



Bank of INTESA  SANPAOLO

JSCB EXIMBANK

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

**PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS**

(FREE TRANSLATION)*

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

BANCA COMERCIALA EXIMBANK S.A.

FINANCIAL STATEMENTS

31 DECEMBER 2022

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BANCA COMERCIALA EXIMBANK S.A.**STATEMENT OF FINANCIAL POSITION****31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)**

	Note	31 December 2022	31 December 2021
Assets			
Cash and balances with National Bank of Moldova	15	1,365,133,894	1,040,839,985
Loans and advances to banks	16	384,502,840	653,569,478
Investment securities	17	671,789,295	912,823,036
Loans and advances to customers	18	1,971,012,027	1,870,183,681
Current tax asset	27	25,896	8,905,932
Intangible assets	19	42,483,553	40,063,079
Property and equipment and right-of-use assets	20	239,696,062	247,122,069
Assets held for sale	21	22,380	22,380
Other assets	22	59,944,550	37,791,500
Total assets		4,734,610,497	4,811,321,140
Liabilities			
Due to banks	23	147,298,164	89,676,896
Due to customers	24	3,337,811,528	3,525,521,877
Provisions	25	28,829,956	20,722,709
Other liabilities	26	66,676,798	88,492,593
Total liabilities		3,580,616,446	3,724,414,075
Equity			
Share capital	28	1,250,000,000	1,250,000,000
Revaluation reserve on investment securities at FV through OCI		-	-
Revaluation reserve on tangible assets		23,550,318	23,550,318
Accumulated losses		(119,556,267)	(186,643,253)
Total equity		1,153,994,051	1,086,907,065
Total liabilities and equity		4,734,610,497	4,811,321,140

The financial statements and the accompanying explanatory notes were approved by the Board of Directors on 20 April, 2023.

Marco Santini
General Manager

Vitalie Bucătaru
First Deputy General Manager

The accompanying notes set on pages 6 to 112 form an integral part of these financial statements.

BANCA COMERCIALA EXIMBANK S.A.**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)**

	Note	2022	2021
Interest income based on the effective interest method	6	318,738,467	180,157,556
Interest expense	6	(71,534,147)	(41,934,460)
Net interest income		247,204,320	138,223,096
Fee and commission income	7	112,266,634	90,011,039
Fee and commission expense	7	(68,284,143)	(46,102,906)
Net fee and commission income		43,982,491	43,908,133
Net trading income	8	60,000,137	43,379,225
Other operating income	9	4,798,137	4,241,497
Impairment charge on financial assets	10	(43,704,895)	(6,604,123)
Personnel expenses	11	(127,123,323)	(105,263,709)
Depreciation and amortisation expenses	12	(30,958,136)	(25,888,879)
Other operating expenses	13	(78,231,709)	(62,658,291)
Profit/ (loss) before income tax		75,967,022	29,336,949
Income tax expense	14	(8,880,036)	(4,580,278)
Profit/ (loss) for the year		67,086,986	24,756,671
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments valued at fair value through other comprehensive income		-	-
Revaluation reserve of tangible assets		-	-
Total other comprehensive income		-	-
Total comprehensive income for the year		67,086,986	24,756,671

The financial statements and the accompanying explanatory notes were approved by the Board of Directors on 20 April, 2023.

Marco Santini
General Manager

Vitalie Bucătaru
First Deputy General Manager

The accompanying notes set on pages 6 to 112 form an integral part of these financial statements.

BANCA COMERCIALA EXIMBANK S.A.**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)**

	Share capital	Revaluation reserve on investment securities at FV through OCI	Revaluation reserve on tangible assets	Accumulated losses	Total
Balance as at 1 January 2022	1,250,000,000	-	23,550,318	(186,643,253)	1,086,907,065
Net profit for the year	-	-	-	67,086,986	67,086,986
<i>Other comprehensive income:</i>					
Fair value change of investment securities	-	-	-	-	-
Net result from the sale of investment securities at FV through OCI	-	-	-	-	-
Fair value change of tangible assets	-	-	-	-	-
<i>Total other comprehensive income</i>	-	-	-	-	-
Total comprehensive income	-	-	-	67,086,986	67,086,986
Balance as at 31 December 2022	1,250,000,000	-	23,550,318	(119,556,267)	1,153,994,051

The accompanying notes set on pages 6 to 112 form an integral part of these financial statements.

BANCA COMERCIALA EXIMBANK S.A.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in Moldovan Lei (MDL) unless otherwise stated)

	Share capital	Revaluation reserve on investment securities at FV through OCI	Revaluation reserve on tangible assets	Accumulated losses	Total
Balance as at 1 January 2021	1,250,000,000	-	23,550,318	(211,399,924)	1,062,150,394
Net profit for the year	-	-	-	24,756,671	24,756,671
<i>Other comprehensive income:</i>					
Fair value change of investment securities	-	-	-	-	-
Net result from the sale of investment securities at FV through OCI	-	-	-	-	-
Fair value change of tangible assets	-	-	-	-	-
<i>Total other comprehensive income</i>	-	-	-	-	-
Total comprehensive income	-	-	-	24,756,671	24,756,671
Balance as at 31 December 2021	1,250,000,000	-	23,550,318	(186,643,253)	1,086,907,065

The accompanying notes set on pages 6 to 112 form an integral part of these financial statements.

BANCA COMERCIALA EXIMBANK S.A.

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in Moldovan Lei (MDL) unless otherwise stated)

	Note	2022	2021
Cash flow from operating activities			
Profit/ (loss) for the year		67,086,986	24,756,671
Adjustments for:			
Depreciation and amortization of tangibles, intangibles and rights- of-use of assets received in operating lease	11	30,958,136	25,888,879
Depreciation of other assets		210,803	199,659
Loss / (recovery) from impairment of financial assets		43,704,894	6,604,124
Expenses from impairment of investment property and recovered collateral	12	183,155	(710,390)
(Profit) / loss on sale of other assets		488,881	981,394
Interest income based on the effective interest method		(318,738,467)	(180,157,556)
Interest expense		71,534,147	41,934,460
Provision for employee benefits		4,294,771	3,771,737
Tax expense		8,880,036	4,580,278
Changes in assets and liabilities:			
Balances with National Bank of Moldova		(384,455,404)	161,553,030
Loans and advances to banks		356,373	60,452,745
Investments in securities at amortised cost		(59,664,188)	(18,335,348)
Loans to customers		(158,846,374)	(334,892,271)
Assets held for sale		-	3,191,231
Other assets		(8,266,989)	5,150,028
Due to customers		(191,097,958)	298,102,319
Other liabilities and provisions		(17,708,947)	(6,467,179)
		(911,080,145)	96,603,812
Interest received		308,979,640	182,008,232
Interest paid		(65,646,670)	(43,276,016)
Income tax paid		-	-
Net cash flow from operating activities		(667,747,175)	235,336,029
Cash flow from investment activity			
Purchase of investment securities		(6,400,345,000)	(16,172,024,200)
Proceeds from the sale of investment securities		6,655,872,900	16,057,372,700
Acquisitions of property and equipment	20	(13,372,635)	(20,669,765)
Acquisitions of intangible assets	19	(12,777,582)	(14,151,067)
Net cash flow from investment activities		229,377,683	(149,472,331)
Cash flow from financial activity			
Proceeds from bank borrowings		57,459,068	-
Payments on long-term loans		-	(83,420,000)
Principal payments related to leasing liabilities		(11,248,649)	(9,861,908)
Net cash flow from financial activities		46,210,419	(93,281,908)
Net increase / (decrease) in cash and cash equivalents		(392,159,073)	(7,418,211)
Cash and cash equivalents as at 1 January		1,568,279,421	1,575,962,596
Effect of exchange rate differences		(70,949)	(264,964)
Cash and cash equivalents as at 31 December	31	1,176,049,399	1,568,279,421

The accompanying notes set on pages 6 to 112 form an integral part of these financial statements.

BANCA COMERCIALA EXIMBANK S.A.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in Moldovan Lei (MDL) unless otherwise stated)

1 REPORTING ENTITY

The Commercial Bank EXIMBANK S.A. (the “Bank”) was established in Republic of Moldova in 1994 as "Banca de Export-Import a Moldovei" and was registered by the National Bank of Moldova (“NBM”) in 1994 as a limited liability company. In 1996 the Bank was transformed into a joint-stock commercial bank "Export-Import". In 2001 in accordance with the decision of the shareholders' meeting the Bank was renamed into BC EXIMBANK S.A. In May 2006 the new sole shareholder of the Bank became Veneto Banca Societa Cooperativa per Azioni (subsequently reorganized in Veneto Banca Societa per Azioni). In August 2006 to reflect its membership of the Italian Bank Group, the new name of the Bank was registered. In March 2018 the new sole shareholder of the Bank became Intesa Sanpaolo Group, Italy.

In June 2017, Veneto Banca Societa per Azioni was declared insolvent. According to an agreement between the Italian state and Intesa Sanpaolo Bank (Italy), the latter should acquire certain assets of Veneto Banca Societa per Azioni, including their shareholding in the Bank. The process of transferring of the ownership was finalized in March 2018, when Intesa Sanpaolo was registered as the Bank’s sole shareholder.

The Bank's headquarters are located at 171/1 Ștefan cel Mare și Sfânt Boulevard, Chisinau, Republic of Moldova.

The Bank provides retail and commercial banking services in Moldovan Lei (“MDL”) and foreign currency for individuals and legal entities. These include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium and long term facilities, retail loans (consumer and mortgage), bank guarantees, letter of credits and documentary collections, etc.

As at 31 December 2022 the Bank had 17 branches in Chisinau, Balti, Ungheni, Orhei, Cahul, Hancesti (2021: 17 branches) which offer a wide range of banking services and operations.

As at 31 December 2022 the Board of Directors of the Bank comprised the following members:

- Massimo Lanza, chairman of the Board;
- Marco Capellini – vice-chairman of the Board;
- Giovanni Bergamini, member of the Board;
- Francesco Del Genio -member of the Board;
- Veronika Vavrova -member of the Board;
- Adriana Carmen Imbăruș -member of the Board.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS).

2.2 Going concern

The bank prepared the financial statements using the principle of going concern.

In accordance with IAS 1 "Presentation of Financial Statements", the general requirements for financial statements are set out, including how they should be structured, the minimum requirements for their content, including concepts such as going concern. The Standard requires Management to conduct an assessment of the entity's ability to continue as a going concern. In the process of making the assessment, when Management is aware of significant uncertainties related to events or conditions that may cause material doubt about the entity's ability to continue as a going concern, those uncertainties shall be presented/disclosed. The uncertainties are considered significant if they can influence, individually or together, the economic decisions made by users on the basis of the financial statements. When an entity does not prepare financial statements on a going concern basis, it shall disclose this fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern. [IAS 1.25]. The assessment should take into account all available information about the future, which is at least, but not limited to, 12 months from the date on which the financial statements are authorised for issue.

In view of the above, the Bank's Management took into account a period of at least 12 months from the date of authorization of the financial statements, taking into account changing economic and business circumstances, the impact of COVID-19 and the recent conflict in Ukraine, on operations and its financial resources.

Among the main financial results recorded by the Bank on 31.12.2022 compared to 31.12.2021 are the following:

- net interest income increased by MDL 109.0 million or + 78.8%, amounting to MDL 247.2 million;
- net income from fees and commissions increased by MDL 16.6 million or + 38.3%, amounting to MDL 60.6 million;
- the total loan portfolio increased by MDL 100.8 million or + 5.4%, amounting to MDL 1,971.0 million, while at the same time there was a decrease in the portfolio of deposits by 187.7 million MDL or -5.3%;
- the net profit increased by + 171.0%, amounting to MDL 67.1 million for the financial year ended on 31.12.2022.

For the financial year ended 31.12.2022, the Bank achieved a net profit of MDL 67.1 million, compared to the results of 2021 in which there was a net profit of MDL 24.8 million. The financial results are reflected in the Statement of profit or loss and other comprehensive income.

As at 31.12.2022, the total own funds ratio is 48.44% (the average per system being 29.49%). This level is significantly higher than the minimum level established according to the normative acts of

2 BASIS OF PREPARATION (CONTINUED)

2.2 Going concern (continued)

the NBM (the minimum requirement of own funds with capital buffers for the Bank is 13.5% of the total amount of the Bank's risk exposure).

Regarding the Bank's liquidity indicators, during 2022 all liquidity indicators, those regulated by the NBM, as well as those defined by the Group were permanently observed within the established limits:

	31.12.2022
Principle I - Long-term liquidity (normative ≤ 1)	0.80
Principle III - Liquidity on maturity bands (normative >1), including:	X
- up to one month inclusive	2.34
- between 1 month and 3 months inclusive	182.33
- between 3 and 6 months inclusive	50.69
- between 6 and 12 months inclusive	54.58
- over 12 months	8.86
Liquidity Coverage Ratio (LCR) (normative $>80\%$)	571.13%

Based on currently available information to the public, the Bank's current key performance indicators and the actions taken by Management, we do not anticipate a direct and significant negative impact of the Covid-19 epidemic and the recent Russia-Ukraine conflict on the Bank's operations, financial position and operating results. However, we cannot rule out the possibility that periods of prolonged uncertainty, an increase in the severity of these actions or a negative secondary impact of these measures on the economic environment in which we operate may have a negative effect on the Bank and its financial position and medium- and long –term operating results.

Following the above assessment and taking into account:

- the appropriate level of capitalization of the Bank;
- satisfactory level of liquidity;
- the measures taken by the Bank in the context of the COVID-19 pandemic in all its variants (Delta, Omicron, Kraken), as well as the impact of the conflict in Ukraine (including the introduction of extensive sanctions against certain companies and individuals in Russia), the Bank's Management has considered the consequences, other events and conditions and has determined that they do not create significant uncertainty that would cause doubt about the Bank's ability to continue as a going concern in the foreseeable future.

