from banks | 5 | 406,443 | - | - | - | 406,443 |
| Loans and advances to customers | 6 | 1,070,804 | 1,790 | 4,655 | 21 | 1,077,270 |
| State securities – loans and receivables | 7 | 448,770 | - | - | - | 448,770 |
| Financial assets available-for-sale | 7 | 122,271 | - | - | - | 122,271 |
| Other financial assets | 10 | 20,532 | - | - | - | 20,532 |
| Total | | 2,579,100 | 1,790 | 4,655 | 21 | 2,585,566 |

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

Credit risk (continued)

| | | | | 31/12/2022 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 | 2,577,679 | 1,137,000 | 117,246 | 747,595 | 12,267 | 311,367 | 264,037 |
| 0 days | 2,577,670 | 1,137,000 | 117,246 | 747,586 | 12,267 | 311,367 | 264,037 |
| 1-30 days | 9 | - | - | 9 | - | - | - |
| Gross Value of loans and advances, not impaired, Stage 2 | 456,962 | - | - | 456,575 | 382 | 5 | - |
| 0 days | 455,876 | - | - | 455,871 | - | 5 | - |
| 1-30 days | 1,083 | - | - | 701 | 382 | - | - |
| 61-90 days | 3 | - | - | 3 | - | - | - |
| Gross Value of loans and advances, impaired, Stage 3 | 32,637 | - | - | 32,637 | - | - | - |
| 0 days | 689 | - | - | 689 | - | - | - |
| 1-30 days | 313 | - | - | 313 | - | - | - |
| 91-180 days | 671 | - | - | 671 | - | - | - |
| 180-360 days | 572 | - | - | 572 | - | - | - |
| >360 days | 30,392 | - | - | 30,392 | - | - | - |
| Total Gross Value | 3,067,278 | 1,137,000 | 117,246 | 1,236,807 | 12,649 | 311,372 | 264,037 |
| Provision for impairment (IFRS 9) | (96,655) | (7,983) | (5,665) | (56,532) | (32) | (14,609) | (11,833) |
| Total Net Value | 2,970,623 | 1,129,017 | 111,581 | 1,180,275 | 12,617 | 296,763 | 252,204 |

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

| | 31/12/2021 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 | 2,457,993 | 510,280 | 411,601 | 933,346 | 10,598 | 470,916 | 121,252 |
| 0 days | 2,457,991 | 510,280 | 411,601 | 933,344 | 10,598 | 470,916 | 121,252 |
| 1-30 days | 2 | - | - | 2 | - | - | - |
| Gross Value of loans and advances, not impaired, Stage 2 | 156,645 | - | - | 154,346 | 2,294 | 5 | - |
| 0 days | 154,658 | - | - | 152,359 | 2,294 | 5 | - |
| 1-30 days | 1,980 | - | - | 1,980 | - | - | - |
| 61-90 days | 7 | - | - | 7 | - | - | - |
| Gross Value of loans and advances, impaired, Stage 3 | 33,607 | - | - | 33,607 | - | - | - |
| 0 days | 486 | - | - | 486 | - | - | - |
| 1-30 days | 330 | - | - | 330 | - | - | - |
| 31-60 days | 44 | - | - | 44 | - | - | - |
| 61-90 days | 2 | - | - | 2 | - | - | - |
| 91-180 days | 748 | - | - | 748 | - | - | - |
| 180-360 days | 549 | - | - | 549 | - | - | - |
| >360 days | 31,448 | - | - | 31,448 | - | - | - |
| Total Gross Value | 2,648,245 | 510,280 | 411,601 | 1,121,299 | 12,892 | 470,921 | 121,252 |
| Provision for impairment (IFRS 9) | (77,066) | - | (5,158) | (44,028) | (26) | (22,151) | (5,703) |
| Total Net Value | 2,576,882 | 510,280 | 406,443 | 1,077,271 | 12,866 | 448,770 | 121,252 |

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 | 31/12/2022 | 31/12/2021 |
|--|-------------|-------------------|-------------------|
| | | MDL'000 | MDL'000 |
| Balances with National Bank of Moldova | 4 | 1,137,001 | 510,280 |
| Due from banks | 5 | 117,246 | 411,601 |
| Financial assets at AC –loans and advances | 6 | 1,236,807 | 1,121,298 |
| Financial assets at AC – state securities | 7 | 296,763 | 448,770 |
| Financial assets at FVOCI | 7 | 252,204 | 121,252 |
| Other assets | 10 | 12,649 | 12,892 |
| Total | | 3,052,670 | 2,626,093 |
| Warranties | 28 | 54,871 | 58,272 |
| Future credit commitments | 28 | 39,922 | 14,333 |
| Total | | 94,793 | 72,605 |
| Maximum exposure to credit risk | | 3,147,463 | 2,698,698 |

For the scope of this note, in the row Other assets are presented only factoring loans.
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:

| | 2022 | 2021 |
|------------------------|----------------|----------------|
| | MDL'000 | MDL'000 |
| ERSTE GROUP BANK AG | 80,444 | 373,593 |
| B.C. VICTORIABANK S.A. | 27,145 | 22,824 |
| BCR ROMANIA | 3,992 | 10,026 |
| Total | 111,581 | 406,443 |

Major debtors

Concentration of net exposure as at 31 December 2022 for first biggest debtor clients (without applying the credit risk mitigation techniques), presented in groups or individually:

| 2021 | MDL'000 | in % own funds – 456,578 MDL'000 |
|---|----------------|---|
| S.C. TDS & CO S.R.L. | 69,111 | 15.14% |
| PARADIS S.R.L. | 66,400 | 14.54% |
| I.C.S. LE BRIDGE CORPORATION LIMITED S.R.L. | 61,269 | 13.42% |
| DAAC-AUTOSPORT S.R.L. | 59,992 | 13.14% |
| S.C."SORINLUX" S.R.L. | 51,406 | 11.26% |
| Total | 308,178 | 67.50% |

Concentration of net exposure as at 31 December 2021 for first biggest debtor clients, presented in groups or individually:

| 2021 | MDL'000 | in % own funds – 432,563 MDL'000 |
|---|----------------|---|
| S.C."SORINLUX" S.R.L. | 61,885 | 14.31% |
| PARADIS S.R.L. | 60,293 | 13.94% |
| MOLDTELECOM SA | 60,154 | 13.91% |
| S.C. TDS & CO S.R.L. | 54,456 | 12.59% |
| I.C.S. LE BRIDGE CORPORATION LIMITED S.R.L. | 40,712 | 9.41% |
| Total | 277,499 | 64.15% |

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.

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

Industry analysis

| 31 decembrie 2022 | 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 | 1,129,017 | - | - | - | - | - | - | - | 1,129,017 |
| Due from banks | 117,246 | - | - | - | - | - | - | - | 117,246 |
| Financial assets at AC – loans and advances | | | | | | | | | |
| Corporate lending | - | - | 133,104 | 820,954 | 30,786 | 33,739 | 30,712 | - | 1,049,295 |
| Microenterprise lending | - | - | - | - | 142 | - | - | - | 142 |
| Consumer lending uncollateralized | - | - | - | - | - | - | - | 11,919 | 11,919 |
| Consumer lending collateralized | - | - | - | - | - | - | - | 1,073 | 1,073 |
| Residential mortgages | - | - | - | - | - | - | - | 174,378 | 174,378 |
| Total loans | - | - | 133,104 | 820,954 | 30,928 | 33,739 | 30,712 | 187,370 | 1,236,807 |
| Financial assets at FVOCI | 132,531 | 119,673 | - | - | - | - | - | - | 252,204 |
| Financial assets at AC – State securities | - | 311,372 | - | - | - | - | - | - | 311,372 |
| Other assets | - | - | 9,444 | 3,205 | - | - | - | - | 12,649 |
| Total | 1,378,796 | 431,045 | 142,548 | 824,159 | 30,928 | 33,739 | 30,712 | 187,370 | 3,059,295 |
| Provision for impairment (IFRS 9) | (25,482) | (20,223) | (4,778) | (20,675) | (27,406) | (462) | (917) | (2,326) | (102,269) |
| Net accounting value | 1,353,314 | 410,822 | 137,770 | 803,484 | 3,522 | 33,277 | 29,795 | 185,044 | 2,957,026 |

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

| 31 decembrie 2021 | 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 | 510,280 | - | - | - | - | - | - | - | 510,280 |
| Due from banks | 411,601 | - | - | - | - | - | - | - | 411,601 |
| Financial assets at AC – loans and advances | | | | | | | | | |
| Corporate lending | - | - | 143,610 | 649,682 | 120,614 | - | 34,392 | - | 948,298 |
| Microenterprise lending | - | - | - | - | 142 | - | - | - | 142 |
| Consumer lending uncollateralized | - | - | - | - | - | - | - | 9,369 | 9,369 |
| Consumer lending collateralized | - | - | - | - | - | - | - | 1,052 | 1052 |
| Residential mortgages | - | - | - | - | - | - | - | 162,437 | 162,437 |
| Total loans | - | - | 143,610 | 649,682 | 120,756 | - | 34,392 | 172,858 | 1,121,298 |
| Financial assets at FVOCI | 118,958 | 2,294 | - | - | - | - | - | - | 121,252 |
| Financial assets at AC – State securities | - | 470,921 | - | - | - | - | - | - | 470,921 |
| Other assets | - | - | 7,796 | 5,096 | - | - | - | - | 12,892 |
| Total | 1,040,839 | 473,215 | 151,406 | 654,778 | 120,756 | - | 34,392 | 172,858 | 2,648,244 |
| Provision for impairment (IFRS 9) | (10,861) | (22,151) | (3,360) | (9,154) | (28,612) | - | (1,056) | (1,872) | (77,066) |
| Net accounting value | 1,029,978 | 451,064 | 148,046 | 645,624 | 92,144 | - | 33,336 | 170,986 | 2,571,178 |

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 forbore transactions even in cases where the client has not defaulted.

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

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

| 31/12/2022 | Low risk | Management attention | Substandard | Non-performing | Total |
|---|------------------|-----------------------------|--------------------|-----------------------|------------------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| Balances with National Bank | - | 1,137,001 | - | - | 1,137,001 |
| Due from banks | 84,486 | 32,760 | - | - | 117,246 |
| Financial assets at AC –loans and advances | | | | | |
| Corporate lending | 816,425 | 202,736 | - | 30,134 | 1,049,295 |
| Microenterprise lending | - | - | - | 142 | 142 |
| Consumer lending uncollateralized | 11,672 | 135 | - | 112 | 11,919 |
| Consumer lending collateralized | 1,073 | - | - | - | 1,073 |
| Residential mortgages | 171,495 | 633 | - | 2,250 | 174,378 |
| Total loans | 1,000,665 | 203,504 | - | 32,638 | 1,236,807 |
| Financial assets at FVOCI | - | 252,204 | - | - | 252,204 |
| Financial assets at AC – State securities | - | 311,372 | - | - | 311,372 |
| Other assets | 2,138 | 10,511 | - | - | 12,649 |
| Total | 1,087,289 | 1,947,352 | - | 32,638 | 3,067,280 |
| Provision for impairment SIRF 9 | (21,423) | (48,514) | - | (28,188) | (98,125) |
| Net value | 1,065,866 | 1,898,838 | - | 4,450 | 2,969,155 |

| 31/12/2021 | Low risk | Management attention | Substandard | Non-performing | Total |
|---|------------------|-----------------------------|--------------------|-----------------------|------------------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| Balances with National Bank | - | 510,280 | - | - | 510,280 |
| Due from banks | 383,852 | 27,749 | - | - | 411,601 |
| Financial assets at AC –loans and advances | | | | | |
| Corporate lending | 719,518 | 198,795 | - | 29,985 | 948,298 |
| Microenterprise lending | - | - | - | 142 | 142 |
| Consumer lending uncollateralized | 9,086 | 125 | 7 | 151 | 9,369 |
| Consumer lending collateralized | 1,041 | - | - | 11 | 1,052 |
| Residential mortgages | 157,260 | 1,858 | - | 3,319 | 162,437 |
| Total loans | 886,905 | 200,778 | 7 | 33,608 | 1,121,298 |
| Financial assets at FVOCI | - | 121,252 | - | - | 121,252 |
| Financial assets at AC – State securities | - | 470,921 | - | - | 470,921 |
| Other assets | 9,156 | 3,736 | - | - | 12,892 |
| Total | 1,279,913 | 1,334,716 | 7 | 33,608 | 2,648,244 |
| Provision for impairment SIRF 9 | (7,913) | (40,220) | (2) | (28,931) | (77,066) |
| Net value | 1,272,000 | 1,294,496 | 5 | 4,677 | 2,571,178 |

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.

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

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.

| 31/12/2022 | 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 | 1,137,001 | - | - | - | - | - | 1,137,001 |
| Due from banks | 80,490 | 32,760 | 3,996 | - | - | - | 117,246 |
| Financial assets at AC – loans and advances | | | | | | | |
| Corporate lending | - | 606,598 | 412,563 | - | - | 30,134 | 1,049,295 |
| Microenterprise lending | - | - | - | - | - | 142 | 142 |
| Consumer lending uncollateralized | - | 4,482 | 7,322 | 3 | - | 112 | 11,919 |
| Consumer lending collateralized | - | 1,073 | - | - | - | - | 1,073 |
| Residential mortgages | - | 172,200 | - | 875 | 689 | 614 | 174,378 |
| Total loans | - | 784,353 | 419,885 | 878 | 689 | 31,002 | 1,236,807 |
| Financial assets at FVOCI | 252,204 | - | - | - | - | - | 252,204 |
| Financial assets at AC – State securities | 311,372 | - | - | - | - | - | 311,372 |
| Other assets | - | 10,511 | 2,138 | - | - | - | 12,649 |
| Total | 1,781,067 | 827,624 | 426,019 | 878 | 689 | 31,002 | 3,067,279 |

| 31/12/2021 | 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 | 510,280 | - | - | - | - | - | 510,280 |
| Due from banks | 373,807 | 27,749 | 10,045 | - | - | - | 411,601 |
| Financial assets at AC – loans and advances | | | | | | | |
| Corporate lending | - | 678,555 | 239,758 | - | - | 29,985 | 948,298 |
| Microenterprise lending | - | - | - | - | - | 142 | 142 |
| Consumer lending uncollateralized | - | 8,666 | 546 | 1 | 27 | 129 | 9,369 |
| Consumer lending collateralized | - | 1,041 | - | - | - | 11 | 1,052 |
| Residential mortgages | - | 146,568 | 12,060 | 1,574 | 2,028 | 207 | 162,437 |
| Total loans | - | 834,830 | 252,364 | 1,575 | 2,055 | 30,474 | 1,121,298 |
| Financial assets at FVOCI | 121,252 | - | - | - | - | - | 121,252 |
| Financial assets at AC – State securities | 470,921 | - | - | - | - | - | 470,921 |
| Other assets | - | 4,991 | 7,901 | - | - | - | 12,892 |
| Total | 1,476,260 | 867,570 | 270,310 | 1,575 | 2,055 | 30,474 | 2,648,244 |

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

The rating assigned by one of the international rating agencies.

| Country | Bank name | Rating Moody's | Rating S&P's | Rating Fitch | Local classification |
|-------------------|------------------------|----------------|--------------|--------------|----------------------|
| 31/12/2022 | | | | | |
| Austria | ERSTE GROUP BANK AG | A1 | A+ | A | Not classified |
| Moldova | B.C. VICTORIABANK S.A. | N/A | N/A | N/A | Standard |
| Romania | BCR ROMANIA | Baa1 | N/A | BBB+ | Supervised |
| 31/12/2021 | | | | | |
| Austria | ERSTE GROUP BANK AG | A2 | A | A | Not classified |
| Moldova | B.C. VICTORIABANK S.A. | N/A | N/A | N/A | Standard |
| Romania | BCR ROMANIA | Baa1 | N/A | BBB+ | Supervised |

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-22 | Over-collateralised loans | | Under-collateralised loans | |
|-----------------------------------|----------------------------------|-------------------------|-----------------------------------|-------------------------|
| | Gross exposure | Collateral value | Gross exposure | Collateral value |
| Corporate lending | 299,837 | 478,494 | 749,458 | 435,937 |
| Microenterprise lending | - | - | 142 | - |
| Consumer lending uncollateralized | - | - | 11,919 | - |
| Consumer lending collateralized | 1,073 | 1,682 | - | - |
| Residential mortgages | 103,664 | 150,583 | 70,714 | 64,405 |
| Total | 404,574 | 630,759 | 832,233 | 500,342 |

| 31-Dec-21 | Over-collateralised loans | | Under-collateralised loans | |
|-----------------------------------|----------------------------------|-------------------------|-----------------------------------|-------------------------|
| | Gross exposure | Collateral value | Gross exposure | Collateral value |
| Corporate lending | 305,732 | 410,220 | 642,566 | 353,035 |
| Microenterprise lending | - | - | 142 | - |
| Consumer lending uncollateralized | - | - | 9,360 | - |
| Consumer lending collateralized | 948 | 1,658 | - | - |
| Residential mortgages | 107,295 | 159,230 | 55,257 | 50,632 |
| Total | 413,975 | 571,108 | 707,325 | 403,667 |

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

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

In 2022 and 2021 there were no renegotiation of financial assets.

| 2022 | 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 | 352,248 | 115,491 | - | - | - | - |
| Microenterprise lending | - | - | - | - | - | - |
| Consumer lending uncollateralized | - | - | - | - | - | - |
| Consumer lending collateralized | - | - | - | - | - | - |
| Residential mortgages | 479 | 1,112 | - | - | - | 758 |
| Total gross | 352,727 | 116,603 | - | - | - | 758 |
| Value adjustment | (14,700) | (559) | - | - | - | (4) |
| Total net | 338,027 | 116,044 | - | - | - | 754 |

| 2021 | 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 | 63,150 | 60,020 | - | - | - | - |
| Microenterprise lending | - | - | - | - | - | - |
| Consumer lending uncollateralized | 7 | 7 | - | - | 59 | - |
| Consumer lending collateralized | - | - | - | - | - | - |
| Residential mortgages | 672 | 1,446 | - | - | 757 | 339 |
| Total gross | 63,829 | 61,473 | - | - | 816 | 339 |
| Value adjustment | (2,744) | (369) | - | - | (44) | - |
| Total net | 61,085 | 61,104 | - | - | 772 | 399 |

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.