2.3 Basis of measurement

The financial statements have been prepared under the historical cost basis or amortized cost basis, except for:

Element	Basis of evaluation
Financial assets measured at fair value through other comprehensive income	Fair value
Land and buildings	Fair value based on reevaluation model
Ivestment property	Fair value
Assets held for sale	The smallest amount between the net book value and the fair value less costs to sell

BANCA COMERCIALA EXIMBANK S.A.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in Moldovan Lei (MDL) unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

2.4 Functional and presentation currency

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The Bank's financial statements are presented in Moldovan Lei (MDL), which is the Bank's functional and presentation currency.

2.5 Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in **Note 5**.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been consistently applied by the Bank for all periods presented in these financial statements.

3.1 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss. With the exception of changes in the fair value of the entity's own equity instruments in foreign currency classified as financial instruments FVOCI, foreign currency transactions are recognized in the statement of other comprehensive income.

Non-monetary items in foreign currency recognized at historical cost are converted applying the exchange rate on the date of initial recognition.

Operations in foreign currency are converted in functional currency using the exchange rate as at transaction date. The year end and average MDL exchange rates for 2022 and 2021 with EUR and USD were as follows:

	2022		2021	
	USD	EUR	USD	EUR
Exchange rate as at 31 December	19.1579	20.3792	17.7452	20.0938
Average rate	18.9032	19.8982	17.6816	20.9255

3.2 Financial assets and liabilities

A **financial asset** is any asset that is:

- a.** cash;
- b.** an equity instrument of another entity;
- c.** a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the Bank;
- d.** a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

A financial liability is any liability that is:

- a.** a contractual obligation:
 - (i) to deliver cash or another financial asset to another entity; or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- b.** a contract that will or may be settled in the entity's own equity instruments and is:
 - (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

(i) Recognition and initial evaluation

The Bank recognizes financial assets and liabilities in its balance sheet only when it becomes part of the instrument's contractual provisions.

The Bank initially recognizes loans and advances, deposits, loans received at fair value at the date when they are initiated. Normal transactions with debt instruments and equity instruments are accounted for at the date of the transfer (settlement date). All other financial assets and liabilities are initially recognized at the transaction date at which the Bank becomes party to the contractual provisions of the instrument at fair value less costs to trade that can be directly attributable to the acquisition or issue.

Upon initial recognition, the Bank shall measure a financial asset or financial liability at its fair value plus or minus in the case of a financial asset or financial liability that is not at fair value through profit or loss, the transaction costs that are directly attributable acquisition or issue of the financial asset or financial debt.

Exceptions to the rule are trade receivables that are measured at their transaction price (as defined in IFRS 15) when the trade receivable does not contain a significant financing component in accordance with IFRS 15.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

(i) Recognition and initial evaluation (continued)

The following table summarizes the rules for initial recognition:

Category	Initial recognition
Financial assets measured at fair value through profit or loss	The fair value without including the cost of the transaction
Financial assets measured at amortized cost Financial assets measured at fair value through other items of comprehensive income	Fair value + transaction costs directly attributable to the acquisition of the financial asset
Financial liabilities measured at amortized cost	Fair value + transaction cost directly attributable to financial debt issue
Financial liabilities measured at fair value through profit or loss	The fair value without including the cost of the transaction

(ii) Subsequent valuation of financial assets and liabilities

After initial recognition, the Bank values a financial asset at:

- a) amortized cost;
- b) fair value through other items of comprehensive income; or
- c) fair value through profit or loss.

After initial recognition, the Bank values a financial liability at:

- a) amortized cost; or
- b) fair value through profit or loss.

Valuation at amortized cost of financial assets and liabilities

The Bank assesses loans and receivables (current accounts and deposits with other banks, including the National Bank of Moldova, loans to customers and other trade receivables) and financial liabilities (deposits and current accounts of other banks and non-bank customers, loans and other commercial liabilities) at amortized cost.

The amortized cost of a financial asset or liability is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments, plus or minus accumulated amortization using the effective interest method for each difference between the initial value and the maturity value and, for financial assets, modified for any reduction for expected impairment losses.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or of a group of financial assets or financial liabilities) and allocating interest income or interest expense over the relevant period.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

(ii) Subsequent valuation of financial assets and liabilities (continued)

The effective interest rate is the rate that accurately updates payments or future cash receipts estimated over the expected life of the financial asset or financial liability at the gross carrying amount of a financial asset or the amortized cost of a financial liability. When calculating the effective interest rate, the Bank estimates the expected cash flows taking into account all the contractual terms of the financial instrument (for example prepayment, extension, call options and similar options), but does not take into account expected credit losses. The calculation includes all commissions and points paid or receivable by parties to the contract that are integral to the actual interest rate, transaction costs and all other bonuses or discounts.

The Bank's management believes that it is not possible to reliably estimate the cash flows or expected lifetimes of the financial instruments and therefore uses contractual treasury flows over the entire contractual life of the financial instruments to calculate the effective interest and amortized cost.

The Bank classifies financial assets that are debt instruments as subsequently measured at either amortized cost or fair value through other comprehensive income or at fair value through profit or loss on the basis of the following:

- a. the entity 's business model for managing financial assets; and
- b. the characteristics of the contractual cash flow of the financial asset (SPPI test).

The business model does not depend on the intentions of the Management for an individual instrument, but refers to the way in which the groups of financial assets (aggregates) are managed to achieve an established business objective. Therefore, the business model is not determined at the company level, because an entity can have more than one business model.

The Bank's business model is based on the analysis of the concordance between the sales performance and the objective of the business model, which must take into account the nature and causes of sales, in this context, being particularly important:

- reasons for the sale - e.g. increase in credit risk, increase in concentration risk, sales made as a result of liquidity stress;
- frequency of sales;
- the importance of sales;
- proximity of the sale date to the maturity date of the asset sold.

As a next step in the classification process, the Bank evaluates the financial contractual clauses to identify whether the conditions of the SPPI test are met. For the purpose of applying the test, the "principal" is considered to be the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

Debt securities are measured at amortized cost if they are held to collect cash flows and these cash flows represent SPPIs and if they are not voluntarily designated at fair value through profit or loss.

Debt securities measured at fair value through other comprehensive income are held for collection

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

(ii) *Subsequent valuation of financial assets and liabilities (continued)*

of contractual payments and for sale, when these cash flows represent SPPIs and are not designated at fair value through profit or loss. Interest income on these assets is calculated using the effective interest method and is recognized in profit or loss.

(iii) *Classification and measurement of financial assets and liabilities*

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- a.** the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b.** the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset must be measured at fair value through other comprehensive income if both of the following conditions are met:

- a.** the financial asset is held within a business model whose objective is met both by collecting contractual cash flows and by selling financial assets; and
- b.** the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost in accordance or at fair value through other comprehensive income.

For investments in equity instruments, the Bank can make an irrevocable election at initial recognition, that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

(iii) Classification and measurement of financial assets and liabilities (continued)

The principal is the fair value of the asset at initial recognition.

Interest consists of consideration for the time value of money, the credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs, as well as a profit margin.

The bank classifies all financial liabilities as subsequently measured at amortised cost, except for:

- a.** financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value;
- b.** financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- c.** financial guarantee contracts. After initial recognition, an issuer of such a contract shall subsequently measure it at the higher of:
 - (i) the amount of the loss; or
 - (ii) the amount initially recognized less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.
- d.** commitments to provide a loan at a below-market interest rate. The Bank as issuer of such a commitment shall subsequently measure it at the higher of:
 - (i) the amount of the loss allowance; or
 - (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.
- e.** contingent consideration recognised by the Bank as an acquirer in a business combination to which IFRS 3 applies. Such a contingent consideration shall subsequently be measured at fair value with changes recognised in profit or loss.

The bank may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when a hybrid contract comprises one or more embedded derivatives and the host instrument is not an asset covered by this standard, or when doing so results in more relevant information, because either:

- a.** it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- b.** a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity’s key management personnel (as defined in IAS 24 Related Party Disclosures).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

(iv) *Classification and measurement of financial assets and liabilities*

The bank reclassifies its financial assets if the entity changes its business model for managing those financial assets. Such changes are expected to be very infrequent. Such changes are determined by the entity's senior management as a result of external or internal changes and must be significant to the entity's operations and demonstrable to external parties. Accordingly, a change in an entity's business model will occur only when an entity either begins or ceases to perform an activity that is significant to its operations.

A change in the objective of the entity's business model must be effected before the reclassification date, applying reclassification prospectively from the reclassification date. In the case of reclassifications, the Bank does not redeem earnings, losses (including impairment gains or losses) or interest previously recognized. The Bank does not reclassify financial liabilities.

(v) *Derecognition*

Derecognition of financial assets

The Bank derecognises a financial asset (or part of a financial asset or a group of similar financial assets, hereinafter referred to as the "financial asset") when the contractual rights to the cash flows of the asset expire or when it transfers the financial asset and the transfer qualifies for derecognition.

The Bank transfers a financial asset when and only when:

- a. transfers the contractual rights to collect the cash flows of the asset; or
- b. retains the contractual rights to receive the cash flows of the asset but undertakes a contractual obligation to pay the cash flows to one or more recipients in a transaction that meets the following conditions:
 - i. The Bank has no obligation to pay amounts to potential recipients, unless it collects equivalent amounts from the original asset;
 - ii. The Bank is prohibited by the terms of the transfer contract from selling or pledging the original asset for reasons other than guaranteeing the obligation to pay treasury flows to potential recipients.
 - iii. The Bank has the obligation to remit any cash flows it collects on behalf of potential recipients without significant delays. In addition, the Bank does not have the right to reinvest these cash flows unless the investments are made in cash or in cash equivalents during the short settlement period from the date of collection and until the date on which the payment to potential partners is made, and the interest earned on such investments is passed on to potential recipients.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

(v) Derecognition (continued)

In the case of a transfer of a financial asset, the Bank assesses the extent to which it has retained or transferred the risks and rewards of ownership of the asset.

If the Bank transfers substantially all the risks and rewards of ownership of the asset, the Bank derecognises the financial asset and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer.

The Bank enters into transactions in which it transfers the assets recognized in the balance sheet, but retains both the risks and the benefits over the transferred assets or part of them. If all or a significant part of the risks and benefits are retained, the transferred assets are not derecognised from the balance sheet. Asset transfers with the retention of all or a significant part of the risks and rewards of benefits include, for example, redemption transactions. Securities sold under resale / repurchase agreements are derecognised in the balance sheet and the corresponding receivables from the buyer for payment are recognized from the date the Bank transfers the assets. The Bank uses the specific identification method to determine the gain or loss on derecognition.

If the Bank retains substantially all the risks and rewards of ownership of the asset, the Bank continues to recognize the financial asset.

If the Bank neither retains nor substantially transfers all the risks and rewards of ownership of the asset, the Bank shall determine the extent to which it retains control of the financial asset.

Retaining control of the transferred asset depends on the ability of the party to which the asset was transferred to sell the asset. If the third party to whom the asset has been transferred has the practical ability to sell the asset and can exercise that unilateral capacity and without the need to impose additional restrictions on the transfer, the Bank has not retained control. In all other cases, the Bank retained control.

If the Bank does not retain control, the Bank derecognises the financial asset and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer.

If the Bank retains control, the Bank continues to recognize the financial asset to the extent that it continues to be involved in that asset. The extent to which the Bank continues to be involved in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. For example, when the continued involvement of the Bank takes the form of the guarantee of the transferred asset, the extent to which the Bank continues to be involved is the lower of (i) the value of the asset and (ii) the maximum amount of consideration received that the Bank may have to reimburse it ("the amount of the guarantee").

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

(v) Derecognition (continued)

When the Bank continues to recognize an asset as long as it continues to engage in the asset, it will recognize a related liability.

Derecognition of financial liabilities

The Bank derecognises a financial liability (or part of a financial liability) from the statement of financial position when and only when it is liquidated - that is, when the obligation specified in the contract is extinguished or canceled or expires.

A substantial change in the terms of an existing or part of an existing financial liability (whether or not it may be attributable to the financial difficulty of the debtor) is accounted for as a winding-up of the original financial liability and recognition of a new financial liability.

The terms of a financial liability are substantially changed if the present value of cash flows under the new conditions (including any commission paid, net of any commission received) differs by at least 10% from the present value of the cash flows remaining under the original instrument, both calculated using the effective interest rate of the original instrument determined before the change. The Bank recognizes in profit or loss any difference between the carrying amount of a financial liability (or part of a financial liability) liquidated or transferred to another party and the consideration paid, including any assets other than cash or liabilities assumed.

If the Bank redeems part of a financial liability, it allocates the previous carrying amount of the financial liability between the part that continues to be recognized and the portion that is derecognised based on the relative fair values of those parties at the date of the redemption.

The Bank participates in sale and repurchase agreements (REPOs) in which it transfers financial assets recognized in the statement of financial position, but retains all or substantially, all the risks and rewards of transferred assets. In this case, the transferred assets are not derecognised.

(vi) Compensation

Financial assets and liabilities are offset and the net amount is recognized in the statement of financial position only when the Bank has a legally enforceable right to offset the amounts recognized and intends to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a similar group of transactions.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

(vii) Fair value measurement

Fair value is the price that would have been received in order to sell an asset or to transfer a liability in a normal transaction between the main market participants or, failing that, the most advantageous market to which the Bank has access to the valuation date.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is considered active if the active or passive transactions take place at a frequency and volume sufficient to provide pricing information on a continuous basis.