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

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 37% of its liabilities in local currency and 45% 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 | | 2022 | 2021 |
|-------------------------|----------|-------------|-------------|
| | Year-end | 57.77% | 57.68% |
| | Maximum | 62.02% | 65.35% |
| | Minimum | 57.77% | 57.68% |
| | Average | 60.14% | 61.85% |

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

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 2022 and 31 December 2021 is as follows:

| As at 31 December 2022 | 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 | 78,170 | 78,170 | - | - | - | - | - |
| Balances with National Bank | 1,129,017 | 1,129,017 | - | - | - | - | - |
| Due from banks | 111,581 | 111,581 | - | - | - | - | - |
| Financial assets at AC – Loans and advances to customers | 1,433,687 | 26,935 | 71,823 | 638,110 | 442,009 | 254,810 | - |
| Financial assets at AC – State securities | 328,263 | 23,912 | 72,028 | 232,323 | - | - | - |
| Financial assets at FVOCI | 261,372 | 131,255 | 46,431 | 82,668 | - | - | 1,018 |
| Other assets | 17,683 | 11,980 | 2,303 | 257 | 3,143 | - | - |
| Total financial assets | 3,359,773 | 1,512,850 | 192,585 | 953,358 | 445,152 | 254,810 | 1,018 |
| Financial liabilities | | | | | | | |
| Due to banks | 117,866 | 117,866 | - | - | - | - | - |
| Other borrowings | 198,424 | 102,750 | 2,676 | 25,563 | 65,680 | 1,755 | - |
| Due to customers | 2,150,549 | 1,270,743 | 58,425 | 519,005 | 302,376 | - | - |
| Other liabilities | 14,395 | 8,239 | - | 2,135 | 4,021 | - | - |
| Total financial liabilities | 2,282,810 | 1,499,598 | 61,101 | 546,703 | 372,077 | 1,755 | - |
| Guarantees issued | 54,871 | 54,871 | - | - | - | - | - |
| Commitments to lend funds | 39,922 | 39,922 | - | - | - | - | - |
| Total | 94,793 | 94,793 | - | - | - | - | - |
| Liquidity gap | 982,170 | (81,541) | 131,484 | 406,655 | 73,075 | 253,055 | 1,018 |
| Liquidity gap, cumulative | | 900,629 | 1,032,113 | 1,438,768 | 1,511,843 | 1,764,898 | 1,765,916 |

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

| As at 31 December 2021 | 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 | 99,000 | 99,000 | - | - | - | - | - |
| Balances with National Bank | 510,280 | 510,280 | - | - | - | - | - |
| Due from banks | 406,443 | 406,443 | - | - | - | - | - |
| Financial assets at AC – Loans and advances to customers | 1,348,933 | 55,614 | 59,952 | 403,109 | 591,858 | 238,400 | - |
| Financial assets at AC – State securities | 456,627 | 63,636 | 163,421 | 229,565 | 5 | - | - |
| Financial assets at FVOCI | 122,429 | 119,630 | 902 | 879 | 0 | - | 1,018 |
| Other assets | 20,532 | 7,640 | - | 5,097 | 7,795 | - | - |
| Total financial assets | 2,964,244 | 1,262,243 | 224,275 | 638,650 | 599,658 | 238,400 | 1,018 |
| Financial liabilities | | | | | | | |
| Due to banks | 53,989 | 53,989 | - | - | - | - | - |
| Other borrowings | 50,477 | 1,989 | 54 | 5,632 | 13,732 | 29,070 | - |
| Due to customers | 2,093,298 | 1,234,717 | 88,707 | 375,100 | 394,774 | - | - |
| Other liabilities | 17,582 | 6,875 | - | 456 | 10,251 | - | - |
| Total financial liabilities | 2,215,346 | 1,297,570 | 88,761 | 381,188 | 418,757 | 29,070 | - |
| Guarantees issued | 58,272 | 58,272 | - | - | - | - | - |
| Commitments to lend funds | 14,333 | 14,333 | - | - | - | - | - |
| Total | 72,605 | 72,605 | - | - | - | - | - |
| Liquidity gap | 676,293 | (107,932) | 135,514 | 257,462 | 180,901 | 209,330 | 1,018 |
| Liquidity gap, cumulative | | (107,932) | 27,582 | 285,044 | 465,945 | 675,275 | 676,293 |

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 where 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

| | 2022 | 2021 |
|-------------|----------------|----------------|
| | MDL'000 | MDL'000 |
| +100 points | 84 | 4,382 |
| +50 points | 42 | 2,191 |
| -100 points | (84) | (4,382) |
| -50 points | (42) | (2,191) |

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.

Banca Comercială Română Chișinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

| As at 31 December 2022 | 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 | 78,170 | - | - | - | - | - | 78,170 |
| Balances with National Bank | 1,129,017 | 941,614 | - | - | - | - | 187,403 |
| Due from banks | 111,581 | 111,385 | - | - | - | - | 196 |
| Financial assets at AC – Loans and advances to customers | 1,180,275 | 1,151,479 | - | 2,012 | - | - | 26,784 |
| Financial assets at AC – State securities | 296,763 | 18,608 | 45,831 | 232,324 | - | - | - |
| Financial assets at FVOCI | 253,223 | 123,782 | 37,683 | 77,725 | - | - | 14,033 |
| Other assets | 17,683 | - | - | - | - | - | 17,683 |
| Total assets | 3,066,712 | 2,346,868 | 83,514 | 312,061 | - | - | 324,269 |
| Financial liabilities | | | | | | | |
| Due to banks | 117,866 | 117,537 | - | - | - | - | 329 |
| Other borrowings | 178,117 | 157,493 | 20,436 | - | - | - | 188 |
| Due to customers | 2,112,693 | 1,489,204 | - | 115,722 | - | - | 507,767 |
| Other liabilities | 14,395 | - | - | - | - | - | 14,395 |
| Total financial liabilities | 2,423,071 | 1,764,234 | 20,436 | 115,722 | - | - | 522,679 |
| Maturity gap | 643,641 | 582,634 | 63,078 | 196,339 | - | - | (198,410) |
| Cumulative maturity gap | | 582,634 | 645,712 | 842,051 | 842,051 | 842,051 | 643,641 |

Banca Comercială Română Chişinău SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

| As at 31 December 2021 | 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 | 99,000 | - | - | - | - | - | 99,000 |
| Balances with National Bank | 510,280 | - | - | - | - | - | 510,280 |
| Due from banks | 406,443 | - | - | - | - | - | 406,443 |
| Financial assets at AC – Loans and advances to customers | 1,090,137 | 1,026,861 | - | 3,746 | - | - | 59,530 |
| Financial assets at AC – State securities | 448,770 | - | 127,410 | 321,355 | 5 | - | - |
| Financial assets at FVOCI | 122,270 | - | 119,791 | 1,461 | - | - | 1,018 |
| Other assets | 20,532 | - | - | 5,097 | 7,796 | - | 7,639 |
| Total assets | 2,697,432 | 1,026,861 | 247,201 | 331,659 | 7,801 | - | 1,083,910 |
| Financial liabilities | | | | | | | |
| Due to banks | 53,989 | - | - | - | - | - | 53,989 |
| Other borrowings | 50,549 | 3,824 | - | 5,386 | 12,420 | 28,919 | - |
| Due to customers | 2,067,937 | 36,831 | 121,867 | 373,628 | 316,786 | - | 1,218,825 |
| Other liabilities | 17,582 | - | - | - | - | - | 17,582 |
| Total financial liabilities | 2,190,057 | 40,655 | 121,867 | 379,014 | 329,206 | 28,919 | 1,290,396 |
| Maturity gap | 507,375 | 986,206 | 125,334 | (47,355) | (321,405) | (28,919) | (206,486) |
| Cumulative maturity gap | | 986,206 | 1,111,540 | 1,064,185 | 742,780 | 713,861 | 507,375 |

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 % | Effect on Profit before tax | Change in currency rate in % | Effect on profit before tax |
|----------|---------------------------------|--------------------------------|---------------------------------|-----------------------------------|
| | 2022 | 2022 | 2021 | 2021 |
| | | MDL'000 | | MDL'000 |
| USD | +10 | 112 | +10 | (1,578) |
| EUR | +10 | (469) | +10 | 1,808 |

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

| | 31/12/2022 | | | | |
|--|------------------|------------------|----------------|------------------|---------------|
| | Total | MDL | USD | EUR | Others |
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| ASSETS | | | | | |
| Cash on hand | 78,170 | 30,650 | 13,086 | 32,019 | 2,415 |
| Balances with National Bank | 1,129,017 | 633,924 | 172,349 | 322,744 | - |
| Due from banks | 111,581 | - | 88,571 | 11,924 | 11,086 |
| Financial assets at AC – Loans and advances to customers | 1,180,275 | 354,676 | 152,649 | 672,889 | 61 |
| Financial assets at AC – State securities | 296,763 | 296,763 | - | - | - |
| Financial assets at FVOCI | 253,223 | 253,223 | - | - | - |
| Other assets | 17,683 | 5,066 | 9,551 | 3,066 | - |
| Total assets | 3,066,712 | 1,574,302 | 436,206 | 1,042,642 | 13,562 |
| LIABILITIES | | | | | |
| Due to banks | 117,866 | 11,433 | 104,255 | 247 | 1,931 |
| Other borrowings | 178,117 | - | 38,630 | 139,487 | - |
| Due to customers | 2,112,693 | 912,957 | 290,683 | 898,621 | 10,432 |
| Other liabilities | 14,395 | 5,964 | 1,402 | 7,029 | - |
| Total liabilities | 2,423,071 | 930,354 | 434,970 | 1,045,384 | 12,363 |
| GAP | 643,641 | 643,948 | 1,236 | (2,742) | 1,199 |

| | 31/12/2021 | | | | |
|--|------------------|------------------|----------------|------------------|---------------|
| | Total | MDL | USD | EUR | Others |
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| ASSETS | | | | | |
| Cash on hand | 99,000 | 30,010 | 10,894 | 56,396 | 1,700 |
| Balances with National Bank | 510,280 | 226,374 | 68,971 | 214,935 | - |
| Due from banks | 406,443 | - | 108,360 | 275,718 | 22,365 |
| Financial assets at AC – Loans and advances to customers | 1,077,270 | 438,740 | 110,211 | 528,319 | - |
| Financial assets at AC – State securities | 448,770 | 448,770 | - | - | - |
| Financial assets at FVOCI | 122,270 | 122,270 | - | - | - |
| Other assets | 24,880 | 11,519 | 5,477 | 7,884 | - |
| Total assets | 2,688,913 | 1,277,683 | 303,913 | 1,083,252 | 24,065 |
| LIABILITIES | | | | | |
| Due to banks | 53,989 | 19,259 | 23,908 | 4,025 | 6,797 |
| Other borrowings | 50,449 | - | - | 50,449 | - |
| Due to customers | 2,067,937 | 748,138 | 283,591 | 1,020,718 | 15,490 |
| Other liabilities | 17,582 | 4,927 | 973 | 11,682 | - |
| Total liabilities | 2,189,957 | 772,324 | 308,472 | 1,086,874 | 22,287 |
| GAP | 498,956 | 505,359 | (4,559) | (3,622) | 1,778 |

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, 2022, the Banc was not involved in his current activity as a defendant.

34. Events after the reporting date

In 2023 BCR Chisinau will change its shareholder. Banca Comercială Română and Victoriabank, one of the largest banks in the Republic of Moldova, have agreed on the full sale of BCR Chisinau shares owned by Banca Comercială Română. Completion of the transaction is expected in the second half of this year and is subject to several conditions.

There are no other events after reporting date.



April, 2023

Annual report for the year 2022

Banca Comercială Română Chișinău S.A.

21.04.2023

S U M M A R Y

| | PAG. |
|---|------|
| EXECUTIVE SUMMARY | 3 |
| I. GENERAL INFORMATION ABOUT BANK'S ACTIVITY | 4 |
| II. MACROECONOMIC ENVIRONMENT AND BANK'S POSITION ON THE BANK SERVICES MARKET | 4 |
| III. FINANCIAL SITUATION OF BCR CHIȘINĂU S.A. IN 2022 | 11 |
| <i>ASSETS</i> | 11 |
| <i>LIABILITIES</i> | 13 |
| <i>ANALYSIS OF INCOME AND EXPENSES</i> | 15 |
| IV. CLIENTS | 17 |
| V. CREDITING ACTIVITY | 18 |
| VI. OPERATING ENVIRONMENT AND ISSUES RELATED TO COVID-19 | 21 |
| VII. FINANCING | 21 |
| VIII. ACTIVITY ON THE FOREX MARKET | 22 |
| IX. ACTIVITY ON THE INVESTMENT MARKET OF MOLDOVA | 22 |
| X. OPERATIONS WITH CARDS | 23 |
| XI. E - CHANNELS | 23 |
| XII. INFORMATIONAL TECHNOLOGIES | 24 |
| XIII. CORPORATE GOVERNANCE | 25 |
| XIV. RISK MANAGEMENT | 30 |
| XV. ACTIVITY OF HUMAN RESOURCES AND ORGANISATIONAL STRUCTURE | 33 |
| XVI. EVENTS AFTER THE REPORTING DATE | 33 |
| XVII. ANNEXES | 33 |

EXECUTIVE SUMMARY

In 2022, BCR Chisinau recorded an increase in its loan portfolio of 9.4%, compared to 2021. The major share of the bank's loan portfolio is still held by the SME segment with 54.1%, and its increase in 2022 constituted 8.3%. The Retail segment registered a positive trend as well, growing by 7.2% compared to the end of 2021. The majority of this increase comes from guaranteed loans granted to natural persons approx. 5.9%. Clients' trust in the bank was the main factor that led to the growth of the loan portfolio in the current conditions.

During 2022, BCR Chisinau continued to increase the quality of remote services provided to its clients by improving the interface and user experience of the Mobile Banking application, including the implementation of cards reissuing requests from the application. There was increased the degree of security for online card transactions, by including the possibility of authorizing payments within the CVVkey application. In order to maximally cover the needs of customers related to the existence of a wider network of ATMs, BCR Chisinau cardholders were offered 5 free withdrawals from any ATM in the Republic of Moldova. Additionally, to increase the degree of maintaining and attracting client deposits, fixed rate deposits were launched, including through the 24 Banking application.

The share of Non-performing loans decreased in 2022 to 2.8% from 3.0% in 2021 (the NPLs are concentrated in a limited number of loans of a single client and mostly provisioned). As a core part of its risk management strategy, BCR Chisinau maintained a prudential approach by increasing its provisions, calculated in accordance with International Financial Reporting Standards (IFRS) and in accordance with the requirements applied in BCR/ Erste Group. In this context, the coverage on non-performing loans has increased from 131.1% in 2021 to 161.7% in 2022.

BCR Chisinau registered a Net Profit in 2022 of MDL 130.7 mn driven by the increase in its operating result (in 2021: MDL 24.5 mn).

The strategic pillars for 2022 remained unchanged, these being based on diversification, increasing revenues from operational activity, increasing the level of automation, continuous alignment with the requirements of the local regulator and group policies.

I. GENERAL INFORMATION ABOUT BANK'S ACTIVITY

BCR Chişinău S.A. was founded in October 1998. The Bank is offering a large spectrum of services to all categories of clients through a head Office, two branches and an agency in Chişinău: one branch in Balti and one in Cahul. The Agency works mainly with individuals that are clients of Consular Division of Romanian Embassy in Chişinău that can make payments and change currencies.

The main focus at foundation of the Bank was to offer qualitative services to the clients involved in different industries in the Republic of Moldova. Thus, BCR Chişinău S.A. became an universal financial institution. At the moment the Bank is a dynamic and professional participant on the financial market of the Republic of Moldova.

Policy of the Bank is oriented towards increasing the value of investments made by its shareholders through a profitable activity and development of the bank to ensure stability to its assets against impairment and increase the market value of the Bank. BCR Chişinău S.A. is activating according to its Charter and License issued to the National bank of Moldova.

The unique shareholder of the Bank is Banca Comercială Română S.A., holding 72,813 shares with a nominal value of 10,000 lei.

As at 31.12.2022 the share capital of the Bank was 728.13 million lei.

External auditor for 2022 was international audit company “Pricewaterhousecoopers” SRL that expresses its opinion on the correctness of the BCR Chişinău S.A. financial statements.

Information presented in report for 2022 and 2021 was prepared in accordance with the International Financial Reporting Standards (IFRS).

II. MACROECONOMIC ENVIRONMENT AND BANK'S POSITION ON THE BANK SERVICES MARKET

In 2022, according to preliminary data, the Gross Domestic Product (GDP) constituted 272.6 billion lei, current market prices, being in decline, in real terms, by 5.9% compared to 2021.

Total gross value added on the economy, with a share of 86.0% in GDP formation, contributed 4.9% to the decrease in GDP in January-December 2022 compared to January-December 2021, with the volume of VAT decreasing by 5.7 %.

The following activities contributed to the decrease in GDP in January-December 2022 compared to January-December 2021:

- **agriculture, forestry and fishing** (generating a decrease in GDP by 2.7%), with a weight of 7.9% in the formation of GDP and a reduction in GVA by 25.8%;
- **constructions (-0.8%)**, with a weight of 7.4% in the formation of GDP and a reduction of VAB by 10.0%;
- **real estate transactions (-0.8%)**, with a weight of 6.2% in GDP formation and a 10.9% reduction in VAT;
- **the manufacturing industry (-0.7%)**, with a weight of 9.0% in the formation of GDP and a reduction of VAB by 7.5%;
- **the production and supply of electricity and thermal energy, gas, hot water and air conditioning (-0.4%)**, with a 2.8% share in GDP formation and a reduction in VAB by 18.0%.

The following activities had a positive influence on GDP evolution:

- **financial and insurance activities (+0.4%)**, with a weight of 3.1% in GDP formation and an increase in GVA on the respective activities by 14.5%;
- **information and communications (+0.3%)**, with a weight of 6.0% in GDP formation and an increase in GVA on the respective activities by 5.3%;
- **wholesale and retail trade; maintenance and repair of motor vehicles and motorcycles (+0.2%)**, with a weight of 17.1% in GDP formation and an increase in GVA on the respective activities by 1.4%;
- **accommodation and catering activities (+0.2%)**, with a weight of 1.2% in GDP formation and an increase in GVA on the respective activities by 23.9%.

Net product taxes with a share of 14.0% in GDP formation contributed to the GDP decrease by 1.1%, their volume decreasing by 7.6%.

From the point of view of GDP use (see Table A4 in the annex) the decrease in January-December 2022 compared to January-December 2021 was mainly due to:

- **final consumption of households (-3.3%)**, whose volume decreased by 4.0%;
- **gross fixed capital formation (-1.7%)**, whose volume decreased by 6.8%;
- **the net export of goods and services**, generating a 1.5% decrease in GDP.

The final consumption of the public administration (+0.7%), whose volume increased by 4.1%, had a positive contribution to the GDP evolution.

Consumer Price Index The upward trend of the annual inflation rate of the last two years reversed at the end of 2022. At the same time, in the fourth quarter of 2022 the annual inflation rate was marginally lower than the value anticipated in the November 2022 Inflation Report.