If there is no quoted price on an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The selected valuation technique includes all the factors that market participants would consider when determining the price of a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - ie the fair value of the consideration given or received. If the Bank determines that the fair value of the initial recognition differs from the transaction price and the fair value is not evidenced either by a quoted price on an active market for an identical asset or liability or by an evaluation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to postpone the difference between the fair value of the initial recognition and the transaction price. Subsequently, this difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the measurement is fully backed by observable market data or the transaction is closed.

(viii) Identification and measurement of impairment of financial assets

The Bank recognizes a loss allowance for the expected loss on a financial asset that is measured at amortized cost or measured at fair value through other comprehensive income, a receivable arising from a lease, a contract asset or a credit commitment and a financial guarantee contract.

At each reporting date, the Bank assesses the loss adjustment for a financial instrument at an amount equal to the lifetime expected loss of credit if the credit risk of that financial instrument has increased significantly since initial recognition.

However, if, at the reporting date, the credit risk for a financial instrument has not increased significantly since initial recognition, the Bank assesses the loss adjustment for that financial instrument at a value equal to the expected 12-month credit losses.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

(viii) Identification and measurement of impairment of financial assets (continued)

The Bank assesses the expected credit losses of a financial instrument in a way that reflects:

- a. impartial value, weighted by probabilities, which is determined by evaluating a range of possible outcomes;
- b. time-value of money; and
- c. reasonable and justifiable information that is available without unreasonable cost or effort on the reporting date on past events, current conditions and forecasts regarding future economic conditions.

The Bank considers the following in determining the impairment:

- at the date of initial recognition and at each subsequent reporting date, a one-year one-off loss is attributed to instruments classified in Stage 1 (ie financial assets for which there has been no significant increase in credit risk compared to that risk incurred at date initial recognition of the asset);
- verify that there has been a significant increase in credit risk for these assets between the date of the first recognition and the reporting date so that they can be allocated correctly in the three classification steps provided for by the Standard and defining the associated adjustment levels;
- recognize an expected loss for the full residual duration of the financial instrument for exposures classified in Stage 2 (with a significant increase in credit risk since the initial recognition date) and in Stage 3 (non-performing exposures).

IFRS 9 provides for the application of a single depreciation model for all financial assets that have not been recognized at fair value through profit or loss. This model is considered in perspective, ie it should consider a broad set of information, including information about future events and macroeconomic scenarios. Therefore, all reasonable and demonstrable information should be taken into account before recognizing the impairment, including prospective information, in order to:

- a. determine the significant increase in credit risk for the stage assignment (i.e., to define the correct assignment of credit exposures in Stage 1, 2 and 3);
- b. calculate of expected ECL for the next 12 months (Stage 1) and ECL Life (Stage 2 and 3).

Financial assets measured at fair value through profit or loss are not subject to impairment, as this component is included in the total fair value adjustment already recognized in profit / loss for the year.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

(viii) Identification and measurement of impairment of financial assets (continued)

If during the previous year there was a significant increase in credit risk for an individual financial asset and therefore an accumulated depreciation was recognized for the entire life of the ECL, but the significant increase in credit risk does not there is still at the current reporting date, the exposure in question must be reset from Stage 2 to Stage 1. Therefore, the associated adjustment should no longer be equivalent to the lifetime of ECL, but rather the expected loss for the next 12 months. Like the previous adjustment, the associated reversal of the impairment loss should be recognized in profit or loss.

In order to fully comply with the IFRS 9 principle, the Bank has decided to determine the impairment loss for non-performing exposures (Stage 3 exposures), including an Add-on, forward-looking estimate, and the current level of NPL.

In the process of estimating the need for provisions for impairment of non-performing loans, the Bank determines the recoverable amount of loans in accordance with the provisions of IFRS 9 that are embedded by the bank in an internal regulatory document called "IFRS 9 Methodological Document", the details of which are described later in Note 5 "Critical Accounting Estimates and Judgments in the Application of Accounting Policies". If it is determined that there is no objective evidence of impairment for an individually assessed financial asset, the bank shall include the asset in a group of financial assets that have similar credit risk characteristics and assess them for collective impairment.

The methodology for estimating the impairment losses for Stage 3 is applied to the entire non-performing perimeter (both collective and individual assessments).

(ix) Restructured loans

The restructuring measures represent some concessions to a debtor which faces or is likely to face difficulties in fulfilling its financial liabilities ("financial difficulties"). When this happens, the Bank evaluates whether or not the new terms are substantially different from the original terms. Thus, if the terms are not substantially different, the renegotiation or modification does not lead to derecognition, and the Bank recalculates the gross book value based on the revised cash flows of the financial asset and recognizes a gain or loss from the modification in profit or loss. The new gross book value is recalculated by discounting the modified cash flows at the initial (original) effective interest rate.

A concession may refer to one of the following actions:

- a) change of initial terms and conditions of a contract which cannot be respected by the debtor due to financial difficulties, in order to allow a sufficient level of the debt servicing which normally would not be applied should the debtor not be in financial difficulty;
- b) full or partial refinancing of a problem asset, which normally would not be done should the debtor not be in financial difficulty.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

(ix) Restructured loans (continued)

In order to consider an exposure as restructured, the following two conditions must be fulfilled simultaneously:

- the Bank must identify the financial difficulties faced / are likely to be faced by the client;
- the exposure must be subject of a concession.

The exposures subject of some concession as described above are classified in the category of restructured loans being kept in this category up to the maturity.

(x) Removal policy

Debentures and debt securities are written off (partially or wholly) when there is no reasonable expectation of full or partial recovery of the financial asset. This is generally the case when the Bank determines that the debtor has no assets or sources of income that could generate sufficient cash flows to repay the amounts to be removed from the records. This valuation is performed at the individual asset level. Recoveries of amounts previously removed are included in the "(Expenses) / Net income on impairment of financial instruments" in the profit or loss and other comprehensive income statement.

3.3 Loans and advances

Loans and advances, including loans and advances to banks and loans and advances to customers, are non-derivative financial assets with fixed or determinable payments that are not listed on an active market and that the Bank does not intend to sell immediately or in the near future. Loans and advances are initially measured at fair value plus direct incremental costs and subsequently measured at amortised cost using the effective interest method less impairment losses.

3.4 Investments in securities

Recording of securities in the statement of financial position includes:

- Debt securities (State Bonds, Securities issued by the Government of the Republic of Moldova and Certificates of the National Bank of Moldova) measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs and then measured at amortised cost using the effective interest rate method;
- Equity securities valued at FVOCI; these are valued at fair value, and changes are recognised in the statement of other comprehensive income.

As at 31 December 2022 and 2021 the Bank does not hold investments in debt securities at FVOCI or FVTPL.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial guarantee contracts and credit commitments

Financial guarantees are contracts that oblige the Bank to make specific payments to repay a loss to the holder because a specific debtor fails to make a payment when it is due under the terms of a debt instrument. Credit commitments are firm commitments to provide credit under pre-established terms and conditions.

Financial guarantees issued or credit commitments at a lower interest rate than on the market are initially measured at fair value and the fair value of the original is depreciated over the life of the collateral or the commitment.

Subsequently, they are measured at the highest of the value of the impairment adjustment determined in accordance with IFRS 9 and the amount initially recognized less, where applicable, the accrued income recognized in accordance with IFRS 15.

The Bank has not issued any credit commitment that is rated at FVTPL. The Bank also has no credit commitments at a lower interest rate than the market.

For credit commitments, the Bank recognizes the expected impairment losses in accordance with IFRS 9 – consult accounting policy;

Obligations arising from financial guarantees and credit commitments are subject to impairment requirements according to IFRS 9.

3.6 Due to customers

Due to customers are non-derivative financial liabilities to individuals, state or corporate customers and are carried at amortized cost.

3.7 Borrowings

Borrowings are recognized initially at fair value, 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 statement of profit or loss and other comprehensive income over the period of the borrowing contract using the effective interest method.

3.8 Due to banks and repurchase agreements (REPO)

Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liabilities are carried at amortized cost.

The REPO agreements represent transactions when the Bank sells a financial asset (Treasury Bills) and simultaneously enters into an agreement to repurchase the same asset (or similar asset) at a fixed price on a future date. The agreement is accounted for as a liability to banks, and the underlying asset continues to be recognized in the Bank's financial statements.

The REPO agreements are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Other liabilities

Other liabilities include payables accrued when the counterparty has performed its obligations under the contract and are carried at amortized cost.

3.10 Interest income and expense

Effective interest rate

Interest income and expense is recognized in profit or loss using the effective interest rate. The effective interest rate (EIR) is the rate that accurately updates the estimated future cash flows or the estimated cash flows of the financial instrument over the estimated life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial debt.

When calculating the effective interest rate for financial instruments, the Bank estimates the future cash flows of the financial instrument, but not ECL. For financial assets purchased or initially impaired as a result of credit risk (POCI), an adjusted effective interest rate is calculated using estimated future cash flows, including ECL.

Future cash flows are estimated taking into account all the contractual terms of the instrument. The EIR calculation includes all fees and charges paid or received between the parties to the contract, which are incremental and directly attributable to the specific lending agreement, transaction costs and all other premiums or discounts.

Amortized cost and gross book value

"Amortized cost" of a financial asset or financial liability is the amount at which the asset or financial liability is measured at initial recognition less the principal repayments plus or minus the cumulative depreciation using the effective interest method of any difference between the initial amount and the amount at maturity and for financial assets, adjusted for impairment losses for the expected impairment loss.

"The gross carrying amount of a financial asset" is the amortized cost of a financial asset before adjusting it with the allowances for the expected impairment losses.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Interest income and expense (continued)

Calculation of interest income and expenses

The effective interest rate of a financial asset or financial liability is calculated on the initial recognition of a financial asset or financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (if the asset is not impaired) or to the amortized cost of the liability.

The effective interest rate is revised as a result of the periodic reassessment of the cash flows of variable rate instruments to reflect market interest rate movements.

For financial assets that have become impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer depreciated, interest income is calculated by applying the effective interest rate to the gross carrying amount of the asset.

For financial assets that were impaired at initial recognition, interest income is calculated by applying the effective interest rate adjusted to the amortized cost of the asset. The calculation of interest income does not return to gross book value, even if the credit risk of the asset is improved.

3.11 Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Credit commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Other fee and commission income arising from the financial services provided by the Bank including investment management services, brokerage services, and account service fees are recognized as the related service is provided in the statement of profit or loss. Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Dividends

Dividend income is recognized in the statement of profit or loss on the date that the dividend is declared. Income from equity investments and other non-fixed income investments is recognized as dividend income in the statement of profit or loss when the right to receive such income is established.

Dividends are treated as an appropriation of profit in the period they are declared and approved by the General Assembly of Shareholders.

3.13 Net trading income

This comprises gains less losses related to trading assets and liabilities and includes all realized and unrealized foreign exchange differences.

The transaction date is the date on which an entity first recognizes the non-cash asset or non-monetary liability resulting from the payment or receipt of advance consideration.

3.14 Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in the profit and loss statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, determined based on the rates applied at the end of reporting period, and any adjustment in respect of prior periods.

Deferred tax is provided using the balance-sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available to offset the tax loss of previous years and the income tax to be recovered. The deferred tax assets is reduced to the extent that the related tax benefit is unlikely to be realized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

The tax rate used to calculate the current and deferred tax position at 31 December 2022 is 12% (31 December 2021: 12%).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives (three to twenty years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives. Generally, the useful life of intangible assets does not exceed five years, except for the core banking system that is amortized over 20 years and the application for monitoring of loan granting process that is amortized over 10 years.

Intangible assets in progress are not depreciated until they are put into service.

An intangible asset must be derecognised: (i) on disposal; or (ii) when no future economic benefits are expected to arise from its use or disposal.

The gain or loss resulting from the derecognition of an intangible asset is determined as the difference between the net proceeds from the disposal, if any, and the carrying amount of the asset.

3.16 Property and equipment

(i) Initial recognition and measurement

All items of property and equipment are initially recognized at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent measurement

Subsequent to initial recognition, land and buildings are measured at revalued amount less accumulated depreciation and any impairment losses since the most recent revaluation. Other tangible assets are measured at cost, less any cumulative depreciation and any impairment losses.

Revaluations of land and buildings are performed with sufficient regularity so that the carrying amount does not differ substantially from that that would be determined using fair value at the end of the reporting period.

When a building is revalued, the gross carrying amount is restated in proportion to the change in the carrying amount and the depreciation accumulated at the revaluation date is adjusted to the extent that it is equal to the difference between the gross carrying amount and the carrying amount of the asset after taking into account impairment losses accumulated.

When significant components of tangible assets have different useful lives, they will be accounted for as separate components (main components) of the tangible asset. Any gain or loss on the disposal of a tangible asset is recognized in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Property and equipment (continued)

(iii) Subsequent costs

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

(iv) Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	33 years to 50 years
– Leasehold improvements	over the life of the lease
– Equipment and other fixed assets	5 years
– Vehicles	5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if necessary.

Assets under construction are not depreciated until brought in use.

(v) Reclassification to investment property

When the use of property changes from owner-occupied to investment property, the property is reclassified as investment property and continues to be measured at fair value.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount. These are included in their operating income or expenses in the statement of profit or loss and other comprehensive income.

(vi) Revaluation reserve

The difference between the revalued amount and the net book value of tangible assets is recognized as a revaluation reserve in equity.

If the carrying amount of an asset is increased as a result of a revaluation, that increase is recorded and accrued in equity to revaluation reserves. However, the increase is recognized in profit or loss to the extent that it offsets a decrease with the same amount of the asset previously recognized in profit or loss.

If the carrying amount of an asset is reduced as a result of a revaluation, that decrease is recognized in profit or loss. However, the impairment is recognized in equity in revaluation reserves if there is a credit balance in the revaluation reserve for that asset.