Thus, the annual inflation rate decreased from 34.6 percent in October 2022 to 30.2 percent in December 2022. As a result, similar to the previous period, in the fourth quarter of 2022, the annual inflation rate was placed in continuation above the upper limit of the range of 5.0 percent ± 1.5 percentage points. At the same time, the average annual inflation rate was 32.1 percent in the fourth quarter of 2022, being 1.8 percentage points lower than in the previous quarter. That dynamic was supported by the effect of the base period from the previous year. However, the still high current value of the annual CPI rate reflects the impact of previous price increases on the international and regional market for food products and energy resources, a fact that determined the increase in their prices on the domestic market and the adjustment of tariffs for gas in the network, thermal energy and electrical. At the same time, the adjustment of tariffs, the increase in fuel prices, but also the upward dynamics of salaries supported the increase in costs for economic agents, which was gradually reflected in prices. The impact of the above factors was significantly amplified in the previous year by the escalation of the situation in Ukraine, which generated additional pressure on the prices of food products, fuels and some sub-components related to basic inflation. Additional pressures on food prices were also exerted by the dry conditions in the summer of the previous year. According to estimates, the pressures from the demand side observed in the second part of 2021 and the first part of 2022 have lost intensity due to monetary policy measures and have contributed to tempering the influence of the above-mentioned factors in the second part of 2022. Rate dynamics exchange generated an insignificant impact on the evolution of inflation at the end of the previous year. In the fourth quarter of 2022, the annual inflation rate was marginally lower than that anticipated in the Inflation Report, November 2022. In the forecast of the inflation subcomponents, there were both positive and negative deviations, which, however, were partially compensated. These were influenced, mainly, by the regional uncertainty that dictated the prices of energy resources, as well as by the uncertainty at the local level related to the way of reflecting the compensations granted to the population during the cold period of the year. The tense situation in the region and the risks of its escalation, the way of reflecting the compensations granted to the population for tariff increases, the increased volatility of prices for energy resources and the way of adjusting tariffs maintain the uncertainty regarding the short and medium term inflation forecast.

Annual base rate of inflation After the upward evolution of the previous periods, in the fourth quarter of 2022, the annual rate of core inflation began a downward trend, registering the value of 18.5 percent in December or 1.5 percentage points lower than from October 2022.

However, during the fourth quarter of 2022, the inflationary pressures on the sub-components of core inflation were still generated, mainly, by the second-round effects associated with tariff adjustments, the increase in the prices of raw materials, but also the consequences of the war in Ukraine.

According to estimates, the inflationary pressures related to aggregate demand, observed in 2021, have lost their intensity. In this sense, although the salary fund in the third quarter of 2022 registered a growth rate of about 15.5 percent and, according to estimates, had a pronounced dynamic in the fourth quarter of 2022 as well, the effect of this evolution was significantly eroded by the increase in inflation. A similar situation can be seen for two other important sources of financing consumption: remittances and social benefits, whose positive dynamics were insufficient to compensate for the increase in prices and generate an additional demand for goods and services. At the same time, in the fourth quarter of 2022, a negative dynamic of new loans granted to individuals is attested.

In December 2022, within the annual dynamics of basic inflation (18.5 percent), more pronounced upward developments were recorded in the subcomponents "means of transport, auto parts" (27.3 percent), "public food" (25.9 percent) "construction materials" (25.8 percent), "education and training" (23.4 percent), "furniture" (19.0 percent) and "daily household maintenance" (30.1 percent).

In the structure, the most pronounced contributions to the annual rate of core inflation in the fourth quarter of 2022 were further determined, predominantly, by the evolution of prices in the subcomponents "means of transport", "public food", "clothing", "consumables personal", "daily maintenance of the household", "recreation and culture". Means of transport exerted the greatest pressure within the annual rate of basic inflation, a component directly related to the influence of the exchange rate, which was also affected by the increase in the prices of vehicles and their components internationally and regionally in the post-pandemic period. Clothing prices continued to exert large contributions, being further supported by the regional dynamics of prices for textile materials, the increase in transport expenses, as well as those related to the labor force. Pronounced increases were registered in the public catering segment in the context of the increase in the prices of energy resources and food products, but also of the salary increase. The respective factors also exerted pressure on the prices of international tourist service packages, as well as on domestic tourist service packages, which caused a significant increase in prices in the recreation and culture segment. Although with more modest rhythms, construction materials continued the positive dynamics. The increase in their prices on the international and regional markets caused an increase in the price of imported goods. At the same time, the increase in the prices of gas and electricity, the increase in wages contributed to the increase in the cost of goods produced in the country. The formation of prices for the manufacture of furniture continues to be affected by the dynamics of prices for the basic raw material. The world trends of the wood market are also reflected in the market of the Republic of Moldova, which is, for the most part, dependent on imports from Ukraine, Belarus and Russia.

The subsequent trend of the evolution of the prices of some important categories of goods included in the basic inflation calculation will be determined by the significant rate adjustments made in the last period for gas and electricity. At the same time, their effect will be partially offset by a modest aggregate demand. At the same time, their dynamics will continue to be affected by the uncertainty regarding the war in Ukraine.

BANKING SYSTEM

As at 31.12.2022 on the territory of the Republic of Moldova were activating 11 commercial banks (31.12.2021: 11 banks).

Based on assets volume the banks from the Republic of Moldova can be split into the following groups:

1. „Large” banks with assets volume greater than 3 billion lei;
2. „Medium” banks with assets volume 1-3 billion lei;
3. „Small” banks with assets volume less than 1 billion lei.

| Bank | Total assets as at 31.12.2022 | | |
|--|-------------------------------|-------|----------------|
| | Million lei | Place | Market share |
| Large banks | | | |
| BC „MOLDOVA - AGROINDBANK” S.A. | 43,030.5 | 1 | 32.74% |
| BC „Moldindconbank” S.A. | 25,838.6 | 2 | 19.66% |
| OTP Bank S.A. | 18,604.9 | 3 | 14.15% |
| B.C. „VICTORIABANK” S.A. | 18,400.0 | 4 | 14.00% |
| B.C. „ProCredit Bank” S.A. | 6,121.5 | 5 | 4.66% |
| „FinComBank” S.A. | 4,988.8 | 6 | 3.80% |
| B.C. “EXIMBANK - Gruppo Veneto Banca” S.A. | 4,734.6 | 7 | 3.60% |
| Medium banks | | | |
| BCR Chisinau S.A. | 3,110.2 | 8 | 2.37% |
| B.C. „ENERGBANK” S.A. | 2,838.5 | 9 | 2.16% |
| B.C. „COMERTBANK” S.A. | 2,163.7 | 10 | 1.65% |
| BC „EuroCreditBank” S.A. | 1,613.3 | 11 | 1.23% |
| System | 131,444.5 | | 100.00% |

During 2022 the banking sector from the Republic of Moldova has registered general positive development trends.

Table 1

Balance Sheet Indicators

| Indicators | 31.12.2021 | 31.12.2022 | Change |
|----------------------|-------------|-------------|------------|
| | Million lei | Million lei | % |
| Total assets | 118,534.16 | 131,443.74 | 10.89 p.p. |
| Loans | 54,646.80 | 58,705.03 | 7.43 p.p. |
| Risk weighted assets | 58,594.71 | 62,373.21 | 6.45 p.p. |
| Total deposits | 90,145.76 | 95,144.09 | 5.54 p.p. |
| Own funds | 15,158.42 | 18,394.66 | 21.35 p.p. |

Total assets amounted to 131.4 billion lei, increasing during 2022 by 10.9 percent (12.9 billion lei).

As at 31.12.2022, the total own funds rate on the banking sector was 29.5 percent, being higher by 3.6 p.p. compared to previous year. The regulated limit is observed by each bank and varies between 22.3 percent and 61.9 percent.

As of 31.12.2022, total own funds amounted to 18.4 billion lei and recorded a growth of 21.3 percent (3 236 million lei) during the mentioned period. The increase in own funds was determined by the inclusion in the calculation of own funds of the eligible profit after annual general shareholders' meetings.

Table 2

Assets quality, liquidity and solvency indicators

| Indicators | 31.12.2021 | 31.12.2022 | Change (%) |
|--|------------|------------|-------------|
| Nonperforming loans / Total Loans | 6.14% | 6.44% | 0.30 p.p. |
| Provisions for loan losses / Total Loans ratio | 6.39% | 6.35% | -0.04 p.p. |
| Solvency ratio | 25.87% | 29.49% | 3.62 p.p. |
| Liquidity ratio | 48.54% | 267.85% | 219.31 p.p. |

Gross loan portfolio amounted to MDL 58.7 billion as at 31.12.2022 or 44.7 percent of total assets, increasing by 7.4 percent or 4.0 billion MDL compared to the previous year. At the same time, total volume of new loans increased by 12.5 percent as compared to the same period of the previous year.

Loans granted in Moldovan lei decreased by 7.7 percent (2.5 billion lei), and loans granted in foreign currency increased by 41.1 percent (4.8 billion). The National Bank encourages banks to focus their efforts more on financing the real economy.

Investments in financial assets (NBM certificates and TBs) amounted to 15.2 percent of total assets (19.9 billion lei), being by 0.7 pp. lower than in 2021.

Other assets, amounting to 35.8 percent are placements in banks, National Bank, cash etc.

During 2022 the share of non-performing loans according to NBM norms (substandard, doubtful and loss) in total loans increased by 0.30 pp. compared to the end of the previous year, representing 6.4 percent as at 31.12.2022. This share decreased in most banks, the indicator ranging from 1.8 percent to 9.2 percent. For the most part, banks maintained their tendency to reduce the share of non-performing loans in total loans.

The decrease of the share of non-performing loans in total loans was mainly due to the increase of the gross loan balance by 7.4 percent (4.0 billion lei).

At the same time, was registered an increasing trend in deposits. The balance of deposits, according to prudential reports, increased by 5.5 percent up to MDL 95.1 billion (deposits of individuals amounted to 62.1 percent of total deposits, deposits of legal entities – 37.0 percent and banks deposits – 0.9 percent). The most impact in the increase in deposits were from deposits of individuals - by 5.5 percent or MDL 3 billion. At the same time, the balance of deposits of legal entities increased by 5.4 percent or MDL 1.7 billion.

The balance of deposits in local currency representing 50.0 of total deposits increased by 5.3 billion lei (10.3 percent) up to 57.0 billion. A decrease was recorded in the balance of foreign currency deposits - by 0.4 billion (1.1 percent) up to 37.9 billion, representing 40.0 percent of total deposits. Thus, were attracted deposits in foreign currency, equivalent to 4.2 billion lei.

During the fourth quarter of 2022, excessive liquidity in the banking system decreased by 1.7 billion lei up to 5.3 billion lei.

Thus, the long term liquidity (principle I of liquidity) amounted to 0.67 (limit ≤ 1), being lower by 0.07 p.p. compared with the previous year.

Current liquidity on the system (principle II of liquidity) increased by 219.3 pp. amounting 265.8 percent, (limit $\geq 20\%$), thus almost all of the assets in banking sector are concentrated in liquid assets.

The principle III of liquidity, which is the ratio between the adjusted effective liquidity and the required liquidity on each maturity band, must not be less than 1 per maturity band, respected by all banks.

Table 3

Profitability indicators

um/mil. lei

| Indicators | 31.12.2021 | 31.12.2022 | Change |
|---------------------|------------|------------|-----------|
| Net profit | 2,306.34 | 3,625.60 | 57.20% |
| Net Interest Income | 3,862.67 | 7,096.60 | 83.72% |
| ROA | 2.01% | 2.89% | 0.88 p.p |
| ROE | 12.35% | 17.03% | 4.68 p.p. |
| Net Interest margin | 4.09% | 6.67% | 2.58 p.p. |
| Efficiency index | 142.41% | 143.64% | 1.23 p.p. |

As of 31.12.2022, the profit of the banking sector for the period accounted for MDL 3.6 billion. Compared to the same period of the previous year, the profit increased 57.2 percent (1,319 million).

Total revenues amounted to 14.5 billion lei, of which interest income – 66.2 percent (9.6 billion), and non-interest income – 33.8 percent (4.9 billion lei). At the same time, total expenditures amounted to 10.4 billion lei, including interest expenses – 24.3% of total expenditures (2.5 billion lei), and non-interest expenses – 75.7% of total expenditures (7.9 billion lei).

Interest income increased by 88.5 percent or 4.5 billion lei. At the same time, fees and commission income increased by 19.1 percent or 481.0 million lei.

Interest expense increased by 103.3 percent or 1.3 billion lei. Non-interest expenditures increased by 2.8 billion lei.

Return on assets and return on equity represented 2.29 percent and 17.03 percent as at 31.12.2022, being higher by 0.88 p.p. and 4.68 p.p. compared with the previous year.

FOREX MARKET

During 2021 **the official nominal exchange rate** of the local currency reported to US dollar has depreciated insignificantly by 7.96 percent (17.7452 lei for 1 US dollar as at 31 December 2021 up to 19.1579 lei for 1 US dollar as at 31 December 2022), and reported to Euro it has depreciated by 1.42 percent (20.0938 lei for 1 Euro as at 31 December 2021 up to 20.3792 lei for 1 Euro as at 31 December 2022).

In 2022 Euro depreciated against US dollar by 6.06%, Russian ruble appreciated by 4.28%, and Romanian leu depreciated by 6.02%.

INSTRUMENTS OF MONETARY POLICY

Interest rate policy

The monetary policy interest rate was maintained at the level of 21.50 percent annually during the monetary policy meeting in November 2022 and subsequently reduced to 20.00 percent annually. The NBM's decision to resume monetary policy relaxation measures was conditioned by the prospect of reversing the trajectory of annual inflation after the maximum value in the fourth quarter of 2022 and by the shaping of pronounced disinflationary pressures on the part of aggregate demand.

The CHIBOR 2W yield curve remained relatively stable in October and November, oscillating in the upper part of the interest rate corridor. In the second half of December, the CHIBOR yield curve re-entered a downward trajectory under the impact of the decrease in the base rate, but its amplitude was modest. Thus, the CHIBOR 2W quote at the end of December was 0.50 percentage points lower than the one recorded on the last day of the previous quarter, constituting 22.23 percent.

The trajectory of interest rates on government securities with a maturity of 91 days was a slightly downward one in the October-November interval, under the conditions of consistent offers from investors for this type of placements and a volume of issues clearly higher than the announced one. Later, anticipating a resumption of monetary policy relaxation measures, the Ministry of Finance partially rejected investors' offers for 91-day bonds, causing interest rates to drop by more than 1 percentage point during December. The value recorded in the last month of quarter IV was 18.43 percent (-1.13 percentage points compared to the end of quarter III 2022). On the secondary segment of the state securities market, the interest rates related to the transactions carried out had an evolution somewhat similar to the rates on the primary market. Average monthly interest rates followed a downward trend, the value recorded in the last month of quarter IV was 19.72 percent (-2.25 percentage points compared to the end of quarter III 2022), associated with a significant reduction in the average term of transactions (about 100 days).

Sale of NBM Certificates

The daily stock of CBN placements increased significantly during the IV quarter, recording the minimum value of 1,057.9 million lei at the beginning of the analysis period and the maximum of 6,598.6 million lei at the end of it, a situation also reflected in the value recorded by the average balance quarterly which amounted to 3,423.6 million lei (+1,450.3 million lei compared to the third quarter of 2022).

The NBM conducted the CBN placement auctions with a weekly frequency, the maturity of 14 days and with the announcement of the maximum interest rate equivalent to the base rate of the NBM. The offers presented by the banks during the auctions were fully allocated.

Mandatory reserves

The mandatory reserve mechanism continued to exercise the functions of monetary control and liquidity management in the banking system.

Against the background of disinflationary pressures, the NBM initiated measures associated with the stimulative monetary policy, with the aim of injecting additional liquidity into the money market. Thus, in the monetary policy meeting of December 5, 2022, the Executive Committee of the NBM decided to reduce the reserve requirement for two consecutive application periods. Thus, the norm of mandatory reserves from funds drawn in Moldovan lei and in non-convertible currency was reduced from 40.0 percent to 34.0 percent (by 3.0 percentage points in the application period 16.12.2022–15.01.2023 and with another 3.0 percentage points during the application period between 16.01.2023–15.02.2023). The required reserve ratio from funds drawn in freely convertible currency (VLC) remained unchanged throughout the reference quarter – 45.0 percent.

Thus, during the application period 16.12.2022–15.01.2023, the mandatory reserves in MDL amounted to 20,153.6 million lei, a volume lower by 275.7 million lei (-1.3 percent) than those maintained in the period 16.09.2022–15.10.2022.

Regarding the mandatory reserves from the funds drawn in FX, during the application period 16.12.2022–15.01.2023, they amounted to 254.1 million US dollars and 605.9 million euros. Compared to the period 16.09.2022–15.10.2022, required reserves in US dollars increased by 4.6 percent, and reserves in euros decreased by 2.1 percent.

FINANCIAL ASSETS MARKET

During the fourth quarter of 2022, the Ministry of Finance put into circulation state securities worth a total of 7,736.5 million lei, 15.0 percent less than the volume of the initial offer. It should be mentioned that on the primary market of state securities there is an increase in both the demand from the licensed banks and the volume offered for placement by the Ministry of Finance.

During the reporting period, the average effective interest rates on treasury bills with maturities of 91 days, 182 days and 364 days increased compared to the level recorded in the previous quarter by 3.2 percentage points, 0.7 percentage points and 0.3 percentage points, respectively. The average effective

interest rates on government bonds with a 2-year maturity decreased by 1.3 percentage points compared to the third quarter of 2022, and those on government bonds with a 3-year maturity increased by 0, 9 percentage points. Regarding the state bonds with a maturity of 5 and 7 years, no auctions were organized during the quarter. Thus, we find that banks continue to invest in short-term securities, being more reluctant to long-term bonds, especially with 2- and 3-year maturities.

The structure of the VMS portfolio put into circulation during the reference period shows that the most requested VMS were those with a maturity of 182 days, which constituted 49.2 percent of the total transactions, being followed by 364-day treasury bills, whose weight was 40.6 percent. 91-day T-bills had a weight of 8.2 percent. The share of state bonds with a 2-year maturity was 1.6 percent, and that of state bonds with a 3-year maturity was 0.3 percent.

III. FINANCIAL SITUATION OF BCR CHIȘINĂU S.A. IN 2022

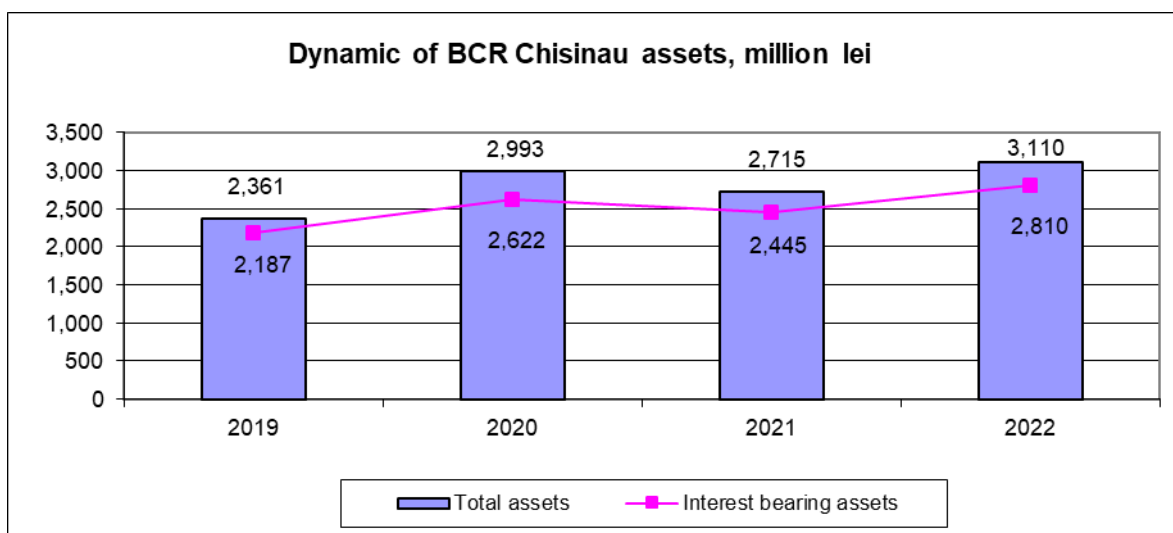
ASSETS

Assets of BCR Chișinău S.A. as at 31.12.2022 amounted to 3,110 million lei. During the year the assets value increased by 14.5% (or 395 million lei), with an increase in market share from 2.29% to 2.37%. The share of interest bearing assets consisting 90.3%, and the share of liquid assets – around 57.8% of total assets.

In 2022 **interest bearing assets** increased by 364 million lei (or 15%), amounting to 2,810 million lei. This change was due to increase in the volumes of interest bearing assets: placements in banks and loans.

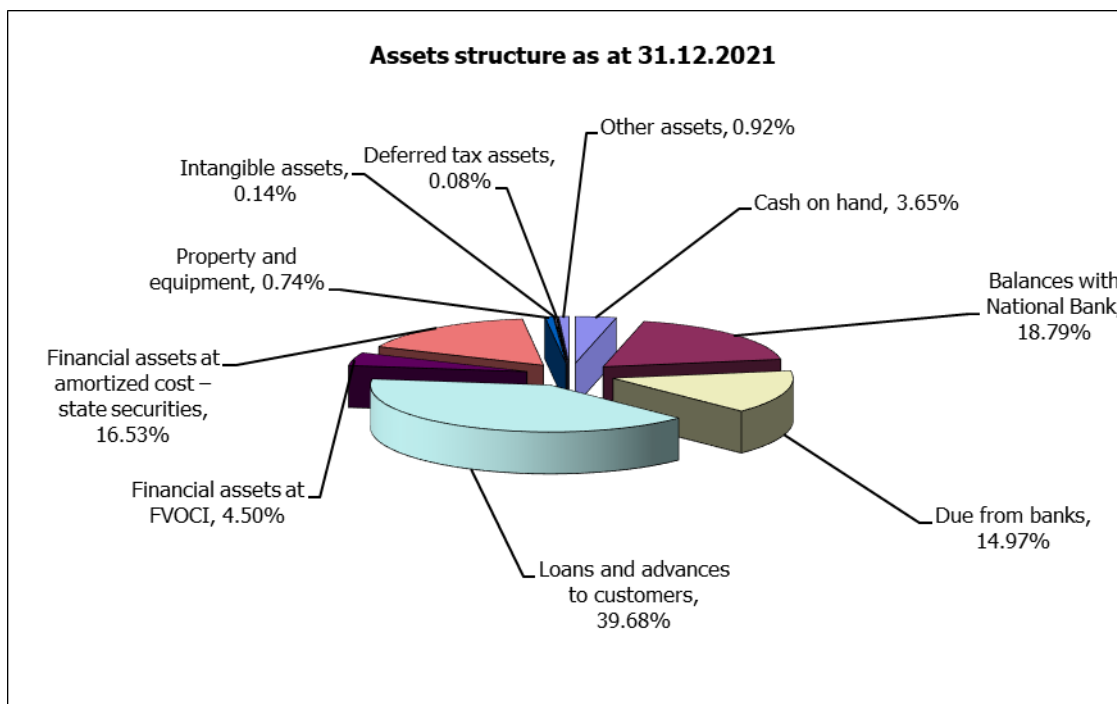
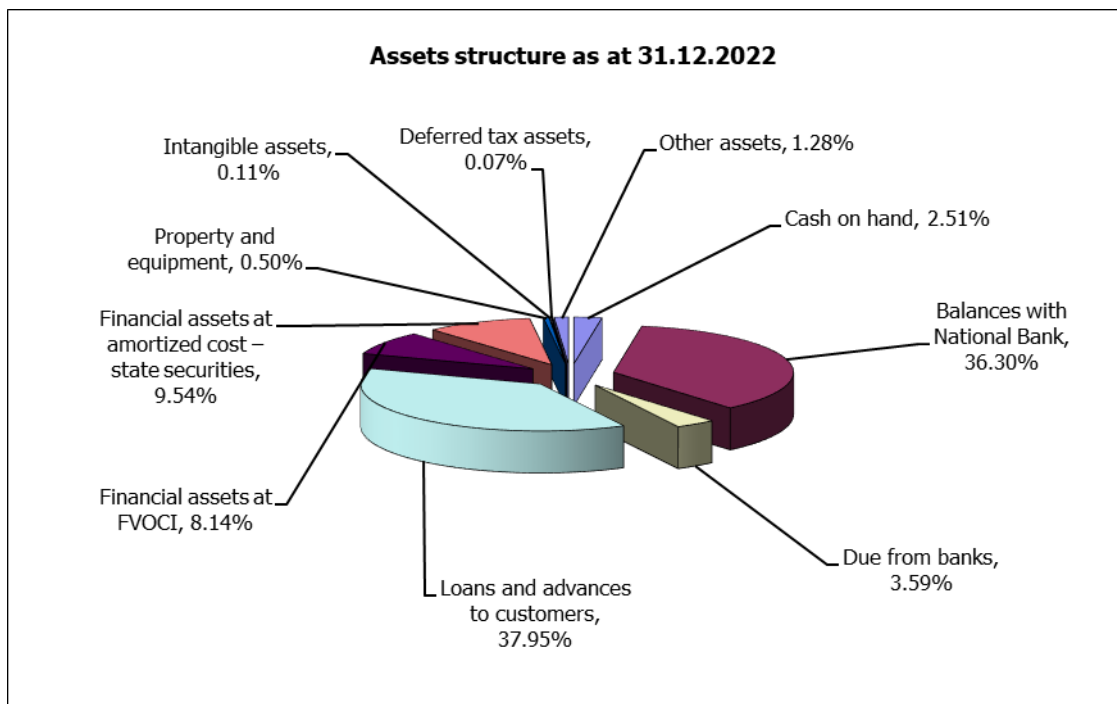
Maintaining the **liquid and interest bearing assets** at such a level, the bank places its resources into profitable operations, obtaining sufficient income for further development. At the same time, the bank maintains its liquidity in order to be able at any time to honour the obligations towards clients. Bank's liquidity as at 31 December 2022, according to both principles of calculations amounted to 0.33% and 57.8%.

Diagram 1



In the assets structure has changed the share of interest bearing assets, the main increase being registered for the share of NBM placements increased from 15.7% in 2021 to 33.8% in 2022.

At the same time, has reduced the share of placements in banks from 15.7% in 2021 to 4.2% in 2022, the share of financial assets decreased from 24.2% in 2021 to 20.0% in 2022.



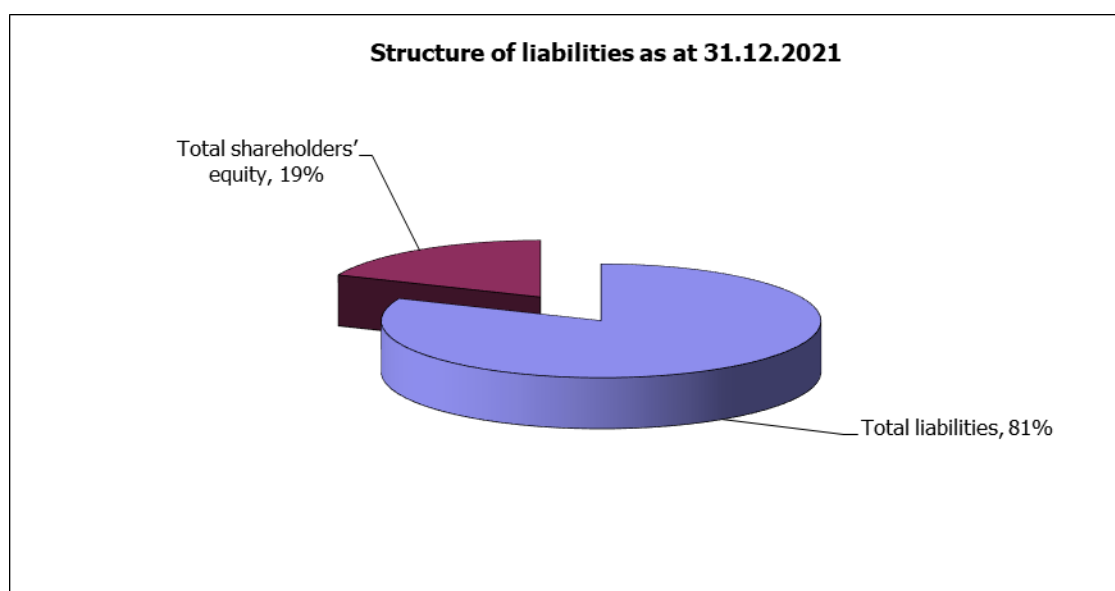
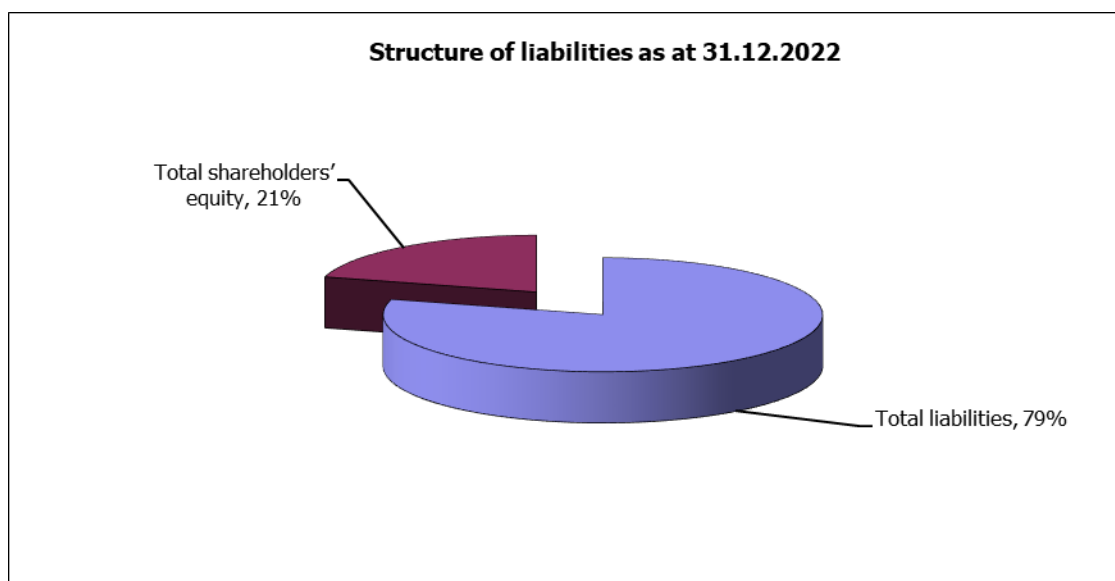
In 2022 the Bank placed its resources in loans, deposits in banks and NBM, State Bonds, and NBM instruments (bank certificates).

LIABILITIES

Liabilities and share capital are sources of financing the operations of the Bank. As at 31.12.2022 the share of Bank's capital 21% and its liabilities – 79%.

Diagram 3

Structure of liabilities



Bank's liabilities as at 31.12.2022 amounted to 2,467 million lei, increasing by 11.6% (or 257 million lei). The volume of individuals deposit accounts decreased by 2% (or 16 million lei), while the volumes of legal entities deposit accounts increased by 2% (or 44 million lei).

During 2022 the Bank's strategy on attracting the funds was oriented on attracting the term deposits from clients, mainly for term greater than 1 year. The Bank focused on term deposits from individuals, that have a lower risk of withdrawal at maturity and thus contributing to the reduction of deposits concentration rate.

Diagram 4

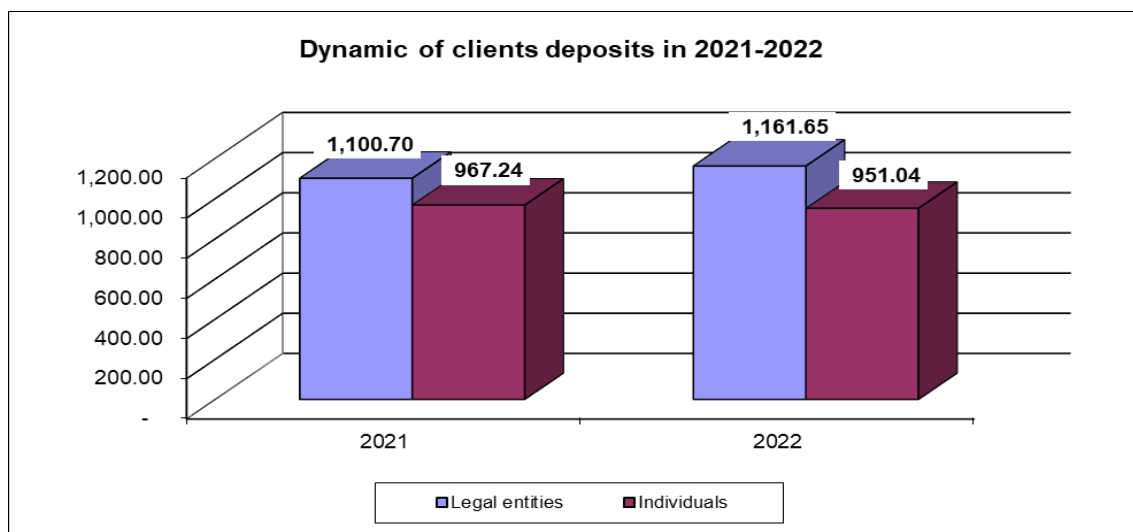
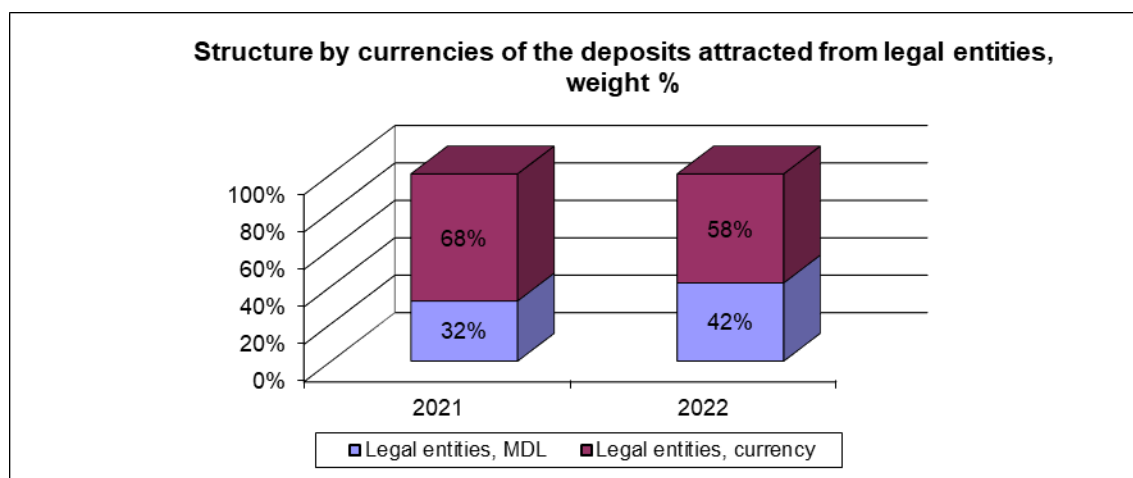
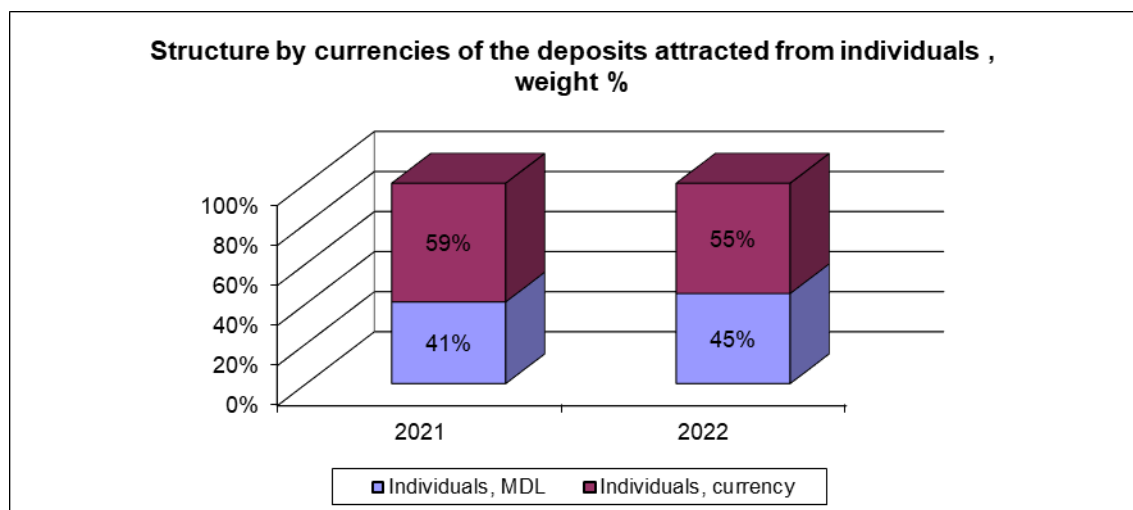
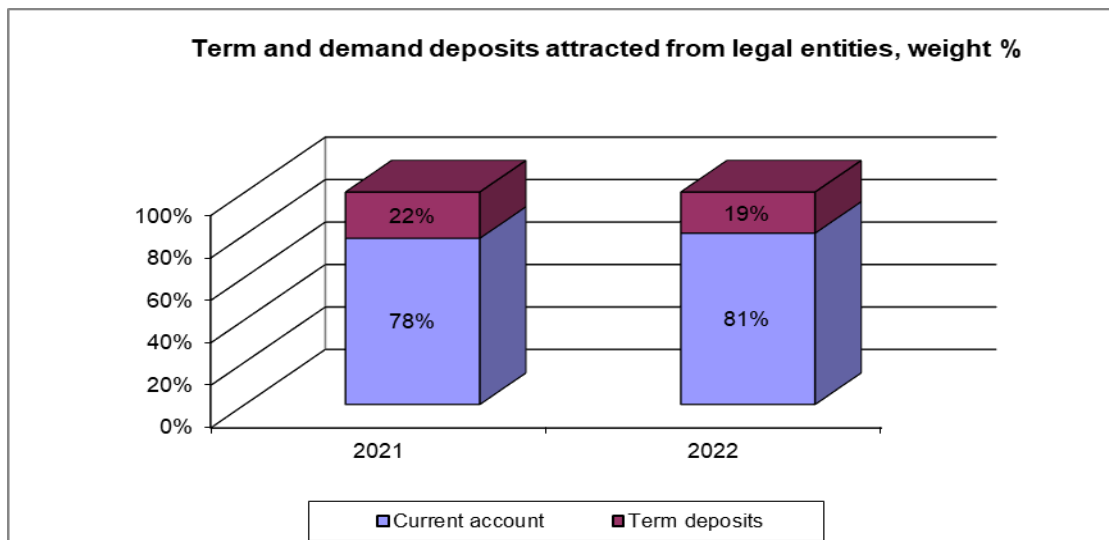
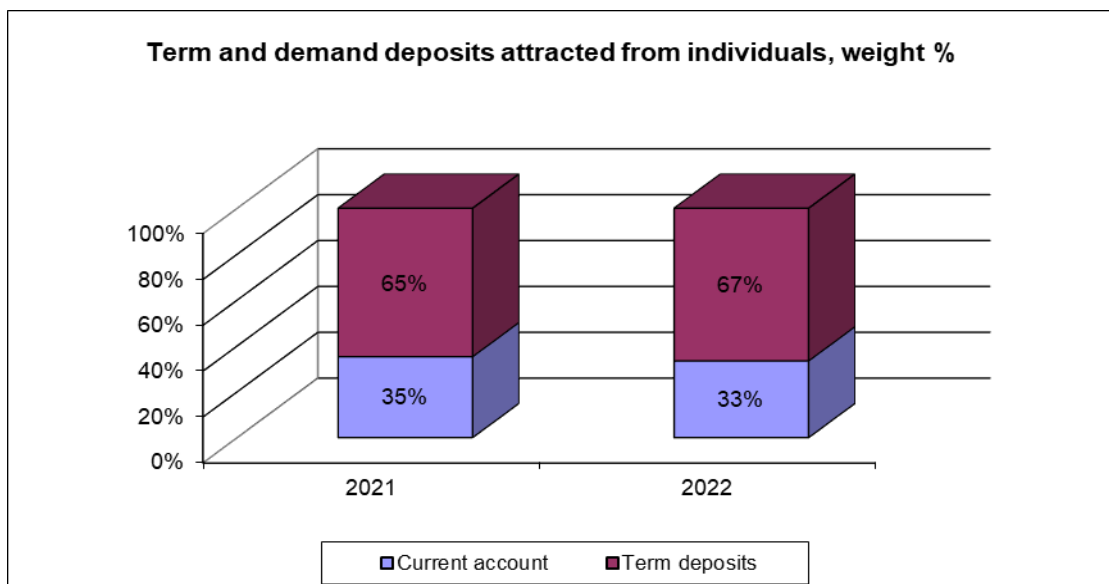