The revaluation reserve is transferred to retained earnings when disposing of an asset.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Impairment of non-financial assets

Assets that are amortized are valued for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. Impairment loss is recognized in the amount of the difference between the carrying amount and the recoverable amount. Recoverable amount is estimated to be the greater of fair value less costs to sell and the amount of use. For the purpose of estimating impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). At each reporting date, non-financial assets, with the exception of goodwill, that have been impaired are reviewed for a possible write-down of impairment.

The recoverable amount of an asset or cash-generating unit is the maximum of the amount of use and fair value less costs to sell. The amount of use is based on expected future cash flows, updated at present value using a pre-tax discount rate that reflects current market assessments of the time value of the money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount.

Impairment losses are recognized in profit or loss, except for tangible assets measured at revalued amount, in which case the impairment loss is recognized in other comprehensive income and decreases the revaluation reserve in equity to the extent that it reverses a surplus of revaluation previously recognized in respect of the same asset.

An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount of the net depreciation that would have been determined had no impairment loss been recognized.

Reversing an impairment loss that does not relate to revalued assets is recognized in profit or loss. Reversing an impairment loss on a revalued asset is recognized in profit or loss to the extent that it reverses an impairment loss in respect of the same asset previously recognized as an expense in profit or loss. Any further increase in the carrying amount of an asset is treated as a revaluation increase.

3.18 Leases

The bank assesses at the beginning of the contract whether a contract is or contains a lease, ie whether the contract confers the right to control the use of an identified asset for a period of time in exchange for consideration.

This policy applies to contracts initiated, or amended on, or after 1 January 2019.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Leases (continued)

(i) The Bank as a lessee

The bank as a tenant uses spaces intended for the location of its branches and agencies.

On the other hand, the Bank recognizes an asset related to the right of use at the date of initial application, valued at a value equal to the debt arising from the lease, adjusted by the value of any lease payments paid in advance or increased / accumulated under that lease contract recognized in the statement of financial position immediately after the date of initial application.

The Bank applies a single recognition and valuation approach to all leases except short-term leases and the leasing of low-value assets. The Bank recognizes the lease liabilities for making the lease payments and the right-of-use assets that represent the right to use the underlying assets.

A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less.

A lease of an asset is considered to be of low value when leases have an underlying asset with a value equal to or less than EUR 5 000.

Right-of-use assets

At the beginning of the development, as a lessee, the bank recognizes a right-of -use asset and a debt arising from the leasing contract.

At the start of the development, the cost of right-of -use asset is determined, which includes:

- a) the value of the initial valuation of the debt deriving from the leasing contract;
- b) any lease payments made on or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by the bank; and
- d) estimations of the costs to be borne by the lessee for the dismantling and removal of the underlying asset, for the restoration of the place where it is located or for bringing the underlying asset to the condition imposed in the terms and conditions of the leasing contract.

Debt arising from the leasing contract

At the commencement date, the debt arising from the lease is measured at the present value of the lease payments not paid on that date.

The lease payments included in the valuation of the debt arising from the lease include the following payments related to the right-of -use of the underlying asset during the leasing contract that are not paid at the inception:

- a) fixed payments, minus any leasing incentives received;

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Leases (continued)

- b) variable leasing payments that depend on an index or a rate, initially assessed on the basis of the index or rate from the date of commencement of the development;
- c) the amounts expected to be owed by the lessee on the basis of guarantees related to the residual value;
- d) the exercise price of a call option if the Bank has reasonable assurance that it will exercise it; and
- e) payments of the leasing termination penalties, if the duration of the leasing contract reflects the exercise by the Bank of a termination option.

Leasing payments are discounted using the internal rate calculated by the Treasury Department of the parent bank for this purpose. In 2022, the following rates were used:

- a) 14.49% - for leasing contracts in MDL on a period of 3 years;
- b) 17.17% for leasing contracts in MDL on a period of 5 years.

(ii) The Bank as a lessor

The bank has its own spaces that it leases to third parties. They are classified as operational leasing of real estate investments.

The minimum lease payments in a lease agreement in which the Bank is the lessor are those payments that the lessee is or may be required to make to the Bank during the lease period, less contingent rents and the cost of services and fees paid by the Bank and re-billed to the tenant.

Revenue from operating leases is recognized as income on a straight-line basis over the lease term. The initial direct costs incurred by the Bank are added to the carrying amount of the leased asset and recognized as an expense over the lease term, on a basis similar to the lease income. Assets given under operating leases are depreciated in accordance with the depreciation rules of other similar tangible or intangible assets.

The Bank recognizes the income related to financial leasing on the basis of a model that reflects a constant periodic rate of return related to the Bank's net investment in financial leasing.

In 2022, the Bank was not exposed to financial leasing contracts as a lessor.

3.19 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise assets with less than three months' maturity at acquisition dates including: cash, non-restricted balances with National Bank of Moldova, treasury bills, amounts due from other banks and amounts due from international money transfer systems. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation to transfer economic benefits as a result of past events, it is more likely that not than an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Future operating losses are not provisioned.

3.21 Employee benefits

The Bank, in the normal course of business makes payments to the Moldovan State funds on behalf of its employees for pension, health care and unemployment benefit. All employees of the Bank are members of a state pension plan. All relevant contributions to state pension plan are recognized as an expense in the income statement as incurred. The Bank does not have any further obligations.

The Bank does not operate any other pension scheme and, consequently, has no further obligation in respect of pensions. The Bank does not operate any defined benefit plan or post-retirement benefit plan. The Bank has no obligation to provide further services to current or former employees. Employee benefits include salaries and discretionary bonuses.

3.22 Non-current assets held for sale

Non-current assets held for sale, or disposal group comprising assets and liabilities, are classified as held-for sale if it highly probable that they will be recovered primarily through sale rather than continuing use, and the sale is highly probable within one year after the reporting date.

Non-current assets held for sale include non-performing loan portfolio and equity investments that are subject to assignment, based on a transfer agreement with Veneto Banca LCA (in liquidation), its shareholder. The transfer/ assignment Agreement was signed with the purpose of execution the Italian State Decree dated 25 June 2017 (the so-called "Decree on Veneto Banks").

Non-current assets held for sale include as well as foreclosed collateral executed in respect of non-performing loans.

These are initially recognized at fair value and are subsequently measured at the lower of carrying amount and fair value less costs to sell.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. This property has been acquired through the enforcement of security over non-performing loans and through the transfer of certain properties from tangible assets. Investment property is measured at cost on initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the investment property. After initial recognition, the Bank uses the fair value model by valuing all of its investment properties at fair value.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in the statement of profit or loss and other comprehensive income.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.24 Integration Costs

In the Intesa Sanpaolo press release of December 28, 2017, the Bank was informed about the public contribution in the form of a grant granted by the Italian Government to the Italian banking group Intesa Sanpaolo in order to cover the restructuring and integration costs of all ex-Veneto Banca banks, including Eximbank. In order to ensure the commitments assumed, Intesa Sanpaolo planned and coordinated the Bank's integration plan. The amounts have been allocated on the basis of the actual costs incurred and properly documented and are not subject to refunds or reimbursements.

The expenses incurred related to the integration costs do not aim at reducing the own capital, because they are fully recovered from the means of the Italian Government received in this respect through Intesa Sanpaolo. The Bank considers the use of IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance Information" as the most rational method of recognizing and presenting the costs of full payments.

The Bank applies the income-based approach, according to which integration funds are recognized in the profit or loss of one or more periods. Thus, the financial sources allocated to cover certain expenses are recognized in the statement of profit or loss in the same period as the relevant expense, being presented as a reduction of the related expenses. Similarly, funds related to depreciable assets are recognized in the statement of profit or loss over periods and to the extent that the depreciation of those assets is recognized.

The integration funds related to the assets are presented in the statement of financial position by recording them as deferred income, which is subsequently recognized in the statement of profit or loss on a systematic basis, over the useful life of the asset as a reduction of depreciation expense.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Adoption of new or revised standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Bank as of 1 January 2022:

IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.

Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

Certain new standards, amendments and interpretations of standards are not yet in force for the management period ended December 31, 2022 and have not been applied in the preparation of these individual financial statements:

IFRS 17: Insurance Contracts

(The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17).

This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretionary participation contracts. The Bank does not issue contracts in scope of IFRS 17; therefore its application does not have an impact on the Banks's financial performance, financial position or cash flows.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Adoption of new or revised standards and interpretations (continued)

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)

(The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted.)

The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

The bank expects that the standard, when it will be applied for the first time, will not have a significant impact on the financial statements.

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)

(The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.)

The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

The bank expects that the standard, when it will be applied for the first time, will not have a significant impact on the financial statements.

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

(The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted.)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Adoption of new or revised standards and interpretations (continued)

The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability give rise to taxable and deductible temporary differences that are not equal.

The bank expects that the standard, when it will be applied for the first time, will not have a significant impact on the financial statements.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

(The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8.)

The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU.

The bank expects that the standard, when it will be applied for the first time, will not have a significant impact on the financial statements.

IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)

(The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted.)

The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines "lease payments" or "revised lease payments" in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU.

The bank expects that the standard, when it will be applied for the first time, will not have a significant impact on the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Adoption of new or revised standards and interpretations (continued)

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

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

The bank expects that the standard, when it will be applied for the first time, will not have a significant impact on the financial statements.

4. RISK MANAGEMENT

The Bank's activities expose it to a variety of risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Together with the Bank's operational units, the Bank's Treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units, covering specific areas, such as foreign exchange risk, interest rate risk, liquidity risk and credit risk. In addition, internal audit is responsible for the independent review of risk management and the control environment.

Within the Bank, the risk management process is provided by Risk Management Department, which has adequate corporate governance mechanisms, clearly identified organizational lines of responsibility (hierarchical levels) and a well-defined and efficient internal control system. The objective of the risk management strategy is to create a comprehensive and complete overview of the risks to which the Bank is subject, taking into account the risk profile, to promote a culture of risk awareness and to increase the transparent and accurate representation of the level of risk of the Bank's portfolios.

JSCB EXIMBANK has established, in accordance with the regulatory requirements and guidelines of the Intesa Sanpaolo Group, an independent risk management function which, from a hierarchical and organizational point of view, is separate from the Bank's areas of activity. The risk management function is under the direct supervision and responsibility of the Bank's Board, whose independence in activity is ensured by direct reporting to the Bank's Board.

The Risk Management Department, in collaboration with the ISP Group, proposes the framework for determining the Bank's risk appetite, coordinates and verifies the implementation of risk management policies, ensures the management of the Bank's risk profile and reports to the Bank's Management bodies.

The main objectives related to the risk management processes are intended to protect the Bank's capital and its optimal allocation, to increase the economic value destined to the shareholder, to monitor the risk limits and / or the measures related to the identified risks. The existing system of limits, defined in the Risk Appetite Framework, pays particular attention to monitoring the minimum requirements for capital adequacy, liquidity risk and operational risk.

The most important types of risk are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and other price risk.

4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and certificates of the National Bank of Moldova into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as financial guarantee contracts, credit commitments.

4.1.1 Credit risk measurement

(a) Loans and advances

Evaluating the credit risk for loans and advances to customers and banks at the level of the contracting parties, the Bank reflects three components (i) "default probability" (PD) by the client or contractual party to the contractual obligations; (ii) the current exposure to the Contracting Party and its likely future evolution, from which the Bank derives the "Exposure to Default" (EAD); (iii) the loss ratio for non-compliant obligations "loss in case of default" (LGD).

The Bank's clientele is segmented in three stages. The stages presented below reflect a series of non-compliance probabilities for each stage. This means, in principle that the exposure migrates between stages, with the assessment of changes in the probability of default. The criteria for classifying loans and advances by stages are presented below.

Stage	Description of the stage
1	Loans and advances without significant credit risk increase after initial recognition.
2	Loans and advances with a significant increase in credit risk after initial recognition, but not impaired.
3	Impaired loans and advances.

Criterion for classification of financial assets into Stages 1, 2 and 3 are as follows:

- *Stage 1*: when credit risk has not increased significantly since the initial recognition. For these financial assets, the Bank recognizes the estimated 12-month credit losses and gross interest income (is calculated from the gross carrying amount of the financial asset to the expected loss adjustments).
- *Stage 2*: when credit risk has increased significantly since the initial recognition. Estimated loss on lifetime credit is recognized and continuing interest income is recognized on a gross basis.
- *Stage 3*: when the financial asset is impaired. For these financial assets, the Bank recognizes an estimated loss in credit over the life of the asset, while interest is recognized on a net basis.

4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.1 Credit risk measurement (continued)

(b) Debt securities

For debt securities and certificates of the National Bank of Moldova, the Bank's Risk Department for managing of the credit risk exposures uses ratings depending on of the issuer: Government and National Bank of Moldova. These investments are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

4.1.2 Staging criteria for loans and advances

This paragraph presents the staging criteria for loans and advances in order to classify each financial instrument to a stage, for the purposes of IFRS9 to classify each financial instrument within a stage. Their function is to separate exposures according to their credit risk increase since initial recognition.

The indicators of significant increase of credit risk that classify a loan into Stage 2 are:

- days past due;
- forborne status (restructured loans);
- early warning signals / internal watchlists / proactive credit exposure management (PCEM);
- significant increase of PD since initial recognition.

The application of each criteria is described below:

a) Days past due

According to IFRS9 "there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due". In order to comply with this requirement, the Bank adopts the maturity criterion at group level. In addition to the 30-day Days Past Due (DPD), the Bank shall incorporate a materiality threshold of 1% and at the same time the equivalent of EUR 100 for exposures relating to individuals and EUR 500 to those relating to legal persons which are determined on the basis of the client's outstanding exposure, in accordance with the regulatory requirements as laid down in Article 178 of Regulation (EU) 575/2013.

b) Forborne status

Forborne status for performing exposures is identified as another criterion of credit deterioration since it represents a risk of concession towards a client facing or about to face difficulties in meeting its financial commitments. The rules of identifying and applying forborne status of exposure are those defined by the Bank.