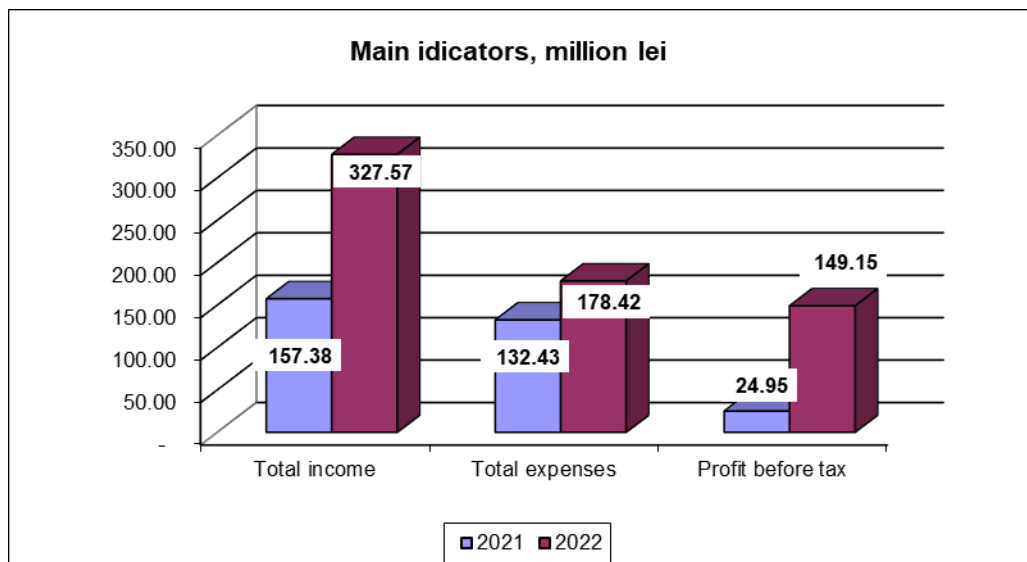
Diagram 5





Analysis of income and expenses

Based on 2022 **results** the Bank registered a net profit of 130.7 million lei, compared to net profit of 24.5 million lei in 2021. Loan loss provisions amounted to 20.2 million lei, while recoveries of written-off loans amounted to 0.8 million lei.



Total income increased by 108.1% amounting to 327.6 million lei, while total expenses amounted to 178.4 million lei, increasing by 34.7%.

The main share in total income (71.0%) represent interest income, amounting to 232.5 million lei showing an increase by 130.3% compared to 2021. Non-interest income in amount of 95.0 million lei increased by 47.4% compared with previous year.

Increase in interest income was caused by higher interest rate for securities and NBM placements during the year.

Commission income increased in 2022 by 13.6% compared to previous year. The main increase of 12.2% being registered for clients' accounts servicing.

Total expenses (Total interest and non-interest expenses) amounted 178.4 million lei. The main share in total expenses has salary expenses, other general and administrative expenses and interest expense on clients' deposits and borrowings.

The weighted average interest rates on new term deposits and on new loans granted in the national currency accentuated their upward trend.

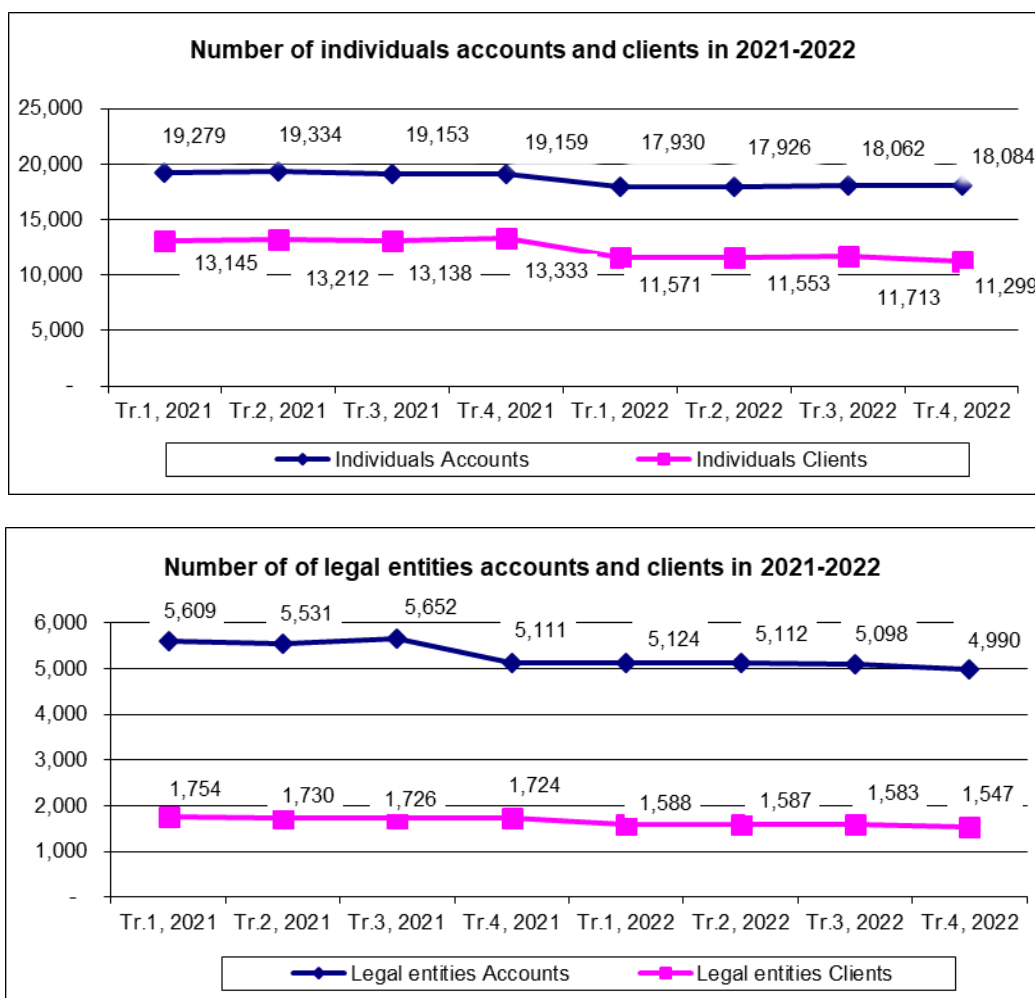
Over the whole of the IV quarter of 2022, the weighted average interest rate for deposits in MDL continued to grow and reached 13.23 percent annually, higher than that of the IV quarter of 2021 by 9.40 p.p., and that of the III quarter of 2022 by 1 .80 p.p.. The weighted average interest rate for term deposits attracted in national currency from individuals increased by 10.71 p.p. compared to the fourth quarter of 2021 and amounted to 15.15 percent. And the weighted average interest rate for term deposits attracted from legal entities increased and constituted 8.50 percent annually, compared to 2.65 percent annually from the fourth quarter of 2021.

The weighted average interest rate for new loans granted in national currency was 14.14 percent annually in the reference quarter, higher than in the fourth quarter of 2021 by 5.70 p.p.

IV. CLIENTS

The basis for offering services to clients was to offer to its clients an integral and modern set bank services and products at the highest level of quality. In 2022 the number of clients decreased by 14.7% (from 15,057 in 2021 to 12,846), and the number of accounts decreased by 4.9% (from 24,270 to 23,074 accounts). The decrease in the number of accounts and clients was registered for individuals (-5.6%, from 19,159 to 18,084 accounts, and -15.5%, from 13,333 to 11,299 clients). For legal entities was registered a decrease in the number of accounts and clients -2.4%, from 5,111 to 4,990 accounts, and -10.3%, from 1,724 to 1,547 clients).

Diagram 8



It should be mentioned the fact that, besides corporate clients that have active accounts, the Bank serves many clients without opening an account. These are payments made for the benefit of service suppliers, Forex operations etc.

BCR Chişinău S.A. offers to its clients a large set of services, including loans and transactional banking services, salary projects etc.

The Bank guarantees to its clients:

- Confidentiality;
- Individual approach and flexibility in relations;
- Complete information about the activity of the Bank.

V. CREDITING ACTIVITY

In 2022, BCR Chişinău S.A. continued to develop and improve its lending policies.

Bank's ***lending policy*** in 2022 was characterized by rationality and responsibility. The bank focused mainly on lending to Corporate and SME clients with a good financial standing and an impeccable reputation, and lending to private individuals as well.

Priority directions of Bank lending activity were oriented towards the following segments:

1. Loans granted to commerce;
2. Loans granted to productive industry;
3. Loans granted to private individuals for acquisition/construction of residential properties.

The main focus of credit activity of the Bank in 2022 was to insure profitable placements of funds while minimizing the risks by:

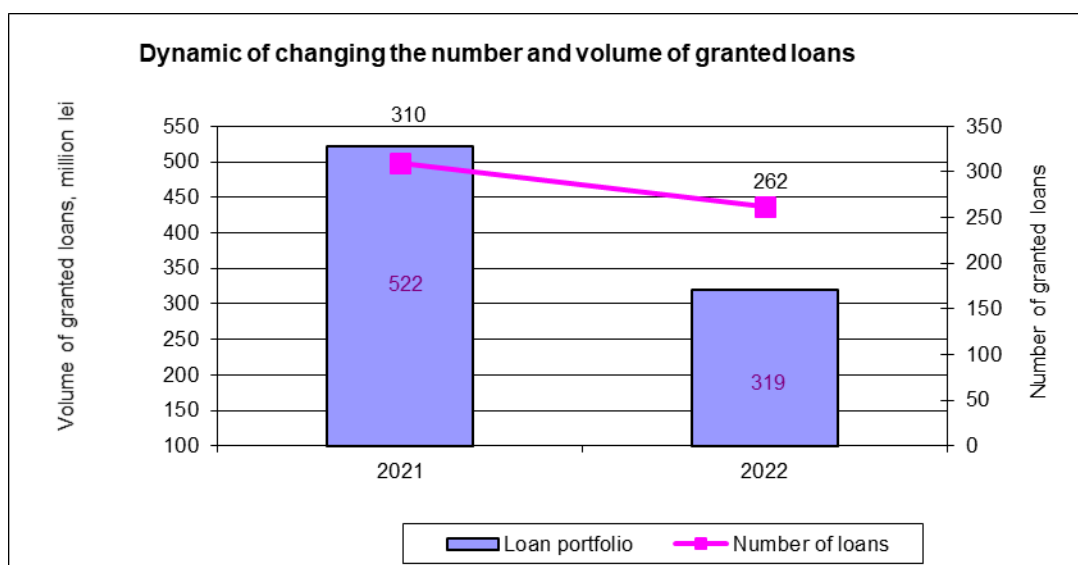
- Improvement of loan portfolio quality by rigorous selection of potential clients and implementing the actions to diminish the stock on non-performing loans;
- Reduction of concentration in loan portfolio;
- Diversification of loan portfolio on following dimensions: credit product; collateral type, related industry.
- Diversification of services rendered to its clients.

As of 31.12.2022 the volume of net loan portfolio (including factoring) amounted 1,193 million lei, representing 38.4% of total assets (in 2021 the net loan portfolio amounted to 1,090 million lei, representing 40.1% of total assets). In 2022 the bank has strengthened the efforts in developing long term relationship with key clients and has set up a growth strategy for 2023 based on banking activity on all segments (Corporate, SME and Retail).

BCR Chişinău S.A. placed on 8th place on the market based on loan portfolio, with a share of 2.03% that represents a decrease by 0.04 p.p. compared to previous year (in 2021 was on 8th place).

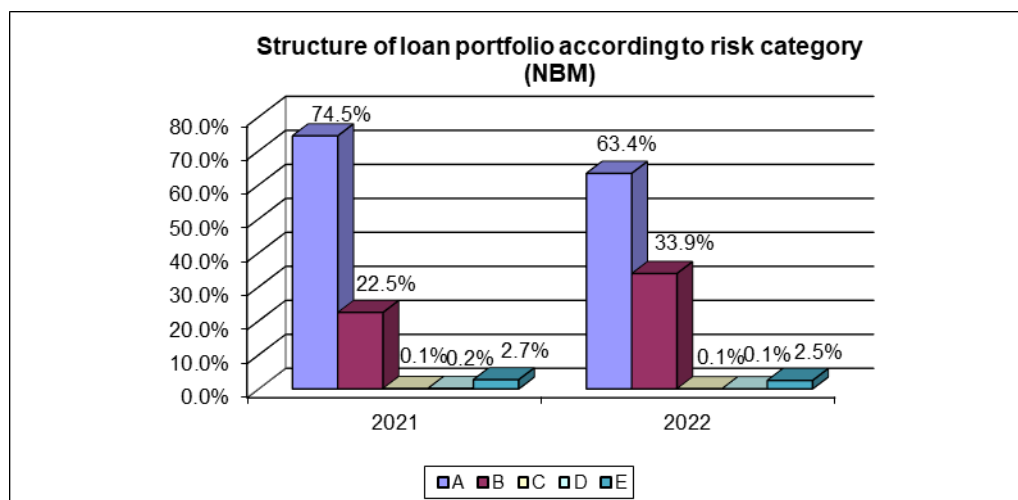
Loans volume. In 2022 the Bank clients benefited from 262 loans in total amount of 319 million lei.

Diagram 9



Loan portfolio quality: As at 31.12.2022 the main share in the loans portfolio had performant loans (classified in „Standard” and „Watch” risk category) – 97.4% (as at 31.12.2021 – 97.0%).

Diagram 10



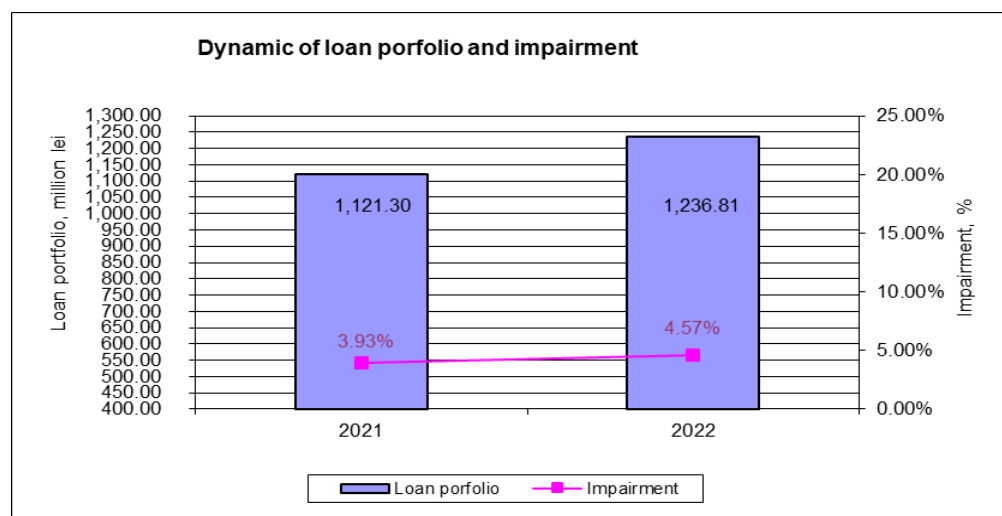
Indicator of nonperforming loans valued according to prudential norms / total portfolio (principal) is 1.78 p.p., being lower than the bank sector (6.44%).

Table 4

Indicators of loan portfolio quality

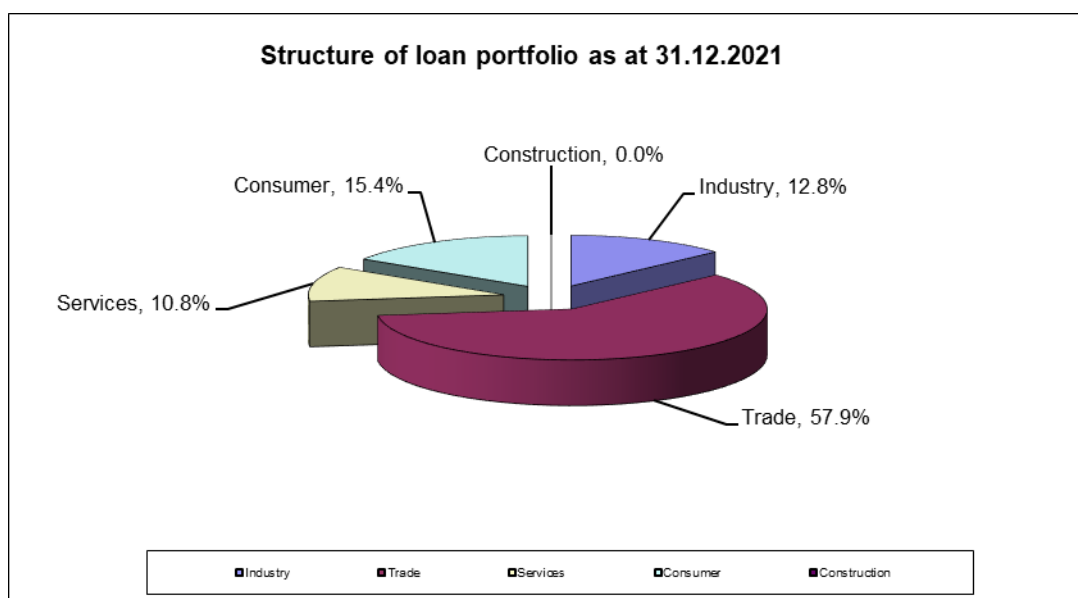
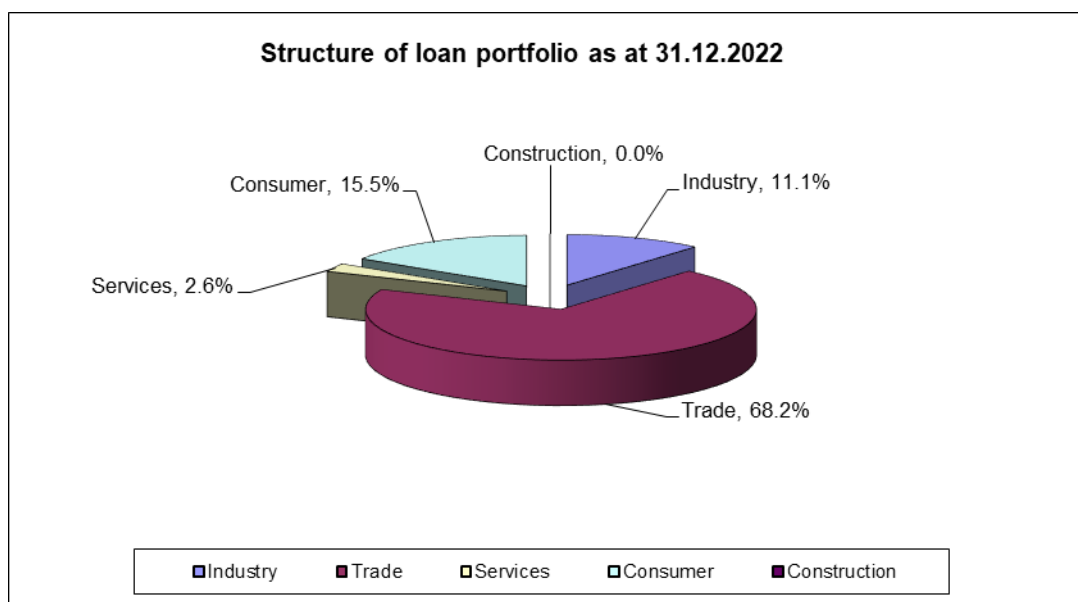
| Indicator | 31.12.2021 | 31.12.2022 | Change |
|---|------------|------------|------------|
| Non-performing Loans / Loans ratio | 1.89% | 2.28% | 0.39 p.p. |
| Provisions for loan losses/ Total loans | 2.09% | 1.78% | -0.31 p.p. |
| Top 10 net exposures/Net loans | 41.29% | 43.12% | 1.83 p.p. |

Diagram 11



In 2022 the structure of loan portfolio divided by industries hasn't changed compared to 2021. The share of loans granted individuals increased from 15.4% in 2021 to 15.5% and loans granted for trade increased from 57.9% in 2021 to 68.2%, while loans granted for industry and services decreased from 12.8% and 10.8% in 2021 to 11.1% and 2.6% in 2022.

Diagram 12



According to market trend of overall bank sector, as well as BCR Chisinau S.A., the interest rate for new issued loans in lei and for loans in currency has increased. Thereof, the average interest rate for loans in lei granted to legal entities in 2022 increased compared to 2021 by 5.04 p.p. (from 8.24% to 13.28%), and for loans in currency increased by 1.05 p.p. (from 4.02% to 5.07%). The average interest rate for loans granted in lei to individuals increased by 10.07 p.p. (from 6.38% to 16.46%), and for loans in foreign currency increased by 0.31 p.p. (from 6.75% to 7.06%).

The Bank plans to maintain for the future a high quality of loan portfolio through an efficient and well developed crediting policy.

VI. OPERATING ENVIRONMENT AND ISSUES RELATED TO COVID-19

The year 2022 ended on a very negative note, with the IMF announcing, at the turn of the year, that a third of the world's economies are entering recession. Rising interest rates in most economies, aimed at easing pro-inflationary pressures, will dampen global consumer demand and dampen the outlook for economic growth. The rise in the number of COVID-19 cases in China and the delay in easing restrictions have fueled investor perceptions of subdued consumer demand and commodity inventories at very high levels in China. At the same time, the high temperatures in Europe caused the natural gas quotations to drop, given that the reduced gas consumption allows maintaining satisfactory levels of gas reserves in Europe. Oil prices fell after December 5, 2022, when the EU embargo on Russian oil came into effect, but uncertainties remain quite high, which causes oil prices to persist at high levels. The gradual decline in commodity and food prices on the international market in correlation with the high base of the past 18 months have reduced overall pro-inflationary pressures, even though levels are well above historical averages. The regional economy continues to be affected by the war in Ukraine, and the outlook is clouded by uncertainties and risks.

In the current forecast round, external assumptions point to weak external demand, lower rates of international price growth and the persistence of risks and uncertainties in the region. As the IMF warned, in 2023, one third of the world's economies will enter recession. Rising interest rates and tempering global demand will moderate international price growth rates, but they will still be well above pre-pandemic averages. In the region, the economic situation will continue to be affected by the war in Ukraine and the energy crisis in Europe. Although the abnormally high temperatures for the cold period of the year in Europe caused the natural gas quotations to fall, the energy crisis in Europe is far from over and will considerably influence the economic evolution in the coming years. Starting from the trajectory of interest rate forecasts in the US and the Eurozone, we can anticipate an increase in the EUR/USD parity, respectively a depreciation of the US dollar and the appreciation of the single European currency. At the same time, it is anticipated that the prices of agri-food products on the world market will decrease compared to the highs of 2022.

The annual rate of inflation will continue to trend downward rapidly during the current year and relatively stable thereafter until the end of the forecast period¹. Inflation will return to the target range in the second quarter of 2024 and will hold until the end of the forecast horizon. In terms of monthly inflation, there is a high probability that it will be within the range of uncertainty at the end of December 2023.

VII. FINANCING

2022 was productive for BCR Chişinău S.A. Due to an efficient liquidity and risk management resulted in a net operational income of 175.2 million lei.

Capital. At the year-end 2022 the share capital amounted to 728.13 million lei (2021: 728.13 million lei). The bank did not issue, not redeemed, acquired or alienated own shares during 2022.

As at the year-end 2022 The Own Funds amounted to 456.6 million lei.

The bank has its policy regarding dividend distribution. It should be mentioned that in the last 3 years the bank didn't pay dividends to its own shareholder.

Table 5

| Nr. | Indicators | Normative | Value |
|-----|---------------------------|------------------|--------|
| 1 | Own funds (million lei) | min 200 mln. lei | 456.58 |
| 2 | Solvency ratio (%) | min 13.5% | 37.76% |
| 3 | Long term liquidity (P I) | max 1 | 0.33 |
| 4 | Current liquidity (P II) | min 20% | 57.77% |

VIII. ACTIVITY ON THE FOREX MARKET

The activity on the Forex market in 2022 was oriented towards: currency conversion transactions, clients' operations with foreign currencies, contracts for placing and attracting funds with foreign banks.

The strategy for Forex operations on the market was determined by the following factors:

- Increase of the clients base;
- Satisfaction of bank clients that perform transactions of currency buying/selling;
- Dynamic of official exchange rate of the NBM.

It should be mentioned that BCR Chişinău S.A. has 5 units of currency exchange that operates with 5 currencies. The main operating currencies remained US dollar and Euro, having a share of – 89% of all operations in 2022, decreasing compared with 2021 (93%). In 2022 the share of operations in Euro was 79% (84% in 2021). For USD the share increased to 10% in 2022 (9% in 2021).

Volume of assets in currencies decreased by 4.5% compared to 31.12.2021, amounting to – 1,492.7 million lei as at 31.12.2022 (48% of total assets). The main decrease was for current deposits and placements in banks.

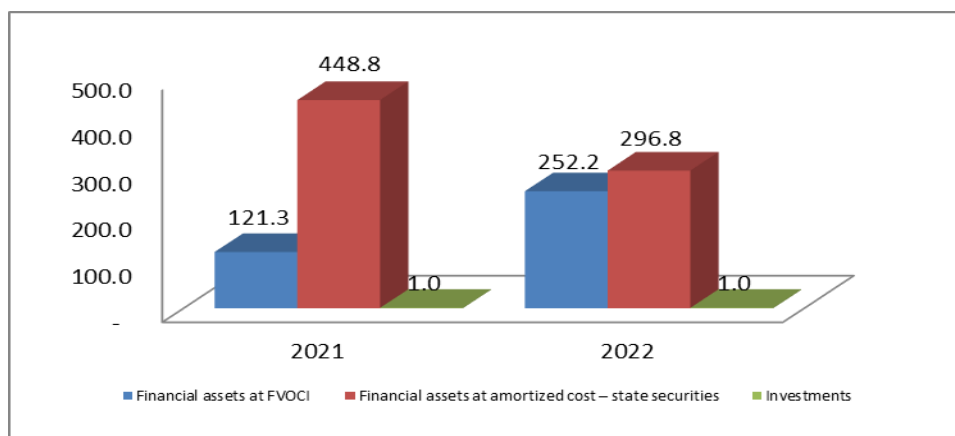
Income from Forex transactions in 2022 amounted to 62.4 million lei, which is 83% higher than in 2021.

IX. ACTIVITY ON THE INVESTMENT MARKET OF MOLDOVA

Another important element in the assets structure is the investment activity. The advantage of placing the funds into securities is the stable income with a minimum risk level and the possibility to manage the Bank's liquidity.

Diagram 13

Analysis of investment portfolio (volumes in million lei)

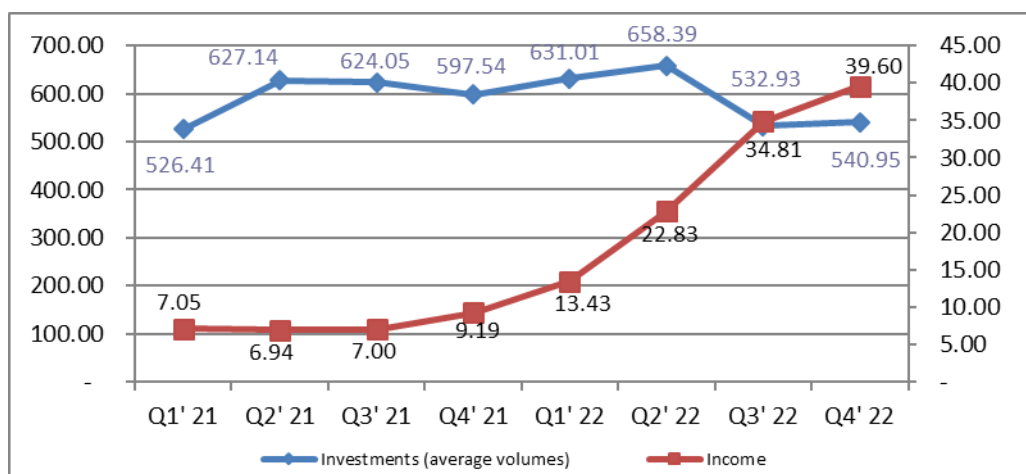


In 2022 the Bank placed a great amount of funds into acquisition of TB and NBM Certificates, generating 110.7 million lei of income from investment activity (or 33.8% of total income). Compared to the previous year the income has increased by 267% (or 80.5 million lei) as a result of increase in portfolio.

Investment portfolio volume as at 31.12.2022 amounted to 549.0 million lei.

Diagram 14

Dynamic of changes in average volumes of investments and related income (In million lei)



X. OPERATIONS WITH CARDS

In 2022 the cards issued by BCR Chisinau S.A. (BCRC) amounted to 3,985 units, card portfolio at the end of 2022 was 10,605 units. As at the end of 2022 the Bank had a 0.38% share (including 0.79% VISA cards) on the bank cards market in Republic of Moldova.

In 2022 the transactions at BCRC ATMs decreased by 6.6 % as volume (376 mil. lei - 2022 compared to 403 mil. lei - 2021) and by 7.36% as number (216,006 transactions - 2022 compared to 233,163 transactions - 2021) due that have been uninstalled 2 ATM units, and increase of on-line transactions. The volume of interchange commission generated by transactions made at ATM's BCR Chisinau SA increased by 45.08% compared to 2021 (4.2 mil. lei - 2022 compared to 2.87 mil. lei – 2021) due to the increase in the volume of cash withdrawals from foreign cards.

BCR Chisinau S.A. - Uz Intern

At 31.12.2021 the card accounts balance amounted to 253.55 mil. lei, which represents an increase by 1.78% of the indicator for 2021.

In June 2021, the BCR-CVVkey mobile application was launched in production, application increases the security of online transactions and practically excludes the possibility of card fraud through online transactions. On 31.12.2022, 361 cards were registered in CVVkey mobile application.

XI. E - CHANNELS

At the end of 2022, the total number of 24Banking clients consisted of 7,571 clients (6,999 individuals and 572 legal entities), which represents a 4.89% increase compared to 2021. The volume of transactions through 24Banking in 2022 amounted to 19,284 mil. lei.

At InfoCont service (the account balance and account statements online) at the end of 2022 was connected 955 legal entities and 1,979 individuals.

The amount collected from legal entities through Automatic Deposit Machine (ADM) in 2022 was in sum of 185.00 mil. lei and represents an increase by 61,51% compared to 2020. At the moment in Moldova only at BCR Chisinau there is such a device type.

XII. INFORMATIONAL TECHNOLOGIES

In the age of information technologies, the development of a Bank cannot be achieved without investments in technologies, modern and reliable solutions in continuous development. The investment in the bank's technological development has a number of advantages, including modern technologies in executing operations and transfers more efficiently and quickly, with low risk and maximum accuracy, streamlining control, access management and information processing.

The new requirements for fast access to services and information, the exponential increase in data complexity increase the role of IT in the banking sector. Changes in the risk approach, regulatory requirements, the requirement to process large volumes of data require a complex and multilateral approach in the development of the bank's information systems. Thus, a high level of services can be ensured in the banking sector only by using modern information technologies.

Reducing the time related to processing a transaction, reducing its costs, optimizing processing flows are strategic concerns of the bank to achieve a higher level and a shorter service time.

The new challenges, which came with the pandemic, forced the banking sector to change its paradigm and approach to customer service, thus placing greater emphasis on new features and improvements implemented in the Internet Banking application, the ultimate goal being to digitize services to the fullest. Banking offered to customers.

Remote work was an indispensable condition for business continuity in 2021, thus providing with computing technology, secure solutions for access to banking data from remote jobs, in order to serve customers as efficiently as possible, was one of the priorities highlighted. New VPN and security technological solutions have been implemented so that about 75% of the bank's employees have the mobility necessary for good customer service both ex officio and working remotely.

The Bank has identified and concluded agreements with new IT development partners, so that it can have sufficient human and technical resources to implement projects and developments according to business needs and to ensure business continuity.

International studies show that the number of people using electronic solutions is constantly growing, and in the future customers will give up banks that do not offer quality electronic services.

The bank's website and the Intranet Portal are regularly improved and renewed to ensure a wide range of services and faster access to the information provided to internal and external customers.

The technological base and modern solutions allow the future development of new services and solutions according to the Bank's needs and customer expectations.

XIII. CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Banca Comerciala Română Chisinau S.A. („Bank”) carries out its activity based on a corporate governance framework, in observance of the Republic of Moldova legal and regulatory requirements, as well alignment with BCR SA/Erste Group guideline and the best international practices in the field. Public acces to the corporate governance principles is ensured by publishing the Code Corporate Governance in Banca Comerciala Română Chisinau S.A. on the bank's web page at address: <https://www.bcr.md/ro/dezvaluire-informatii/informatie-guvernanta>.

Bank's principles guiding the bank's activity:

- **Client first**– we offer services of financial intermediation. We take over the risk and offer trust. We build a long-term mutually beneficial relation with our clients.
- **Performance** – We are concerned to ensure an efficient working environment and deliver outstanding results following four aspects: client satisfaction, the bank's profitability, market share and regulatory compliance.
- **Accountability** – Employees' accountability is part of the business model. We focus on increasing efficiency day by day, learning from mistakes and looking for solutions, not excuses..
- **Cooperation** – We base our work on the constructive cooperation principle by knowledge sharing and mutual support..
- **Initiative** – We encourage initiative, anticipation and prompt reaction to changes through implementation of valid solutions.
- **Discipline and results** – Building a successful bank showing that we are genuine professionals. The activity must be characterized by the best ethic behavioral and image standards.

BCR Chisinau S.A. is an authorized bank to operate all kinds of banking activities in the Republic of Moldova.

BCR Chisinau SA principles, corporate governance structure and shareholding

From BCR Chisinau S.A.'s perspective, Corporate Governance means all rules, systems and processes implemented with a view to establish the relation between shareholders, management, clients, employees, suppliers and other parties involved in setting the objectives and the manner to achieve them, for increasing economic performance and, implicitly, the Bank's value. It also highlights

the efficiency of the management systems, namely the role of the Supervisory Board and of the Management Board, the responsibilities and remuneration of these structures' members, the creditability of the financial statements and the efficiency of control functions.

BCR Chisinau S.A. establishes and reassess on an annual basis and publishes on its website the corporate governance principles that ensure an adequate framework for its activity, in observance of the legal and regulatory requirements of the legislative framework in Romania, the guiding principles of Erste Group Bank, as well as the best international practices in the field.

The report has the role of annually assessing the manner in which the general principles and the governance policy are implemented and reflected through the presentation of the corporate governance structure, including the manner in which it is transposed in the bank's internal governance and the manner in which its management body, through its supervisory and executive management functions, supervises and implements an activity management framework that ensures the efficient and cautious management of the credit institution..