4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.2 Staging criteria for loans and advances (continued)

c) Early Warning Signals / Watchlists / PCEM

Exposures with Early Warning signals (EWS) are classified in Stage 2 since they can be considered as exposures that have deteriorated significantly in credit quality since their recognition. Similarly to forborne status, identification and application of Early Warning signals follow the rules defined by the Bank.

d) Significant increase of PD since origination

Significant increase of PD between origination (or initial recognition) and reporting date is used as an indicator of credit quality deterioration according to the IFRS9 principle. At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition.

When performing this assessment, an entity should use the change in the risk of default over the expected life of a financial instrument instead of the change in the amount of expected loss of credit. PD at initiation is used exclusively for classification purposes in the 3 Stages.

To assess whether credit risk has increased significantly since initiation, it is necessary to compare the PD at the initiation date and PD at the reporting date.

The following table summarizes the Loans staging criteria that are used by the Bank:

Stage 1	Stage 2	Stage 3
<ul style="list-style-type: none"> • Performing exposures without days past due • Performing exposures with more than 30 days past due under materiality threshold 	<ul style="list-style-type: none"> • <i>Performing exposures with more than 30 days past due over materiality threshold</i> • <i>Forborne performing exposures</i> • <i>Performing exposures presented in the local Watchlist/PCEM</i> • <i>PD at initiation compared to PD at the reporting date</i> 	<ul style="list-style-type: none"> • <i>Exposures with more than 90 days past due over materiality threshold</i> • <i>Unlikely to Pay</i> • <i>Doubtful</i>

With regard to the loan portfolio, the Bank uses 2 approaches for measuring ECL: individual and collective (based on homogeneous segments). The individual valuation is applied to default exposures with exposure in excess of the MDL equivalent of EUR 100 thousand.

4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.2 Staging criteria for loans and advances (continued)

In addition, in accordance with the Accounting Policies, for financial assets that are considered significant, the Bank applies an individual treatment, regardless of the stage at which the asset was classified, resulting in expected credit losses as the difference between all cash flows expected to be received discounted at the initial effective annual interest rate (EIR).

In this case, weighted scenarios for all probable cash flows are taken into account, namely: contractual asset flows, flows from the sale of collateral and other credit enhancements.

The individual ECL assessment is performed by weighting the credit loss estimates for different possible outcomes in relation to the probabilities of each outcome. The individual valuation is mainly based on expert judgment which is periodically revised to reduce the difference between estimates and actual losses.

The Bank shall carry out a portfolio assessment for all loans not covered by the individual assessment criteria. In the portfolio assessment, the Bank determines the state of the exposures and measures the share of losses on a collective basis. The Bank analyzes its exposures in segments determined on the basis of the common characteristics of credit risk, so that the exposures within a group have homogeneous or similar risks. At the same time, different segments are assigned different risk parameters, such as PD, LGD and the average payback period.

4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.3 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are continuously monitored and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.

The Bank's exposure to risk, related to any debtor, including banks and brokers, is restricted by sub-limits covering balance sheet and off-balance sheet risks, as well as the limits of daily risk associated with trading instruments, such as forward foreign exchange contracts. Current exposures are monitored daily, compared to established limits.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice:

- mortgages over residential properties;
- rights over business assets such as real estate, inventory and accounts receivable; and
- rights over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimize the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

BANCA COMERCIALA EXIMBANK S.A.**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)****4 RISK MANAGEMENT (CONTINUED)****4.1 Credit risk (continued)****4.1.3 Risk limit control and mitigation policies (continued)**

At 31 December 2022, the net book value of loans and advances to customers amounted to MDL 1,971,012,027 (2021: MDL 1,870,183,681) and the value of identifiable collateral (mainly commercial property) was MDL 5,007,862,644 (2021: 4,537,769,647 MDL).

The value of the collateral is distributed according to the following categories:

	2022			
	Gross book value of loans	Collateral value	Collateral surplus	ECL
Mortgages over residential properties	1,697,163,326	3,544,440,890	1,847,277,564	105,498,666
Cash collateral	86,075,765	125,240,480	39,164,715	2,782,828
Securities	-	-	-	-
Other collateral	170,378,952	1,338,181,274	1,167,802,322	8,732,937
Uninsured exposures	183,537,571	-	-	49,129,156
	2,137,155,614	5,007,862,644	3,054,244,601	166,143,587
	2021			
	Gross book value of loans	Collateral value	Collateral surplus	ECL
Mortgages over residential properties	1,628,726,527	3,361,869,815	1,733,143,288	72,356,764
Cash collateral	48,575,220	60,481,400	11,906,180	1,903,972
Securities	-	-	-	-
Other collateral	93,074,421	1,115,418,432	1,022,344,011	4,135,645
Uninsured exposures	202,207,797	-	-	24,003,904
	1,972,583,965	4,537,769,647	2,767,393,479	102,400,285

Other collaterals mainly include equipment, receivables. The book value of loans was allocated on the basis of the liquidity of the assets taken as collateral.

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw amounts from the Bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.3 Risk limit control and mitigation policies (continued)

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

4.1.4 Impairment and provisioning policies

Impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment (see Note 3.2.viii).

Write-off policy

The Bank writes off a loan (and any related allowances for impairment losses) when the Bank's Credit Department / General Direction determines that the loans / securities are uncollectible. This determination is reached after considering relevant information and appropriate documentation.

The impairment provision shown in the statement of financial position at year-end is derived from each of the 3 internal rating stages.

The table below shows the share of balance sheet items on loans and advances to customers at each stage and the share of the impairments adjustments associated with each step of the total amount of credits and advances to customer's impairment adjustments.

	31 December 2022		31 December 2021	
	Loans and advances (%)	Impairment provision (%)	Loans and advances (%)	Impairment provision (%)
Stage 1	85.85	29.01	93.84	52.53
Stage 2	10.93	42.90	3.33	18.64
Stage 3	3.22	28.09	2.83	28.83
	100	100	100	100

BANCA COMERCIALA EXIMBANK S.A.**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)****4 RISK MANAGEMENT (CONTINUED)****4.1 Credit risk (continued)****4.1.4 Impairment and provisioning policies (continued)**

Changes in the allowances for losses on loans and advances are presented as follows:

	Gross Book Value				Expected loss adjustments from credit risk			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	1,851,001,797	65,802,738	55,779,431	1,972,583,966	53,792,497	19,087,130	29,520,658	102,400,285
Transfer to Stage 1	35,987,666	(30,512,956)	(5,474,710)	-	49,323	(38,963)	(10,360)	-
Transfer to Stage 2	(248,130,542)	250,776,751	(2,646,209)	-	(46,979,214)	48,032,340	(1,053,126)	-
Transfer to Stage 3	(4,679,559)	(25,574,366)	30,253,925	-	(12,110,421)	(3,156,312)	15,266,733	-
Expenses/ (recoveries) during the year, net	-	-	-	-	41,144,184	6,565,836	4,044,237	51,754,257
New financial assets originated	1,198,320,537	29,152,269	762,448	1,228,235,254	16,439,611	2,517,057	7,486	18,964,154
Resumption of provisions	-	-	-	-	-	-	-	-
Derecognitions decreases	(1,173,148,507)	(68,130,206)	(16,347,385)	(1,257,626,098)	(5,012,288)	(1,827,909)	(1,161,239)	(8,001,436)
Effect of foreign currency and other movements	175,292,830	12,136,655	6,533,007	193,962,492	869,915	93,964	62,448	1,026,327
Balance at 31 December 2022	1,834,644,222	233,650,885	68,860,507	2,137,155,614	48,193,607	71,273,143	46,676,837	166,143,587

BANCA COMERCIALA EXIMBANK S.A.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in Moldovan Lei (MDL) unless otherwise stated)

4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.4 Impairment and provisioning policies (continued)

	Gross Book Value				Expected loss adjustments from credit risk			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	1,293,626,955	294,680,737	47,326,361	1,635,634,053	26,488,370	52,274,046	28,844,321	107,606,736
Transfer to Stage 1	186,403,730	(182,394,937)	(4,008,794)	-	4,662,146	(4,584,214)	(77,932)	-
Transfer to Stage 2	(33,900,300)	34,818,032	(917,732)	-	(7,820,827)	8,223,223	(402,396)	-
Transfer to Stage 3	(12,637,247)	(7,551,242)	20,188,489	-	(6,137,790)	(3,758,328)	9,896,118	-
Expenses/ (recoveries) during the year, net	-	-	-	-	23,441,525	(30,254,412)	(8,784,095)	(15,596,982)
New financial assets originated	1,259,184,631	211,859,824	190,626	1,471,235,081	19,019,776	1,489,676	67,042	20,576,494
Resumption of provisions	-	-	(1,053,452)	(1,053,452)	-	-	1,053,451	1,053,451
Derecognitions decreases	(946,527,304)	(299,439,296)	(9,908,496)	(1,255,875,097)	(5,435,390)	(4,117,104)	(1,056,323)	(10,608,817)
Effect of foreign currency and other movements	104,851,333	13,829,619	3,962,429	122,643,380	(425,313)	(185,757)	(19,527)	(630,597)
Balance at 31 December 2021	1,851,001,797	65,802,738	55,779,431	1,972,583,966	53,792,497	19,087,130	29,520,658	102,400,285

BANCA COMERCIALA EXIMBANK S.A.**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)****4 RISK MANAGEMENT (CONTINUED)****4.1 Credit risk (continued)****4.1.5 Loans and advances**

The following table provides information on credit risk associated with financial assets measured at amortized cost. Unless expressly stated for financial assets, the amounts in the table are gross book values. For financial collateral contracts and credit commitments, the values in the table are the amounts committed or guaranteed. The explanation of the terms "Stage 1", "Stage 2" and "Stage 3" is included in Note 4.1.2.

	2022			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	1,834,644,222	233,650,885	68,860,507	2,137,155,614
Allowance for impairment	(48,193,607)	(71,273,143)	(46,676,837)	(166,143,587)
Book value	1,786,450,615	162,377,742	22,183,670	1,971,012,027
Loans and advances to banks	384,736,553	-	-	384,736,553
Allowance for impairment	(233,713)	-	-	(233,713)
Book value	384,502,840	-	-	384,502,840
Treasury bills	676,251,665	-	-	676,251,665
Allowance for impairment	(4,462,370)	-	-	(4,462,370)
Book value	671,789,295	-	-	671,789,295
Cash at National Bank of Moldova	1,117,017,171	-	-	1,117,017,171
Allowance for impairment	(4,833,161)	-	-	(4,833,161)
Book value	1,112,184,010	-	-	1,112,184,010
Other financial assets	40,291,107	-	4,157,781	44,448,888
Allowance for impairment	-	-	(4,157,781)	(4,157,781)
Book value	40,291,107	-	-	40,291,107
Financial guarantee contracts and credit commitments	163,937,490	6,681,557	785,576	171,404,623
Allowance for impairment	(2,274,970)	(1,846,599)	(577,099)	(4,698,668)
Book value	161,662,520	4,834,958	208,477	166,705,955

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4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

				2021
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	1,851,001,797	65,802,738	55,779,431	1,972,583,966
Allowance for impairment	(53,792,497)	(19,087,130)	(29,520,658)	(102,400,285)
Book value	1,797,209,300	46,715,608	26,258,773	1,870,183,681
Loans and advances to banks	653,962,066	-	-	653,962,066
Allowance for impairment	(392,588)	-	-	(392,588)
Book value	653,569,478	-	-	653,569,478
Treasury bills	932,658,683	-	-	932,658,683
Allowance for impairment	(19,835,647)	-	-	(19,835,647)
Book value	912,823,036	-	-	912,823,036
Cash at National Bank of Moldova	805,442,778	-	-	805,442,778
Allowance for impairment	(8,422,512)	-	-	(8,422,512)
Book value	797,020,266	-	-	797,020,266
Other financial assets	21,115,172	-	4,247,430	25,362,602
Allowance for impairment	-	-	(4,247,430)	(4,247,430)
Book value	21,115,172	-	-	21,115,172
Financial guarantee contracts and credit commitments	152,429,283	14,729,921	252,965	167,412,169
Allowance for impairment	(2,934,355)	(1,238,887)	(140,755)	(4,313,997)
Book value	149,494,928	13,491,034	112,210	163,098,172

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The total impairment provision for loans and advances is MDL 166,143,587 (2021: MDL 102,400,285). Further information of the impairment allowance for loans and advances to customers is provided in Note 18.

(a) *Loans and advances without significant credit risk increase after initial recognition (Stage 1)*

Stage 1: STAGE	Corporate entities	Individuals (mortgages)	Individuals (consumer loans)	Total loans and advances to customers
31 December 2022				
Gross book value	792,025,814	933,801,375	108,817,033	1,834,644,222
Less: allowance for impairment	(22,926,353)	(16,470,825)	(8,796,429)	(48,193,607)
Net book value	769,099,461	917,330,550	100,020,604	1,786,450,615
31 December 2021				
Gross book value	827,659,687	865,269,164	158,072,946	1,851,001,797
Less: allowance for impairment	(30,449,570)	(15,105,841)	(8,237,086)	(53,792,497)
Net exposure	797,210,117	850,163,323	149,835,860	1,797,209,300

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4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

(b) Loans and advances with a significant increase in credit risk after initial recognition, but not impaired (Stage 2)

Stage 2:	Corporate entities	Individuals (mortgages)	Individuals (consumer loans)	Total loans and advances to customers
31 December 2022				
Gross book value of the exposure:				
- current	157,984,245	44,554,611	21,931,707	224,470,563
- overdue 30 to 60 days	2,297,319	3,511,254	1,109,756	6,918,329
- overdue 61 to 90 days	823,560	464,513	973,920	2,261,993
	161,105,124	48,530,378	24,015,383	233,650,885
<i>of which supervised by the Proactive Credit Management Unit</i>	1,661,401	-	-	1,661,401
Less: allowance for impairment	(27,386,672)	(27,977,770)	(15,908,701)	(71,273,143)
Net exposure	133,718,452	20,552,608	8,106,682	162,377,742
Fair-Value of collateral*	261,309,276	113,833,414	5,528,241	380,670,931

* The pledge value presented in the table includes the amount of collateral considered by the Bank to be granted to customers in the form of mortgage credit on residential and commercial property, as well as cash deposits, calculated on the basis of the values determined by independent values and adjusted by discount coefficients ("haircuts"). This value does not include financial guarantees in the form of transferable rights, pledge contracts and other financial collateral.