Based on the provisions of the Law on joint stock companies no 1134-XIII of 02.04.1997, Law on banking activity, Law on capital market Corporate Governance Code and in compliance with Charter, BCR Chisinau S.A. is organized as a two-tier corporate governance structure

The management structure is designed so as to meet the following objectives:

- to fit the dimension and complexity of the bank activity;
- to allow a clear separation of responsibilities between the supervisory function and the management function;
- to allocate responsibilities and competencies along the functional/reporting lines in a clear, precise, well-defined and transparent manner;
- to ensure independence of the internal control system, so as to properly cover its main functions: risk management, compliance, internal audit;
- to improve the information flow, vertically, from top to bottom, and vice versa, and also horizontally, so as to ensure the delivery of comprehensive information, relevant in terms of the proper fulfilling of each organisational structure's tasks, in due time .

The BCR Chisinau S.A. management structure consists of the **Management Board** – representing the **management function**, which ensures the operational management of the bank, and the **Supervisory Board** – representing the **supervisory function**, which ensures the supervision and coordination of the Management Board activity. Their competencies and responsibilities are regulated through the Charter, the Internal Rules of each structure and also through Bank's Operational Book.

Efficiently organised corporate governance helps ensure the Bank's stability and maintains corporate governance and business conduct standards.

Shareholding

The Bank's share capital is 728,130,000 lei, divided in 72,813 nominative shares, with a nominal value per share of 10,000 lei.

The shareholder structure of Banca Comerciala Româna SA as of 31.12.2022:

• **BCR SA**, *Calea Plevnei nr.159, Business Garden Bucharest, cladirea A, et.6, sector 6, Bucuresti, Romania*, holds 72,813 nominative shares, worth 10,000 lei each, representing 100% of the total share capital.

Shareholders - General Shareholders Meeting

The shareholders exercise their rights within the General Shareholders Meeting („GMS” or „General Meeting”), which is the highest management body of the Bank.

The Bank’s shares are indivisible and offer its shareholders equal rights, each share representing the right to one vote in the General Shareholders Meeting.

The General Shareholders Meetings are convened by the Supervisory Board decisions with publishing information at least 30 days prior to the established meeting date.

The General Shareholders Meetings are ordinary and extraordinary. The Ordinary General Shareholders Meeting is held at least once a year, within 4 months from concluding the financial year and the Extraordinary General Meeting is convened whenever necessary.

The Bank carries out all diligences to protect and facilitate shareholders in exercising their rights, by clear and transparent provisions at the bank’s level:

- The right to safe registration means for shareholders/ associates;
- The right to timely, regular and relevant information with respect to the company’s development;
- The right to attend and vote during the GMS and additionally, the right to be informed with respect to the voting rules and procedures, applicable to this type of meetings; the right to their share of the company profit;
- The right to attend and to receive sufficient information with respect to the changes within the company: changes in the company Charter, authorization to issue new shares, one-off transactions (for example- sale of a significant part of the company’s assets);
- The right of the shareholders to address questions, also with respect to the independent auditor’s report, the right to participate in strategic decision making processes such as electing the Supervisory Board members or expressing opinions with respect to the remuneration of the Supervisory Board and Management Board members

In 2022, 3 meetings took place, one ordinary and 2 extraordinary meeting, with mainly the following topics on the agenda:

- Approval of the revenue & expenditure budget related to the 2022 financial exercise;
- Distribution of profit for the financial exercise concluded on 31.12.2021
- Appointment of the independent financial auditor

Transparency and timely dissemination of information is ensured in the Bank by:

- Regular and timely communication of relevant and material information with respect to the company, in order to guarantee that voting rights are properly exercised in the general shareholders meetings
- Timely, regular, complete and accurate reporting to shareholders and the independent auditor of all current, financial, administrative and extraordinary activities.

BCR Chisinau SA Management Structure

A. Organisational structure of the BCR Chisinau SA

BCR Chisinau S.A. - Uz Intern

BCR Chisinau SA is organized on the functional lines at central level.

The territorial units' network of the Bank is formed of the units without legal personality, respectively branches and agencies. Executive Director of the Sales and Business Development insures the activity coordination and the organization of the units.

According to the legal requirements, the management structure has the role to monitor, assess and regularly revise the efficiency of the management framework of the bank's activity and of the policies, which refer to it, so that it takes into consideration any change of internal and external factors which affect the Bank.

B. Supervisory Board (SB)

Members – persons, appointment

The Supervisory Board is composed of three members, appointed for a period of (4) four years, with the possibility of being re-elected for another period.

As such, the Supervisory Board structure at the end of 2022 was the following:

| SB Member | Position | Starting date of the mandate | Ending date of the mandate |
|-----------------------|-----------------|-------------------------------------|-----------------------------------|
| Manea Sergiu Cristian | President | 30.04.2012 | 29.04.2024 |
| Ganna Lishchenko | Member | 12.09.2018 | 12.09.2026 |
| Mihail Manoli | Member | 17.06.2021 | 17.06.2025 |

Internal SB internal structure - subcommittees and their responsibilities

The Supervisory Board gathers in quarterly meetings or on any occasion necessary. In 2022 there were 24 Supervisory Board meetings, organised in compliance with the provisions of the Charter and of the Supervisory Board Internal Rules, out of which 4 were regular meetings and the others were held through correspondence.

In order to fulfil its attributions, the Supervisory Board established the following committees:

Audit, Compliance and Risks Administration Committee – it has a consultative role, as it was established in order to assist the Supervisory Board in carrying out its attributions, drafting recommendations within the limits of its competencies, according to its responsibilities and attributions provisioned in the Internal Rules, in relation to internal control, compliance, audit, risk, financial crime and litigations;

Control instruments in relation to the Management Board

The Supervisory Board supervises and coordinates the activity of the Management Board, as well as compliance with legal provisions, the Charter and the decisions of the General Shareholders Meeting related to the Bank's activity.

The Supervisory Board exercises a permanent control over the Bank's management and specifically over the Management Board's activity, based on the following responsibilities:

- The Supervisory Board should monitor the compliance of administrative operations carried out by the Management Board based on the applicable legislation, the Bank's Charter and the resolutions of the General Shareholders' Meeting of the Bank;
- The Supervisory Board represents the Bank in what concerns communications with the Management Board;

- The Supervisory Board is not involved in the day-to-day administration of the Bank, and these attributions are not appointed to the Supervisory Board, except for certain provisions included in the applicable legislation and/or the Bank's Charter.

C. Management Board (MB)

Members – persons, appointment

According to the provisions of the Management Board Internal Rules, the management of the Bank carries out its responsibilities under the supervision of the Supervisory Board, which appoints and revokes Management Board members and the Management Board chairman from the existing members, acting in accordance with the current provisions of the Bank's internal regulations and Charter.

According to the provisions of the Charter, the number of the members of the Management Board is established by the Supervisory Board (on December 31st, 2022, the Management Board had 3 members).

Management Board membership as at December 31st 2022:

| MB Member | Position | Starting date of the mandate | Ending date of the mandate |
|---------------------------|-----------|------------------------------|----------------------------|
| Juan Luis Martin Ortigosa | President | 01.10.2013 | 15.04.2026 |
| Codreanu Natalia | Member | 23.09.2013 | 21.09.2024 |
| Revenco Victoria | Member | 12.08.2020 | 12.08.2024 |

Internal structure – subcommittees and their responsibilities

The Management Board meets in weekly meetings or whenever necessary. During 2022, the Management Board had 79 meetings, namely 48 regular meetings and 31 extraordinary meetings.

In order to carry out its responsibilities, the MB has created the following committees:

| Name | Responsibilities |
|---|---|
| Loan Committee | Loan committee is organized and operates as assessment/pre-approval/approval bodies of documents on loans approval, modification of granting conditions, usage, granting and/or reimbursement of some anterior granted loans, requirements to conclude the agreements and extending the period of validity, the issue of guarantee letters, loan contracts, factoring operations and other facilities, in the limit settled through Bank's regulations. |
| Asset-Liability Committee (ALCO) | ALCO review, report and assists to MB in performing its activity in the area of asset and liability structure management, financing strategy, interest rate policy, liquidity policy, and is an analysis and decision-making body that issues decisions and recommendations according to established authority limits. ALCO may set up committees, subcommittee that are organized and function on the basis of their own operating regulations approved by the MB. |
| Project committee | The Project Committee is the analytical, advisory and approval body for the Bank's newly created and ongoing portfolio of |

| | |
|--|--|
| | programs and projects, at the local or group level, which are defined and approved in line with the Bank's strategy, on budget allocation for projects implementation. |
|--|--|

IV. Community

Any community values dignity, kindness, honesty and wisdom. These core values are part of BCR's principles: **Client first, Accountability, Performance, Cooperation, Initiative, Discipline and Results.**

This is what we are offering to our clients when we work and behave according to Bank's principles.

Bank's strategic directions in the relation with the community:

- Supporting and promoting leaders and role-models;
- Education for practical skills development;
- Civic leadership.
- **Supporting and promoting leaders and role models**, by taking part in the creation of a positive and inspirational framework for Moldova's development.
- **Education for practical skills development**, by strategic partnerships with the largest universities in the country, with the main goal of creating projects which help develop practical skills of students for an easier integration in the labour market.
- **Civic leadership**, by developing projects which annually support hundreds of NGOs, as well as by encouraging employees to be responsible citizens, thus integrating the bank in the community.

Also, **Bank's team members** are encouraged to act as **responsible citizens** in the communities they belong.

XIV. RISK MANAGEMENT

Ensuring a responsible, prudent and profitable banking activity first and foremost requires the identification, assessment, monitoring, managing and reporting of significant risks.

Material risks are determined conditional upon the nature, volume and complexity of the activities carried out by the bank within the annual risk materiality's assessment exercise.

In this respect, the risks, which may strongly affect the patrimonial status and/or the reputation of the bank, that BCR Chisinau S.A. considers material risks, are **credit risk, market risk, liquidity risk, operational risk, strategic risk, compliance risk, political risk, inter-concentration risk, macroeconomic risks, pandemic risk and ESG risks**. For a proper management of significant risks, the bank uses:

- a system of procedures for the authorization of operations affected by the respective risks, consisting in the drawing up of credit approval competences (pouvoirs) for: granting of loans and credit products, interbank placements, etc.;

- a reporting system of risk exposures, as well as additional aspects related to these risks, to the proper management levels (reports on the bank's exposure to significant risks, the compliance with the risk limits etc.);
- a system of responsibilities, policies, norms and procedures on internal control at bank level;
- a system for the management of legal and compliance risk;
- criteria for the recruitment and remuneration of personnel, including criteria drawn up in order to avoid conflicts of interest, which stipulates high standards of qualification, experience and integrity;
- staff training programs;

The risk management function is consolidated within the Functional Line Financial and Risk. Therefore, risk management specialists are clearly delimited from organizational point of view from the employees who have responsibilities in the business development area.

The bank properly assigns attributions to its organizational levels, ensuring that the staff does not have responsibilities that might lead to conflicts of interest (e.g. dual responsibilities for one individual, such as: carrying on activities both in front-office and back-office; approval of funds withdrawal and performing the respective withdrawal; the assessment of the credit documentations and the monitoring of the client after the loan was granted, etc.).

Credit risk refers to the risk arising from the non-payment or non-performance by a contracting party in accordance with agreed terms and therewith associated negative consequences (e.g. partial or complete loss of principal and interest, disruption to cash flows, and increased collection costs.) due to counterparty's insolvency, inability or lack of willingness to pay or perform, or due to events or measures taken by the political or monetary authorities of a particular country. It is the main risk faced by the bank as loans represent more than 40% of total assets and more than 80% of risk-weighted assets.

The main objective of credit risk management focuses on active management of the loan portfolio, improvement of the asset quality (keeping NPL under control) and continuous growth of healthy loan portfolio.

In the context of the potential global crisis, BCR Chisinau S.A. establishes limits on countries, sovereign entities, banks and financial institutions affiliated to bank groups, closely monitors its exposures, performing risk analysis whenever negative information emerge on one of its counterparties and implement adequate measures with respect to the assigned risk limits.

Market risk is the risk to incur losses corresponding to on-balance and off-balance positions due to adverse market price movements of financial instruments, interest rates and foreign exchange rates.

The bank pays special attention to the identification of the market risk sources, evaluation of its risk exposure and setting of proper limits mitigation/limitation. The main objective is to ensure proper structure of its portfolio, which in case of movement of interest rates, FX rates and market prices will not have an important negative impact on BCR Chisinau S.A. activity and financial performance.

Liquidity risk represents the risk that the bank is unable to meet its payment obligations when they come due or only being able to meet these obligations at excessive cost.

The administration of liquidity risks envisages the ensuring of the necessary liquid funds enabling the bank to cover its financial obligations at any point, to maintain a proper liquidity level for all time buckets and the maximization of the net income obtained from interests. The bank pays special attention to the identification of the liquidity risk sources, to the assessment of the bank's exposure to this risk and to the drawing up of the appropriate risk limits.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events and includes legal risk, model risk and ICT.

The management of operational risks seeks to ensure the internal framework that enables the identification, assessment, monitoring and undertaking of appropriate measures in order to decrease the operational losses.

Strategic risk represents the possibility of adverse effect on the bank's financial result or capital due to absence of adequate strategies and adverse business decisions, or their inadequate implementation, changes in the business environment in which the bank operates or failure of the bank to adequately respond to these changes.

Strategic risk is managed at bank level as part of its business activities. This is reflected in the business plan targets that are set in line with the budget and strategic guidelines. The risk is regularly monitored within strategic planning as well as in the budgeting process in order to ensure alignment with the target risk profile.

Compliance risk is the risk is the risk of material financial loss, regulatory sanctions, restrictions or limitations or a loss of reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related selfregulatory organization standards, and codes of conduct applicable to its banking activities (together, "compliance laws, rules and standards").

The Bank ensures the reduction and monitoring of compliance risk by reviewing and implementing of policies and procedures specific to the field of compliance, ensuring their compliance with the legal regulatory framework, continuous assessment of indicators on compliance risk assessment and conducting compliance-testing activities.

Political risk is the exposure to a loss, caused by events in a particular country which are under the control of the government but clearly not under the control of an independent private enterprise or individual, e.g. expropriation, changes in regulatory/legal regime (incl. changes of banking regulatory regime defined by national or international authorities), war, terrorism and other political upheaval, which might have negative impact on the capital position or profitability.

Some risks – such as political risk - arise from events outside the Bank and are beyond its influence or control. Because the Bank cannot prevent such risk/events from occurring, management must focus on identification and mitigation of their impact. In order to support the management of political risk, the bank tracks the internal and external market evolution, considering the implications of the political changes and government initiatives, which can have wider economic implications on the banking industry.

Inter-Concentration Risk refers to risk concentrations that may arise from interactions between different risk exposures across different risk categories. The interactions between the different risk exposures may stem from a common underlying risk driver or from interacting risk drivers.

Concentration risk management in BCRC is based upon a framework of processes, methods and reports. Concentration risks are also taken into account systematically as stress factors of stress tests.

Macroeconomic risk is the risk that the bank incurs losses due to adverse changes in the overall economic environment. It includes also a risk of severe shock that could result in such financial instability that will spread in all parts of financial system and to the extent that could have negative impact on the real economy.

In order to support the management of macroeconomic risk and ensure the timely reaction to potential adverse developments, the evolution of the macroeconomic environment, equity markets and banking sector are monitored on a regular basis by the bank.

Pandemic risk is possibility of adverse effect on the bank's financial result, capital or operations due to the impact of widespread infectious disease in humans on human health, economies, and communities. A salient characteristic of this risk is that it combines a low probability of occurring with high, potentially catastrophic, global impact.

For risk management purposes BCR Chisinau S.A. is regularly monitoring the risk profile taking into consideration COVID-19 context and took additional measures specific to the current crisis for each of the main risk category:

Environmental, Social and Governance (ESG) Risks means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of environmental, social or governance (ESG) factors on the institution's counterparties or invested asset.

In order to ensure an adequate management of ESG risks, BCR Chisinau S.A. integrated the risks in the ICAAP architecture, lending processes but also within the existing governance framework.

XV. HUMAN RESOURCES ACTIVITY AND ORGANISATIONAL STRUCTURE

In 2022 HR management continued to be one of the most important issues for Bank management. The organizational changes have been focused on strengthening sales force, improving customer service and increase efficiency of support and control functions. The total number of employees at December 31st, 2022 amounted to 90 persons and remained within the targets approved by Bank management.

The Bank offered a number of possibilities to its employees to show their potential and develop a career. The Bank policy is to promote first of all its own stuff. At the same time the Bank continued to attract talents from outside based on core competences required to the organizational development.

Achieving new strategic goals implies personnel development in line with the Bank development. In 2023, human resources policy is oriented towards to the development of corporate culture, continuing professional development, improving individual performance, managing and promoting talent, increasing productivity and work efficiency. Human resources activity will contribute to the implementation of overall Bank objectives.

XVI. EVENTS AFTER THE REPORTING DATE

In 2023 BCR Chisinau will change it's shareholder. There are no other events after reporting date.