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RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

(b) Loans and advances with a significant increase in credit risk after initial recognition, but not impaired (Stage 2) (continued)

Stage 2:	Corporate entities	Individuals (mortgages)	Individuals (consumer loans)	Total loans and advances to customers
31 December 2021				
Gross book value of the exposure:				
- current	42,583,698	16,764,089	3,332,954	62,680,741
- overdue 30 to 60 days	-	2,093,429	378,904	2,472,333
- overdue 61 to 90 days	-	-	649,664	649,664
	42,583,698	18,857,518	4,361,522	65,802,738
<i>of which supervised by the Proactive Credit Management Unit</i>	1,163,302	-	-	1,163,302
Less: allowance for impairment	(7,905,284)	(9,293,898)	(1,887,948)	(19,087,130)
Net exposure	34,678,414	9,563,620	2,473,574	46,715,608
Fair-Value of collateral*	151,809,142	42,112,035	3,256,744	197,177,921

* The pledge value presented in the table includes the amount of collateral considered by the Bank to be granted to customers in the form of mortgage credit on residential and commercial property, as well as cash deposits, calculated on the basis of the values determined by independent values and adjusted by discount coefficients ("haircuts"). This value does not include financial guarantees in the form of transferable rights, pledge contracts and other financial collateral.

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4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

(c) Loans and advances individually impaired (stage 3)

The breakdown of the gross amount of individually impaired loans and advances by class, along with the value of related collateral held by the Bank as security, are as follows:

Stage 3:	Corporate entities	Individuals (mortgages)	Individuals (consumer loans)	Total loans and advances to customers
31 December 2022				
Gross exposure of loans individually impaired	17,331,456	21,007,289	30,521,762	68,860,507
<i>Out of which are Unlikely To Pay</i>	12,715,076	4,505,907	2,114,497	19,335,480
Less: allowance for impairment	(8,281,235)	(12,984,158)	(25,411,444)	(46,676,837)
Net exposure	9,050,221	8,023,131	5,110,318	22,183,670
Fair-Value of collateral*	47,751,539	67,921,141	3,288,662	118,961,342
31 December 2021				
Gross exposure of loans individually impaired	16,899,687	14,716,195	24,163,549	55,779,431
<i>Out of which are Unlikely To Pay</i>	10,940,580	5,735,800	3,368,951	20,045,331
Less: allowance for impairment	(7,402,260)	(7,682,114)	(14,436,284)	(29,520,658)
Net exposure	9,497,427	7,034,081	9,727,265	26,258,773
Fair-Value of collateral*	44,130,270	54,956,949	4,182,711	103,269,930

* *The pledge value presented in the table includes the amount of collateral considered by the Bank to be granted to customers in the form of mortgage credit on residential and commercial property, as well as cash deposits, calculated on the basis of the values determined by independent valuers and adjusted by discount coefficients ("haircuts"). This value does not include financial guarantees in the form of transferable rights, pledge contracts and other financial collateral.*

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)**

4 RISK MANAGEMENT (CONTINUED)**4.1 Credit risk (continued)****4.1.5 Loans and advances (continued)***(d) Loans and advances renegotiated*

Restructuring activities include extended payment arrangements, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. Renegotiated loans that would otherwise be past due or impaired amounted to MDL 20,517,450 at 31 December 2022 (2021: MDL 20,828,377).

	31 December 2022	31 December 2021
Loans and advances to customers:		
Corporate entities	15,080,745	14,877,175
Individuals	5,436,705	5,951,202
Total	20,517,450	20,828,377

(e) Loans and advances to banks and investments in securities

As at 31 December 2022 the Bank has correspondent accounts in banks of de MDL 384,502,840 (2021: MDL 653,569,478) and investments in state securities and certificates of NBM amounting to MDL 671,789,295 MDL (2021: MDL 912,823,036).

The Bank policy is to limit exposures in countries with low ratings, normally below BBB- rating. As at 31 December 2022, the amount of due to banks, rated to below BBB- rating, represented MDL 1,639,639 (2021: MDL 1,217,962), all other exposures to banks are toward banks with rating higher than BBB-.

Short term loans on the interbank market are usually secured by State Treasury Bills and are employed for short term. The Bank also makes investments in State Treasury Bills and Certificates of the National Bank of Moldova, which are considered sovereign risk investments.

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4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

(g) Loans and advances to banks and investments in securities (continued)

The table below shows the rating ranges for interbank and government securities and certificates issued by the National Bank of Moldova:

	31 December 2022	31 December 2021
Loans and advances to banks, net		
Rating from AA- to AA+	71,015,314	87,919,590
Rating from A- to A+	-	-
Rating from BBB to BBB+	311,847,887	564,431,926
Rating BBB- and less	1,639,639	1,217,962
	384,502,840	653,569,478
Investments in securities nad NBM		
Certificates		
Rating BBB- and less (rating sovereign)	671,779,295	912,813,036

4.1.6 Repossessed collateral

The bank has guarantees for certain credit exposures. The overall credit standing of a client tends to be the most relevant indicator of credit quality. However, the pledge provides additional security, and the Bank generally asks customers to provide this. Bank can take pledges in the form of real estate, deposits (cash) and other types of pledge.

In 2022 and 2021, the Bank did not obtain any assets by taking over collateral on non-performing loans.

Assets held in possession are sold as quickly as possible, collections being used to reduce outstanding debt. Further details on the pledges held in possession on 31 December 2022 and 31 December 2021 are included in Note 21.

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4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.7 Concentration of credit risk

(a) *Maximum exposure to credit risk before pledge or other credit risk mitigation instruments*

The table below represents the most pessimistic scenario regarding the exposure to credit risk on 31 December 2022 and 31 December 2021, without taking into account the guarantees held or other credit risk mitigation instruments included. For balance sheet assets, the exposures set out above are based on the net carrying amounts reported in the statement of financial position.

	31 December 2022			31 December 2021		
	Gross exposure	Allowance for expected impairment losses	Net exposure	Gross exposure	Allowance for expected impairment losses	Net exposure
<i>The exposure to asset credit risk is as follows:</i>						
Cash and balances at the National Bank of Moldova	1,369,967,056	(4,833,162)	1,365,133,894	1,049,262,497	(8,422,512)	1,040,839,985
Government Securities and Certificates of the NBM	676,251,664	(4,462,369)	671,789,295	932,658,683	(19,835,647)	912,823,036
Loans and advances to banks	384,736,553	(233,713)	384,502,840	653,962,066	(392,588)	653,569,478
Loans and advances to customers	2,137,155,615	(166,143,588)	1,971,012,027	1,972,583,965	(102,400,284)	1,870,183,681
Other financial assets	44,693,485	(4,402,378)	40,291,107	25,799,356	(4,684,184)	21,115,172
<i>Exposure to credit risk of off-balance sheet items:</i>						
Financial guarantee contracts	38,844,918	(260,837)	38,584,081	32,347,823	(245,562)	32,102,261
Crediting commitments	137,258,373	(4,437,831)	132,820,542	139,378,344	(4,068,436)	135,309,908
As at 31 December	4,788,907,664	(184,773,878)	4,604,133,786	4,805,992,734	(140,049,213)	4,665,943,521

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4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.7 Concentration of credit risk (continued)

(b) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 December 2022 and as of 31 December 2021. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

<i>Credit risk exposures relating to on-balance sheet assets are as follows:</i>	<u>Moldova</u>			<u>OECD countries</u>			<u>Non-OECD countries</u>		
	Gross exposure	Allowance for expected impairment losses	Net exposure	Gross exposure	Allowance for expected impairment losses	Net exposure	Gross exposure	Allowance for expected impairment losses	Net exposure
Cash and balances at the NBM	1,369,967,056	(4,833,162)	1,365,133,894	-	-	-	-	-	-
Treasury bills and Certificates of the NBM	676,251,664	(4,462,369)	671,789,295	-	-	-	-	-	-
Loans and advances to banks	1,122,699	(55,434)	1,067,265	383,037,148	(173,947)	382,863,201	576,706	(4,332)	572,374
Loans and advances to customers	2,133,196,588	(165,217,267)	1,967,979,321	107,261	(33,331)	73,930	3,851,766	(892,990)	2,958,776
Other financial assets	44,693,485	(4,402,378)	40,291,107	-	-	-	-	-	-
As at 31 December 2022	4,225,231,492	(178,970,610)	4,046,260,882	383,144,409	(207,278)	382,937,131	4,428,472	(897,322)	3,531,150

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4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.7 Concentration of credit risk (continued)

<i>Credit risk exposures relating to on-balance sheet assets are as follows:</i>	<u>Moldova</u>			<u>OECD countries</u>			<u>Non-OECD countries</u>		
	Gross exposure	Allowance for expected impairment losses	Net exposure	Gross exposure	Allowance for expected impairment losses	Net exposure	Gross exposure	Allowance for expected impairment losses	Net exposure
Cash and balances at the NBM	1,049,262,497	(8,422,512)	1,040,839,985	-	-	-	-	-	-
Treasury bills and Certificates of the NBM	932,658,683	(19,835,647)	912,823,036	-	-	-	-	-	-
Loans and advances to banks	626,468	(69,683)	556,785	649,984,934	(314,989)	649,669,945	3,350,664	(7,916)	3,342,748
Loans and advances to customers	1,970,841,381	(102,367,446)	1,868,473,935	58,728	(3,090)	55,638	1,683,856	(29,748)	1,654,108
Other financial assets	25,799,356	(4,684,184)	21,115,172	-	-	-	-	-	-
As at 31 December 2021	3,979,188,385	(135,379,472)	3,843,808,913	650,043,662	(318,079)	649,725,583	5,034,520	(37,664)	4,996,856

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4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.7 Concentration of risks (continued)

(c) Industry sectors

Gross exposure	Agriculture and food industry				Financial Government and institutions		Consumer goods to individuals			Total
	Trade	Construction	Energy	NBM	Production	Other				
Cash and balances at NBM	-	-	-	-	1,369,967,056	-	-	-	1,369,967,056	
TB and NBM certificates	-	-	-	-	676,251,664	-	-	-	676,251,664	
Loans and advances to banks	-	-	-	-	384,736,553	-	-	-	384,736,553	
Loans and advance to customers:										
Loans to individuals	-	-	1,003,339,043	-	-	-	141,544,290	-	21,809,888	1,166,693,221
Loans to companies	53,171,622	399,734,140	7,065,362	70,226,593	-	-	-	76,947,492	363,317,185	970,462,394
Other financial assets	-	-	-	-	-	-	-	-	44,693,485	44,693,485
As at 31 December 2022	53,171,622	399,734,140	1,010,404,405	70,226,593	384,736,553	2,046,218,720	141,544,290	76,947,492	429,820,558	4,612,804,373

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4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.7 Concentration of risks (continued)

(c) Industry sectors (continued)

Allowance for expected impairment losses	Agriculture and food industry				Financial institutions	Government and NBM	Consumer goods to individuals			Total
	Trade	Construction	Energy	Production			Other			
Cash and balances at NBM	-	-	-	-	-	(4,833,162)	-	-	-	(4,833,162)
TB and NBM certificates	-	-	-	-	-	(4,462,369)	-	-	-	(4,462,369)
Loans and advances to banks	-	-	-	-	(233,713)	-	-	-	-	(233,713)
Loans and advance to customers:										
Loans to individuals	-	-	(57,432,753)	-	-	-	(38,628,114)	-	(11,488,461)	(107,549,328)
Loans to companies	(7,998,687)	(22,987,982)	(1,215,185)	(1,953,708)	-	-	-	(7,963,988)	(16,474,710)	(58,594,260)
Other financial assets	-	-	-	-	-	-	-	-	(4,402,378)	(4,402,378)
As at 31 December 2022	(7,998,687)	(22,987,982)	(58,647,938)	(1,953,708)	(233,713)	(9,295,531)	(38,628,114)	(7,963,988)	(32,365,549)	(180,075,210)
Total Net exposure	45,172,935	376,746,158	951,756,467	68,272,885	384,502,840	2,036,923,189	102,916,176	68,983,504	397,455,009	4,432,729,163

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Gross exposure	Agriculture and food industry	Trade	Construction	Emergy	Financial institutions	Government and NBM	Consumer goods to individuals	Production	Other	Total
Cash and balances at NBM	-	-	-	-	-	1,049,262,497	-	-	-	1,049,262,497
TB and NBM certificates	-	-	-	-	-	932,658,683	-	-	-	932,658,683
Loans and advances to banks	-	-	-	-	653,962,066	-	-	-	-	653,962,066
Loans and advance to customers:	-	-	-	-	-	-	-	-	-	-
Loans to individuals	-	-	898,842,877	-	-	-	160,193,700	-	26,404,316	1,085,440,893
Loans to companies	150,729,588	380,681,011	5,691,155	94,403,344	63,367,843	-	-	43,436,035	148,834,096	887,143,072
Other financial assets	-	-	-	-	-	-	-	-	25,799,356	25,799,356
As at 31 December 2021	150,729,588	380,681,011	904,534,032	94,403,344	717,329,909	1,981,921,180	160,193,700	43,436,035	201,037,768	4,634,266,567

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4 RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.7 Concentration of risks (continued)

(c) Industry sectors (continued)

Allowance for expected impairment losses	Agriculture and food industry	Trade	Construction	Emergy	Financial institutions	Government and NBM	Consumer goods to individuals	Production	Other	Total
Cash and balances at NBM	-	-	-	-	-	(8,422,512)	-	-	-	(8,422,512)
TB and NBM certificates	-	-	-	-	-	(19,835,647)	-	-	-	(19,835,647)
Loans and advances to banks	-	-	-	-	(392,588)	-	-	-	-	(392,588)
Loans and advance to customers:	-	-	-	-	-	-	-	-	-	-
Loans to individuals	-	-	(32,081,853)	-	-	-	(19,321,208)	-	(5,240,109)	(56,643,170)
Loans to companies	(9,421,562)	(21,045,436)	(279,353)	(3,277,717)	(2,456,205)	-	-	(2,484,057)	(6,792,784)	(45,757,114)
Other financial assets	-	-	-	-	-	-	-	-	(4,684,184)	(4,684,184)
As at 31 December 2021	(9,421,562)	(21,045,436)	(32,361,206)	(3,277,717)	(2,848,793)	(28,258,159)	(19,321,208)	(2,484,057)	(16,717,077)	(135,735,215)
Total Net exposure	141,308,026	359,635,575	872,172,826	91,125,627	714,481,116	1,953,663,021	140,872,492	40,951,978	184,320,691	4,498,531,352

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4 RISK MANAGEMENT (CONTINUED)**4.1 Credit risk (continued)****4.1.7 Concentration of risks (continued)**

At 31 December 2022, 99.85 % (31 December 2021: 99.91%) of the borrowers included in the Bank's loan portfolio are residents of the Republic of Moldova.