XVII. ANNEXES

BALANCE SHEET

INCOME STATEMENT

| Indicator | 2021 | | 2022 | | Change | |
|--|--------------|---------------|---------------|---------------|---------------|----------------|
| | mil. Lei | share, % | mil. Lei | share, % | mil. Lei | % |
| Interest income from | | | | | | |
| Due from NBM | 2.42 | 1.54% | 53.56 | 16.35% | 51.14 | 2113.22% |
| Due from banks | - | 0.00% | 0.44 | 0.13% | 0.44 | 100.00% |
| Financial investments- AFS | 8.72 | 5.54% | 46.06 | 14.06% | 37.34 | 428.21% |
| Financial investments- HTM | 21.46 | 13.64% | 64.62 | 19.73% | 43.16 | 201.12% |
| Loans interest | 60.32 | 38.33% | 67.86 | 20.72% | 7.54 | 12.50% |
| Other interest income | - | 0.00% | - | 0.00% | - | |
| Total interest income | 92.92 | 59.04% | 232.53 | 70.99% | 139.61 | 150.25% |
| Interest expense on | | | | | | |
| Due to banks | 1.64 | 1.23% | 3.45 | 1.75% | 1.81 | 110.37% |
| Deposits of individuals | 18.29 | 13.76% | 23.45 | 11.91% | 5.16 | 28.21% |
| Deposits of legal entities | 10.14 | 7.63% | 22.42 | 11.39% | 12.28 | 121.10% |
| Other borrowings | 0.03 | 0.02% | 0.53 | 0.27% | 0.50 | 1666.67% |
| Total interest expense | 30.11 | 22.65% | 49.84 | 25.32% | 19.73 | 65.53% |
| Net interest income | 62.82 | 39.92% | 182.69 | 55.77% | 119.87 | 190.82% |
| Less: Loan loss provision | 2.20 | 1.66% | 18.93 | 9.62% | 16.73 | 760.45% |
| Net interest income after LLP | 60.62 | 38.52% | 163.76 | 49.99% | 103.14 | 170.14% |
| Non-interest income (expense) | | | | | | |
| Fees and commissions income | 27.46 | 17.45% | 31.19 | 9.52% | 3.73 | 13.58% |
| Fees and commissions expense | 10.83 | 8.15% | 13.76 | 6.99% | 2.93 | 27.05% |
| Net fees and commission income | 16.63 | 10.57% | 17.43 | 5.32% | 0.80 | 4.81% |
| Income (expense) from FOREX | 34.02 | 21.62% | 62.38 | 19.04% | 28.36 | 83.36% |
| General and administrative expenses | | | | | | |
| Wages | 45.89 | 34.53% | 53.94 | 27.40% | 8.05 | 17.54% |
| Other general and administrative expenses | 19.96 | 15.02% | 21.77 | 11.06% | 1.81 | 9.07% |
| Depreciation | 11.41 | 8.58% | 11.58 | 5.88% | 0.17 | 1.49% |
| Total General and administrative expenses | 77.26 | 58.13% | 87.29 | 44.34% | 10.03 | 12.98% |
| Other operating result | | | | | | |
| Other operating income | 2.98 | 1.89% | 1.47 | 0.45% | (1.51) | -50.67% |
| Other operating expense | 11.90 | 8.95% | 7.36 | 3.74% | (4.54) | -38.15% |
| Impairment of non-financial assets | 0.13 | 0.10% | 1.24 | 0.63% | 1.11 | 853.85% |
| Profit (loss) before taxation and extraordinary items | 24.95 | 15.85% | 149.15 | 45.53% | 124.20 | 497.80% |
| Income tax charge (release) | 0.48 | 0.36% | 18.45 | 9.37% | 17.97 | 3743.75% |
| Profit (loss) before extraordinary items | 24.47 | 15.55% | 130.69 | 39.90% | 106.22 | 434.08% |
| Extraordinary profit (loss) | - | 0.00% | - | 0.00% | - | |
| Income tax | - | 0.00% | - | 0.00% | - | |
| Extraordinary profit (loss) less income tax | - | 0.00% | - | 0.00% | - | |
| Net profit (loss) | 24.47 | 15.55% | 130.69 | 39.90% | 106.22 | 434.08% |

| Indicator | 2021 | | 2022 | | Change | |
|---|-----------------|----------------|-----------------|----------------|---------------|---------------|
| | mil. Lei | share, % | mil. Lei | share, % | mil. Lei | % |
| ASSETS | | | | | | |
| Cash on hand | 99.00 | 3.65% | 78.17 | 2.51% | (20.83) | -21.04% |
| Balances with National Bank | 510.28 | 18.79% | 1,129.02 | 36.30% | 618.74 | 121.25% |
| Due from banks | 406.44 | 14.97% | 111.58 | 3.59% | (294.86) | -72.55% |
| Loans and advances to customers | 1,077.27 | 39.68% | 1,180.28 | 37.95% | 103.01 | 9.56% |
| Financial assets at fair value through other comprehensive income (FVOCI) / (2017:Financial investments – available-for-sale) | 122.27 | 4.50% | 253.22 | 8.14% | 130.95 | 107.10% |
| Financial assets at amortized cost – state securities / (2017:Financial investments – held-to-maturity) | 448.77 | 16.53% | 296.76 | 9.54% | (152.01) | -33.87% |
| Property and equipment | 20.18 | 0.74% | 15.59 | 0.50% | (4.59) | -22.75% |
| Intangible assets | 3.84 | 0.14% | 3.55 | 0.11% | (0.29) | -7.55% |
| Deferred tax assets | 2.14 | 0.08% | 2.31 | 0.07% | 0.17 | 7.94% |
| Other assets | 24.88 | 0.92% | 39.69 | 1.28% | 14.81 | 59.53% |
| Total assets | 2,715.08 | 100.00% | 3,110.17 | 100.00% | 395.09 | 14.55% |
| | | | | | | |
| LIABILITIES | | | | | | |
| Due to banks | 53.99 | 1.99% | 117.87 | 3.79% | 63.88 | 118.32% |
| Other borrowings | 50.45 | 1.86% | 178.12 | 5.73% | 127.67 | 253.06% |
| Due to customers | 2,067.94 | 76.16% | 2,112.69 | 67.93% | 44.75 | 2.16% |
| Other liabilities | 33.69 | 1.24% | 38.80 | 1.25% | 5.11 | 15.17% |
| Deferred tax liabilities | 3.55 | 0.13% | 19.20 | 0.62% | 15.65 | 440.85% |
| Total liabilities | 2,209.62 | 81.38% | 2,466.68 | 79.31% | 257.06 | 11.63% |
| | | | | | | |
| EQUITY | | | | | | |
| Ordinary shares | 728.13 | 26.82% | 728.13 | 23.41% | - | 0.00% |
| Statutory reserve | 21.03 | 0.77% | 22.25 | 0.72% | 1.22 | 5.80% |
| Accumulated deficit | (249.40) | -9.19% | (119.93) | -3.86% | 129.47 | -51.91% |
| Available-for-sale financial assets reserves | 5.70 | 0.21% | 13.04 | 0.42% | 7.34 | |
| Total shareholders' equity | 505.46 | 18.62% | 643.50 | 20.69% | 138.04 | 27.31% |
| | | | | | | |
| Total liabilities and shareholders' equity | 2,715.08 | 100.00% | 3,110.17 | 100.00% | 395.09 | 14.55% |

CASH FLOW STATEMENT

| Indicatori | 2021 | 2022 |
|---|-----------------|-----------------|
| | million Lei | million Lei |
| Cash flows from operating activities | | |
| Interest receipts | 92.90 | 221.44 |
| Interest payments | (29.96) | (45.93) |
| Fee and commission receipts | 27.38 | 31.19 |
| Fee and commission payments | (10.87) | (13.47) |
| Net financial and other operating income | 36.99 | 63.85 |
| Recovery of written-off loans | 2.30 | 0.79 |
| Staff costs paid | (43.42) | (41.01) |
| Payments of general and administrative expenses | (33.49) | (31.80) |
| Income tax payments | (0.38) | (18.98) |
| Operating profit before working capital changes | 41.45 | 166.08 |
| | | |
| <i>(Increase) / decrease in operating assets:</i> | | |
| Bank placements | - | 8.49 |
| Loans, net | (175.62) | (121.09) |
| Other assets | (1.13) | (14.99) |
| <i>Increase / (decrease) in operating liabilities:</i> | | |
| Due to banks | (53.04) | 81.20 |
| Due to customers and public authorities | (307.60) | 40.84 |
| Other liabilities | 1.45 | 18.83 |
| Net cash flow from / (used in) operating activities | (494.48) | 179.36 |
| | - | - |
| Purchase of property and equipment and intangible assets | (3.91) | (6.70) |
| Receipts from tangible and intangible assets | 0.01 | 6.91 |
| Proceeds from Financial investments AFS | 3,998.98 | 5,918.23 |
| Purchase of Financial investments AFS | (3,998.30) | (5,912.13) |
| Proceeds from Financial investments HTM | 3,654.40 | 3,491.91 |
| Purchase of Financial investments HTM | (3,650.25) | (3,481.50) |
| Net cash used in investing activities | 0.93 | 16.72 |
| | | |
| Cash flows from financing activities | | |
| Receipts from borrowings | 15.73 | 142.68 |
| Payments of borrowings | (4.54) | (21.58) |
| Payments for leasing | (7.35) | (6.79) |
| Net cash from financing activities | 3.84 | 114.31 |
| | | |
| Foreign currency effect | (0.67) | 1.15 |
| Net increase/(decrease) in cash and cash equivalents | (490.37) | 311.54 |
| | | |
| Balance as at 1 January | 1,511.26 | 1,020.88 |
| Balance as at 31 December | 1,020.88 | 1,332.42 |

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| 2022 | Share capital | Reserve capital | Accumulated deficit | Other reserves | Revaluation of financial assets at FVOCI | Total |
|----------------------------------|---------------|-----------------|---------------------|----------------|--|---------------|
| | mln. Lei | mln. Lei | mln. Lei | mln. Lei | mln. Lei | mln. Lei |
| Balance as at 1 January | 728.13 | 21.03 | (249.40) | - | 5.70 | 505.46 |
| Net profit for the year | - | - | 130.69 | - | - | 130.69 |
| Other comprehensive income | - | - | - | - | 7.35 | 7.35 |
| Transfers between reserves | - | 1.22 | (1.22) | - | - | - |
| Balance as at 31 December | 728.13 | 22.25 | (119.93) | - | 13.04 | 643.50 |

| 2021 | Share capital | Reserve capital | Accumulated deficit | Other reserves | Revaluation of financial assets at FVOCI | Total |
|---|---------------|-----------------|---------------------|----------------|--|---------------|
| | mln. Lei | mln. Lei | mln. Lei | mln. Lei | mln. Lei | mln. Lei |
| Balance as at 1 January originally presented | 728.13 | 19.84 | (261.64) | 11.32 | 5.03 | 502.68 |
| Correction of error | - | - | (22.36) | - | - | (22.36) |
| Restated balance as at 1 January | 728.13 | 19.84 | (283.99) | 11.32 | 5.03 | 480.33 |
| Net profit for the year | - | - | 24.47 | - | - | 24.47 |
| Other comprehensive income | - | - | - | - | 0.66 | 0.66 |
| Transfers between reserves | - | 1.19 | 10.13 | (11.32) | - | - |
| Balance as at 31 December | 728.13 | 21.03 | (249.40) | - | 5.70 | 505.46 |

FINANCIAL INDICATORS

| Indicator | 31.12.2021 | 31.12.2022 | Change (%) |
|-----------------|------------|------------|------------|
| Total Assets | 2,715.08 | 3,110.17 | 14.55% |
| Other assets | 24.88 | 39.69 | 59.54% |
| Loans | 1,077.27 | 1,180.28 | 9.56% |
| Liquid assets | 2,009.15 | 1,796.85 | -10.57% |
| Bank Deposits | 53.99 | 117.87 | 118.31% |
| Client Deposits | 2,067.94 | 2,112.69 | 2.16% |
| Own funds | 432.56 | 456.58 | 5.55% |

| Market share | | | |
|----------------|------------|------------|--------|
| | 31.12.2021 | 31.12.2022 | Change |
| Total Assets | 2.29% | 2.37% | 0.08% |
| Loans | 1.99% | 2.03% | 0.04% |
| Liquid assets | 3.43% | 2.88% | -0.55% |
| Total Deposits | 2.35% | 2.34% | -0.01% |
| Capital | 2.60% | 0.00% | -2.60% |

| Rating | | | |
|-----------------|------------|------------|--------|
| | 31.12.2021 | 31.12.2022 | Change |
| Total Assets | 9 | 8 | -1 |
| Loans | 8 | 8 | 0 |
| Total Deposits | 9 | 8 | -1 |
| Client Deposits | 9 | 8 | -1 |
| Capital | 9 | 9 | 0 |

| Profitability indicators | | | |
|--------------------------|------------|------------|-------------|
| | 31.12.2021 | 31.12.2022 | Change |
| Net profit | 24.47 | 130.69 | 106.22 |
| Net Interest Income | 62.79 | 182.69 | 119.87 |
| Net Non-Interest Income | (35.14) | (14.61) | 21.05 |
| Provision allocation | 2.20 | 18.93 | 16.73 |
| ROA | 0.92% | 4.20% | 3.30 p.p. |
| ROE | 5.77% | 28.62% | 22.97 p.p. |
| Cost / Income ratio | 68.11% | 33.25% | -34.84 p.p. |

| Indicators of the loan portfolio quality | | | |
|---|------------|------------|------------|
| | 31.12.2021 | 31.12.2022 | Change |
| Overdue Loans /Total loans | 1.89% | 2.28% | 0.39 p.p. |
| Non-performing Loans (non-interest) / Total loans | 2.09% | 1.78% | -0.31 p.p. |
| Provisions for loan losses/ Total loans | 4.30% | 4.41% | 0.11 p.p. |
| Large Loans/Total loans | 41.29% | 43.12% | 1.83 p.p. |
| Solvency ratio | 38.64% | 37.76% | -0.88 p.p. |
| Liquidity ratio | 57.68% | 57.77% | 0.09 p.p. |

**Declarația de guvernanță corporativă
„Conformare sau justificare”**

| Nr. d/o | ÎNTREBARE | DA | NU | DACĂ NU, ATUNCI JUSTIFICARE |
|---------|--|---|----|---|
| 1. | Dispune societatea de o pagină web proprie? Indicați denumirea acesteia. | DA www.bcr.md | | |
| 2. | Societatea a elaborat Codul de guvernanță corporativă care descrie principiile de guvernanță corporativă, inclusiv modificările la acesta? | DA | | |
| 3. | Codul de guvernanță corporativă este plasat pe pagina web proprie a societății, cu indicarea datei la care a fost operată ultima modificare? | DA Aprobat la sedinta Consiliului de Supraveghere din 23.11.2022 | | |
| 4. | În Codul de guvernanță corporativă sunt definite funcțiile, competențele și atribuțiile consiliului, organului executiv și comisiei de cenzori a societății? | DA | | Comisia de Cenzori nu exista |
| 5. | Raportul anual al conducerii (organului executiv) prevede un capitol dedicat guvernanței corporative în care sunt descrise toate evenimentele relevante, legate de guvernanța corporativă, înregistrate în perioada de gestiune? | DA | | |
| 6. | Societatea asigură tratamentul echitabil al tuturor acționarilor, inclusiv minoritari și străini, deținători de acțiuni ordinare și/sau preferențiale? | DA | | |
| 7. | Societatea a elaborat, a propus și a aprobat procedurile pentru convocarea și desfășurarea ordonată și eficientă a lucrărilor adunării generale a acționarilor, fără a prejudicia însă dreptul oricărui acționar de a-și exprima liber opinia asupra chestiunilor aflate în dezbateră? | DA | | |
| 8 | Societatea publică pe pagina web proprie informații cu privire la următoarele aspecte privind guvernanța corporativă: | | | |
| | 1) informații generale cu privire la societate – date istorice, genurile de activitate, datele de înregistrare, etc.; | DA | | |
| | 2) raportul societății cu privire la respectarea principiilor de guvernanță corporativă și a prevederilor legislației; | DA | | |
| | 3) statutul societății; | DA | | |
| | 4) regulamentele societății, regulamentele consiliului societății, organului executiv, precum și politica de remunerare a membrilor organelor de conducere, de asemenea reglementarea procedurii privind convocarea și | DA | | Componenta, responsabilitățile si atribuțiile Consiliului de Supraveghere, Comitetului Executiv, precum si politica de remunerare a |

| | | | | |
|-----|---|----|--|--|
| | desfășurarea adunării generale a acționarilor, în cazul în care astfel de procedură a fost adoptată; | | | membrilor organelor de conducere sunt incorporate în Codul guvernanta corporativa în BCR Chișinău S.A., care este document public și este plasat pe pagina web al băncii. Reglementările de organizare și funcționare a organelor de conducere sunt documente de uz intern. |
| | 5) situații financiare și rapoarte anuale ale societății; | DA | | |
| | 6) informații privind auditul intern și auditul extern al societății; | DA | | Pe pagina web a băncii este publicată organigrama care prezintă existența și modul de subordonare a funcției de audit intern. Pe pagina web a băncii este publicată informația privind auditul extern (raport anual) |
| | 7) informații cu privire la organul executiv, membrii consiliului societății (pentru fiecare membru separat). Se indică experiența de lucru, funcțiile deținute, studiile, informații cu privire la numărul de acțiuni deținute, cât și mențiunea privind independența acestora; | DA | | Pe pagina web a băncii este publicată informația necesară. |
| | 8) acționarii care dețin cel puțin 5% din acțiunile societății, cât și informațiile privind modificările operate în lista acționarilor; | DA | | |
| | 9) orice alte informații care trebuie dezvăluite public de societate, în conformitate cu legea, de exemplu informații cu privire la tranzacțiile de proporții, orice evenimente importante, comunicate de presă ale societății, informații arhivate cu privire la rapoartele societății pentru perioadele precedente; | DA | | |
| | 10) Declarația de guvernanță corporativă. | DA | | |
| 9 | Acționarul poate utiliza notificări electronice cu privire la convocarea adunării generale a acționarilor (dacă există o astfel de preferință)? | DA | | |
| 10. | Societatea publică pe pagina web proprie (într-o secțiune separată) informații privind adunările generale ale acționarilor: | DA | | |
| | 1) decizia de convocare a adunării generale a acționarilor? | DA | | |
| | 2) proiectele de decizii care urmează să fie examinate (materialele/ documentele aferente ordinii de zi), precum și orice alte informații referitoare la subiectele ordinii de zi? | DA | | |
| | 3) hotărârile adoptate și rezultatul votului? | DA | | |
| 11. | Există în cadrul societății funcția de secretar corporativ? | DA | | |

| | | | | |
|-----|--|--|-----------|---|
| 12. | Există în cadrul societății un departament/ persoană specializat(ă) dedicat(ă) relației cu investitorii? | DA | | |
| 13. | Consiliul se întrunește cel puțin o dată pe trimestru pentru monitorizarea desfășurării activității societății? | DA | | |
| 14. | Toate tranzacțiile cu persoane interesate sunt dezvăluite prin intermediul paginii web a societății? | DA | | |
| 15. | Consiliul societății/ organul executiv a adoptat o procedură în scopul identificării și soluționării adecvate a situațiilor de conflict de interese? | DA | | |
| 16. | Persoana interesată respectă prevederile legale și prevederile Codului de guvernanță corporativă referitor la tranzacțiile cu conflict de interese? | DA | | |
| 17. | Structura consiliului societății asigură un număr suficient de membri independenți? | DA | | |
| 18. | Alegerea membrilor consiliului societății are la bază o procedură transparentă (criterii obiective privind calificarea profesională etc.)? | DA | | |
| 19. | Există un Comitet de remunerare în cadrul societății? | | NU | Legislația nu obliga pentru bancile ne semnificative. Atribuțiile sunt indeplinite de Consiliul de Supraveghere. |
| 20. | Politica de remunerare a societății este aprobată de adunarea generală a acționarilor? | | NU | Politica de remunerare este aprobată de Consiliul de Supraveghere (pentru banci competența Consiliului conform Legii privind activitatea băncilor nr. 202 din 06.10.2017, art. 41) |
| 21. | Politica de remunerare a societății este prezentată în Statutul/ Regulamentul intern și/sau în Codul de guvernanță corporativă? | DA; Codul de guvernanță corporativă (principii generale) | | Există și o reglementare separată |
| 22. | Societatea publică pe pagina web proprie informațiile în limba rusă și/sau engleză? | DA | | în limba rusă și engleză |
| 23. | Există în cadrul societății un Comitet de audit? | DA | | |
| 24. | Societatea, a căror instrumente financiare sunt admise spre tranzacționare pe piața reglementată, prezintă pieței reglementate Declarația sa cu privire la conformarea sau neconformarea cu prevederile Codului de guvernanță corporativă? | DA | | Instrumentele financiare ale băncii nu sunt tranzacționate pe piața reglementată |