On December 31, 2022, there are no significant transactions with local subsidiaries of companies incorporated in the Euro area, which are experiencing financial difficulties materialized through the existence of financial assistance programs or other risk factors.

At 31 December 2022, all investment securities recognized in the portfolio are classified using a Held to Collect business model, ie they are measured at amortized cost and represent certificates issued by the National Bank of Moldova and debt securities issued by the Ministry of Finance.

4.1.8 Post-model adjustments and sensitivity analysis scenarios

On 27 March 2020, the IFRS Foundation published a document that intends to support the consistent application of the requirements of IFRS standards — "COVID-19 - Accounting for expected credit losses by applying IFRS 9 financial instruments in light of the uncertainty resulting from the COVID-19 pandemic."

During 2022, the Bank returned to the initial model of calculating the provisions, not applying the judgment of the credit expert as it was acted upon in the previous year 2020 (as a result of the pandemic), returning to the situation in 2019, aligning with the Group requirements.

	<i>MDL</i>	
	31 December 2022 Reported	31 December 2021 Reported
Stage	Discounts for expected losses from the credit impairment with the application of the initial model	Discounts for expected losses from the credit impairment with the application of the credit expert's judgment
1	48,193,607	53,792,497
2	71,273,143	19,087,130
3	46,676,837	29,520,658
Total	166,143,587	102,400,285

4 RISK MANAGEMENT (CONTINUED)

4.2 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in the Bank's Treasury. Regular reports are submitted to the Board of Directors and heads of each Departments.

4.2.1 Foreign exchange risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

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4 RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.1 Foreign exchange risk (continued)

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at 31 December 2022 and at 31 December 2021. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency.

At 31 December 2022	MDL	USD	EUR	Other foreign currencies*	Total
Assets					
Cash and balances with NBM	574,278,096	286,053,373	504,538,468	263,957	1,365,133,894
Loans and advances to banks	-	302,060,625	74,514,133	7,928,082	384,502,840
Loans and advances to customers	1,391,162,760	68,691,977	511,157,290	-	1,971,012,027
Investment in debt securities and NBM Certificates	671,789,295	-	-	-	671,789,295
Other assets	23,123,383	7,875,614	9,292,110	-	40,291,107
Total financial assets	2,660,353,534	664,681,589	1,099,502,001	8,192,039	4,432,729,163
Liabilities					
Due to banks	-	96,816,097	50,482,067	-	147,298,164
Due to customers	1,751,722,479	560,215,011	1,017,929,768	7,944,270	3,337,811,528
Other liabilities	17,822,716	4,464,577	40,567,831	120,544	62,975,668
Total financial liabilities	1,769,545,195	661,495,685	1,108,979,666	8,064,814	3,548,085,360
Net balance sheet position	890,808,339	3,185,904	(9,477,665)	127,225	884,643,803
Credit commitments and guarantees	110,200,219	21,708,660	39,495,744	-	171,404,623

* Other currencies mainly include the Russian Ruble, the British Pound, the Swiss Franc, the Canadian dollar and the Romanian Leu.

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4 RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.1 Foreign exchange risk (continued)

At 31 December 2021	MDL	USD	EUR	Other foreign currencies*	Total
Assets					
Cash and balances with NBM	545,003,651	136,258,283	358,494,109	1,083,942	1,040,839,985
Loans and advances to banks	-	310,200,020	334,258,791	9,110,667	653,569,478
Loans and advances to customers	1,357,370,972	101,173,183	411,639,526	-	1,870,183,681
Investment in debt securities and NBM Certificates	912,823,036	-	-	-	912,823,036
Other financial assets	12,123,623	8,907,431	84,118	-	21,115,172
Total financial assets	2,827,321,282	556,538,917	1,104,476,544	10,194,609	4,498,531,352
Liabilities					
Due to banks	-	89,676,896	-	-	89,676,896
Due to customers	1,991,967,326	456,115,148	1,067,417,131	10,022,272	3,525,521,877
Other financial liabilities	31,231,145	3,687,174	41,616,431	2,907	76,537,657
Total financial liabilities	2,023,198,471	549,479,218	1,109,033,562	10,025,179	3,691,736,430
Net balance sheet position	804,122,811	7,059,699	(4,557,018)	169,430	806,794,922
Credit commitments and guarantees	79,088,742	20,333,529	67,989,898	-	167,412,169

* Other currencies mainly include the Russian Ruble, the British Pound, the Swiss Franc, the Canadian dollar and the Romanian Leu.

4 RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.1 Foreign exchange risk (continued)

At 31 December 2022, if the MDL had weakened / (strengthened) by 10 per cent against the USD with all other variables held constant, the profit before-tax for the year ended 31 December 2022 would have been approximately MDL 318,590 (2021: MDL 705,970) lower / (higher). At 31 December 2022, if the MDL had weakened / (strengthened) by 10 per cent against the EUR with all other variables held constant, the profit before-tax for the twelve month period ended 31 December 2022 would have been approximately MDL 947,767 (2021: MDL 455,702) lower / (higher).

4.2.2 Interest rate risk

Interest sensitivity of assets, liabilities and off balance sheet items – interest rate change analysis

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily.

The tables below summarizes the Bank's exposure to interest rate risks at 31 December 2022 and 31 December 2021, respectively. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

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4 RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.2 Interest rate risk (continued)

	Up to 1 month	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
At 31 December 2022							
Assets							
Cash and balances with NBM	1,112,184,010	-	-	-	-	252,949,884	1,365,133,894
Loans and advances to banks	302,051,310	-	-	-	-	82,451,530	384,502,840
Treasury Bills	495,561,265	145,640,509	26,205,621	4,224,570	147,330	10,000	671,789,295
Loans to customers	916,279,578	257,419	6,170,600	125,796,983	922,507,447	-	1,971,012,027
Other financial assets	-	-	-	-	-	40,291,107	40,291,107
Total financial assets	2,826,076,163	145,897,928	32,376,221	130,021,553	922,654,777	375,702,521	4,432,729,163
Liabilities							
Due to banks	-	-	-	147,298,164	-	-	147,298,164
Due to customers	1,337,506,672	42,119,566	100,812,536	300,675,691	-	1,556,697,063	3,337,811,528
Other financial liabilities	-	-	-	-	-	62,975,668	62,975,668
Total financial liabilities	1,337,506,672	42,119,566	100,812,536	447,973,855	-	1,619,672,731	3,548,085,360
Interest re-pricing gap	1,488,569,490	103,778,362	(68,436,315)	(317,952,302)	922,654,777		

The term "Up to one month" includes all variable rate loans on which the Bank has the unilateral change right with 10 days notice. Fixed rate loans were treated according to their maturity.

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4 RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.2 Interest rate risk (continued)

	Up to 1 month	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
At 31 December 2021							
Assets							
Cash and balances with NBM	797,020,266	-	-	-	-	243,819,719	1,040,839,985
Loans and advances to banks	313,368,588	-	-	-	-	340,200,890	653,569,478
Treasury Bills	608,875,120	148,104,396	149,053,228	6,735,249	45,043	10,000	912,823,036
Loans to customers	870,175,305	247,194	5,696,701	165,414,158	828,650,323	-	1,870,183,681
Other financial assets	-	-	-	-	-	21,115,172	21,115,172
Total financial assets	2,589,439,279	148,351,590	154,749,929	172,149,407	828,695,366	605,145,781	4,498,531,352
Liabilities							
Due to banks	-	-	-	89,676,896	-	-	89,676,896
Due to customers	1,203,639,093	19,854,245	129,511,991	302,525,273	-	1,869,991,275	3,525,521,877
Other financial liabilities	-	-	-	-	-	76,537,657	76,537,657
Total financial liabilities	1,203,639,093	19,854,245	129,511,991	392,202,169	-	1,946,528,932	3,691,736,430
Interest re-pricing gap	1,385,800,186	128,497,345	25,237,938	(220,052,762)	828,695,366		

The term “Up to one month” includes all variable rate loans on which the Bank has the unilateral change right with 10 days notice. Fixed rate loans were treated according to their maturity.

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4 RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.2 Interest rate risk (continued)

The interest rate sensitivity analysis has been determined based on the exposure to interest rate risk at the reporting date. At 31 December 2022, if interest rates on Bank assets had been higher/lower by 0.2% on correspondent accounts, by 2.5% higher/lower on state securities, by 2.5% higher/lower on granted loans in MDL, by 1.0% higher/lower on loans granted in foreign currency and on Bank liabilities: by 1.0% higher/lower on customers' deposits in MDL and by 0.5% higher/lower on customers' deposits in foreign currency, 0.5% higher / lower for foreign currency borrowings from banks, with all other variables were held constant, the Bank's before tax profit for the twelve month period ended 31 December 2022 would respectively increase/decrease by approximately MDL 41,268,006 (31 December 2021: MDL 30,091,600).

The table below summarizes the average effective interest rate by major currencies for monetary financial instruments not carried at fair value to profit or loss statement:

2022	EUR	USD	MDL
Financial assets			
Due from National Bank of Moldova	0.01%	0.01%	14.59%
Loans and advances to banks	-	1.69%	-
Treasury bills	-	-	14.36%
Loans and advances to customers	4.25%	4.74%	10.40%
Liabilities			
Due to banks	0.81%	3.82%	-
Due to customers	0.80%	1.15%	7.03%
2021	EUR	USD	MDL
Financial assets			
Due from National Bank of Moldova	0.01%	0.01%	1.29%
Loans and advances to banks	0.00%	0.18%	-
Treasury bills	-	-	3.95%
Loans and advances to customers	4.15%	4.56%	9.45%
Liabilities			
Due to banks	0.22%	0.82%	3.34%
Due to customers	-	3.82%	-

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The following table breaks down the Bank's financial assets and financial liabilities at their carrying amounts, as categorized by geographical region as at 31 December 2022 and 31 December 2021. For this table, the Bank has allocated exposures to regions based on the country of domicile of our counterparties.

As at 31 December 2022	Total financial assets	Total financial liabilities	Off balance sheet commitments
Moldova	4,046,260,881	3,073,776,328	170,759,801
Ireland	-	-	-
USA	71,071,370	4,405,366	39,160
Austria	-	433,246	-
Italy	311,865,329	391,571,162	105,662
Germany	-	121,984	-
Russia	528,698	96,378	-
France	-	56,095	-
Belgium	-	331,532	-
Turkey	315	4,909,631	-
Other countries	3,002,570	72,383,638	500,000
	4,432,729,163	3,548,085,360	171,404,623

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4 RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.3 Geographical analysis (continued)

As at 31 December 2021	Total financial assets	Total financial liabilities	Off balance sheet commitments
Moldova	3,843,808,913	3,348,354,616	166,769,159
Ireland	-	-	-
USA	87,919,792	5,728,177	100,000
Austria	-	439,976	-
Italy	561,805,404	303,237,937	43,010
Germany	-	884,240	-
Russia	3,034,254	260,891	-
France	-	62,325	500,000
Belgium	-	1,620,657	-
Turkey	306	4,137,009	-
Other countries	1,962,683	27,010,602	-
	4,498,531,352	3,691,736,430	167,412,169

4.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees. The Bank does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

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4 RISK MANAGEMENT (CONTINUED)

4.3 Liquidity risk (continued)

4.3.1 Non-derivative cash flows

The table below presents the cash flows payable by the Bank under financial assets and liabilities by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows:

At 31 December 2022	Carrying value	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Assets							
Cash and balances with NBM	1,365,133,894	1,365,133,894	-	-	-	-	1,365,133,894
Loans and advances to banks	384,502,840	384,502,840	-	-	-	-	384,502,840
Investments in securities	671,789,295	495,561,265	145,640,509	26,205,621	4,234,570	147,330	671,789,295
Loans and advances to customers	1,971,012,027	3,179,677	25,174,733	106,148,229	793,684,633	1,042,824,755	1,971,012,027
Other financial assets	40,291,107	40,291,107	-	-	-	-	40,291,107
Total assets	4,432,729,163	2,288,668,783	170,815,242	132,353,850	797,919,203	1,042,972,085	4,432,729,163
Liabilities							
Due to banks	147,298,164	-	-	-	147,298,164	-	147,298,164
Due to customers	3,337,811,528	2,197,352,324	57,069,125	300,789,545	782,600,534	-	3,337,811,528
Other financial liabilities	62,975,668	38,165,747	813,772	3,661,975	20,334,174	-	62,975,668
Total liabilities	3,548,085,360	2,235,518,071	57,882,897	304,451,520	950,232,872	-	3,548,085,360
Net Position	884,643,803	53,150,712	112,932,345	(172,097,670)	(152,313,669)	1,042,972,085	884,643,803
Off-balance sheet items							
Guarantees issued	38,584,081	13,040,564	8,001,543	10,785,777	6,756,197	-	38,584,081
Commitments to extend the loan	132,820,542	11,325,119	2,081,129	12,565,326	105,403,968	1,445,000	132,820,542
Total off-balance sheet position	171,404,623	24,365,683	10,082,672	23,351,103	112,160,165	1,445,000	171,404,623

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4 RISK MANAGEMENT (CONTINUED)

4.3 Liquidity risk (continued)

4.3.1 Non-derivative cash flows (continued)

At 31 December 2021	Carrying value	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Assets							
Cash and balances with NBM	1,040,839,985	1,040,839,985	-	-	-	-	1,040,839,985
Loans and advances to banks	653,569,478	653,569,478	-	-	-	-	653,962,067
Investments in securities	912,823,036	608,875,120	148,104,396	149,053,228	6,745,249	45,043	912,823,036
Loans and advances to customers	1,870,183,681	5,401,041	3,925,522	252,572,636	628,086,968	980,197,515	1,870,183,681
Other financial assets	21,115,172	21,115,172	-	-	-	-	21,115,172
Total assets	4,498,531,352	2,391,989,297	211,669,949	508,550,840	764,976,435	741,198,704	4,618,385,225
Liabilities							
Due to banks	89,676,896	-	-	-	89,676,896	-	89,676,896
Due to customers	3,525,521,877	2,481,316,129	143,471,539	317,791,977	615,989,751	183,858	3,558,753,254
Other financial liabilities	76,537,657	51,559,337	2,101,532	9,456,896	13,419,892	-	76,537,657
Total liabilities	3,691,736,430	2,532,875,467	145,573,071	327,248,873	719,086,539	183,858	3,724,967,808
Net Position	806,794,922	(140,886,171)	66,096,878	181,301,967	45,889,896	741,014,846	893,417,417
Off-balance sheet items							
Guarantees issued	32,102,261	2,771,194	3,127,813	21,378,754	4,824,500	-	32,102,261
Commitments to extend the loan	135,309,908	123,333	73,664	65,744,457	45,995,444	555,212	112,492,110
Total off-balance sheet position	167,412,169	2,894,527	3,201,477	87,123,211	50,819,945	555,212	144,594,371

4 RISK MANAGEMENT (CONTINUED)

4.4 Fair values of assets and liabilities

Fair value of financial instruments and fair value hierarchy

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

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);

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

Level 3: valuation techniques for which any significant input is not based on observable market data.

As at 31 December 2022 the Bank holds investments in debt securities classified in level 1, cash and availability at the National Bank of Moldova, loans and advances granted to banks, debts to Banks and customer deposits, which are classified as Level 2 for disclosure purposes. All the other financial assets and liabilities are classified as Level 3 for disclosure purposes.

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4 RISK MANAGEMENT (CONTINUED)

4.4 Fair values of assets and liabilities (continued)

Fair value of financial instruments and fair value hierarchy (continued)

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Banks balance sheet at their fair value. For details, please see the notes below the table.

	2022					2021				
	Carrying value	Level 1	Level 2	Level 3	Fair value	Carrying value	Level 1	Level 2	Level 3	Fair value
Financial assets										
Cash and balances with NBM	1,365,133,894	-	1,365,133,894	-	1,365,133,894	1,040,839,985	-	1,040,839,985	-	1,040,839,985
Loans and advances to banks	384,502,840	-	384,502,840	-	384,502,840	653,569,478	-	653,569,478	-	653,569,478
Treasury bills	671,789,295	675,327,927	-	-	675,327,927	912,823,036	930,349,720	-	-	930,349,720
Loans and advances to customers	1,971,012,027	-	-	1,952,085,414	1,952,085,414	1,870,183,681	-	-	1,815,853,699	1,815,853,699
Other financial assets	40,291,107	-	-	40,291,107	40,291,107	21,115,172	-	-	21,115,172	21,115,172
Total financial assets	4,432,729,163	675,327,927	1,749,636,734	1,992,376,521	4,417,341,182	4,498,531,352	930,349,720	1,694,409,463	1,836,968,871	4,461,728,054
Financial liabilities										
Due to banks	147,298,164	-	147,298,164	-	147,298,164	89,676,896	-	89,676,896	-	89,676,896
Due to customers	3,337,811,528	-	3,341,198,502	-	3,341,198,502	3,525,521,877	-	3,527,703,511	-	3,527,703,511
Other financial liabilities	62,975,668	-	-	62,975,668	62,975,668	76,537,657	-	-	76,537,657	76,537,657
Total financial liabilities	3,548,085,360	-	3,488,496,666	62,975,668	3,551,472,334	3,691,736,430	-	3,617,380,407	76,537,657	3,693,918,064

4 RISK MANAGEMENT (CONTINUED)

4.4 Fair values of assets and liabilities (continued)

(i) Cash and balances with National Bank of Moldova

Cash and cash equivalent with NBM are up to 1 month. The carrying value of cash and balances with NBM approximates their fair value.

(ii) Loans and advances to banks

Due from other banks includes inter-bank placements and items in the course of collection.

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(iii) Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates (based on data published by National bank of Moldova) to determine fair value.

(iv) Due to other banks and customers, other deposits and borrowings

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates (based on data published by National bank of Moldova) for debts with similar remaining maturity.

(v) Amounts owed to banks and customers, other deposits and other loans

Other borrowed funds are presented on the balance sheet at their fair carrying value. There is no active market with similar transactions to determine the borrowings' fair value. The borrowings are due to the shareholder, granted under specific conditions, therefore their fair value cannot be determined using current market information. Accordingly, the Bank considers borrowings' fair value equal to their carrying value.

4 RISK MANAGEMENT (CONTINUED)

4.5 Taxation risk

The Bank is committed to ensure sustainable performance of tax risk management by building and maintaining an efficient, effective and transparent tax function within the Bank. The Bank strictly complies with the legal norms regarding taxes and duties.

Effective from 1 January 2012, IFRS implementation has been considered for the revision of tax legislation in order to introduce particular rules for the treatment of adjustments resulted at the implementation stage and afterwards.

In this context, careful analysis was performed in identification of differences in accounting treatment, having tax impact, both in terms of current tax and deferred tax.

It is expected that also in the future the tax framework will be subject to further amendments. Given the precedents, they may have retroactive application. Tax liabilities of the Bank are opened to a general tax inspection for a period of four years.

4.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk such those arising from legal and regulatory requirements and generally accepted standards of corporate governance. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

4 RISK MANAGEMENT (CONTINUED)

4.6 Operational risk (continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

The impact of the COVID-19 epidemic on operational results

As in the previous year, during 2022 Eximbank responded very promptly to the emergency situation (extended repeatedly by the RM authorities), maintaining a wide range of initiatives aimed at protecting the health of people and customers, to ensure business continuity and counteract the social and economic effects of COVID-19.

The Bank's activity has gradually adapted to local and global health emergencies caused by the effects of the COVID-19 pandemic, as well as the emergence of new Delta / Omicron/ Kraken strains that have affected both market performance and business operations.

The bank continued the application of mixed activity for employees (physical presence, with the possibility of remote work), as well as the implementation of measures to facilitate digital interaction with customers, by improving remote services and with consistent investments to improve remote contact channels with customers and strengthen IT security in terms of fraud prevention.

During 2022, no additional measures were applied in the context of the COVID-19 pandemic.

The effect of military conflict in the region on operational results

With the beginning of the military conflict in the neighboring state, the Bank constantly analyzed and monitored the effect of these events on credit and operational risk (with emphasis on AML and Cybersecurity) and the possible impact on its activity. At the institutional level, credit and operational risk is considered insignificant from the perspective of the impact of the current geopolitical situation.

4 RISK MANAGEMENT (CONTINUED)

4.7 Capital management (Tier capital)

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operate;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee. In 2018, the new capital adequacy reporting requirements under the new regulatory framework in line with Basel III standards came into force. The necessary information is submitted quarterly to the National Bank of Moldova.

Basel III standards requires each Bank or Banking Group to maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above 8%.

The Bank's regulatory capital is divided into two tiers:

1. Tier 1 capital:

- ✓ Tier 1 capital: share capital, retained earnings and reserves, which contributes essentially to ensuring the stability of the Bank and its efficiency;
- ✓ additional tier 1 capital;

2. Tier 2 capital.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)****4 RISK MANAGEMENT (CONTINUED)****4.7 Capital management (Tier capital) (continued)**

The elements held by the Bank in order to establish the Tier Capital meet the eligibility conditions and to which the deductions provided by the legislation have been applied.

Thus, according to the requirements of the NBM, it is necessary to maintain the following minimum requirements related to Tier Capital:

1. a base level tier 1 capital rate of 5.5%;
2. a level tier 1 capital rate of 7.5%;
3. a total tier capital rate of 10.0%.

At the same time, the Bank is obliged to maintain the basic Tier 1 Equity funds required to meet the capital buffer requirements:

1. the rate of capital buffer equal to 2.5% of the total amount of the Bank's risk exposure;
2. the countercyclical buffer rate for credit exposures located in the Republic of Moldova equal to 0% of the amount of the Bank's risk exposure;
3. the systemic risk buffer rate for exposures located in the Republic of Moldova equal to 1% of the amount of the Bank's risk exposure. At the same time, as a result of the BNM Decision no.98 of 12.05.2022, the additional effect from establishing the rate of the systemic risk of 2% in addition to the rate maintained by banks (for banks to the credit risk related to the resident natural persons), the systemic risk shock absorber will increase by about 0.5%.

Thus, according to the regulations of the National Bank of Moldova, the minimum capital requirement for the Bank is 14.04% of the total amount of the Bank's risk exposure.

In order to determine the risk weighted exposure amounts for the purpose of calculating tier capital requirements, the Bank uses the standard approach applied for credit risk and market risk, and for operational risk - the Basic Indicator Approach (BIA).

During 2022, the Bank complied with all tier capital and capital buffer requirements, including those prescribed by the Regulator through the SREP report.

Element	Value 31.12.2022	Value 31.12.2021	Normative / NBM Regulation
Base level tier 1 capital rate	48.44%	45.08%	5.50%
Level tier 1 capital rate	48.44%	45.08%	7.50%
Total tier capital rate	48.44%	45.08%	10.00%

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements in accordance with IFRS requires the Bank's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Evaluations and decisions are continually reviewed on the basis of past experience and other factors, including estimates of subsequent events that are considered reasonable under the circumstances.

a. Judgments

a.1 Classification of financial assets: evaluation of the business model in which the assets are held

See also Note 3.2 iii. An entity's business model refers to the way an entity manages its financial assets to generate cash flows. The Bank's financial assets are held within a business model whose objective is to hold assets to collect contractual treasury flows by collecting contractual payments over the life of the instrument.

The Bank classifies its financial assets by applying a business model "Held to Collect", considering the two characteristics below. It then assesses the financial assets at amortized cost.

- (a) the entity 's business model for the management of financial assets; and
- (b) the characteristics of the contractual treasury flow of the financial asset.

A financial asset is measured at amortized cost if both of the following are met:

- a) the financial asset is held within a business model whose objective is to hold financial assets to collect the contractual cash flows; and
- b) the contractual terms of the financial asset generate, at certain dates, cash flows that are exclusively principal and interest payments on the principal due.

a.2 Determining criteria for increasing credit risk

See also Note 3.2 viii. Establishment of criteria for determining whether credit risk for a financial asset has increased significantly since initial recognition, determining the methodology for incorporating prospective forward-looking information into the discount model for expected impairment losses and selecting and approving the models used when estimating reductions for expected impairment losses.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

b. Assumptions and estimates of uncertainties

b.1 Impairment losses on loans and advances, financial collateral and lending commitments.

See also Note 3.2 viii Impairment of Financial Instruments: Determining input data and incorporating prospective information into the Expected Credit Loss (ECL) Determination Model.

The bank assesses and measures credit risk for all credit exposures. The measurement of provisions is based on the requirements of IFRS 9 and results in the appropriate and timely recognition of the ECL in accordance with the applicable accounting framework. ECL assessment takes place at the level of each credit exposure and also in the collective portfolio by grouping exposures based on common credit risk characteristics.

Estimates of impairment adjustments take into account relevant factors and expectations at reporting date that may affect the collection of remaining cash flows for a group of credit exposures or individual exposures. The Bank considers information that goes further than historical and current data and considering reasonable prospective information, including macroeconomic factor, that are relevant to exposures evaluated under the applicable accounting framework.

The use of forward looking information is not a novelty introduced by IFRS 9. Thus, in order to predict future trends and events to determine both the "Probability of Default" and "Loss Given Default", the Bank considered three scenarios to cover potential future macroeconomic trends such as (i) best scenario, (ii) the baseline scenario and (iii) the adverse scenario, using the following macroeconomic factors: Gross Domestic Product, inflation rate, exchange rate, NBM base rate, unemployment rate, housing price.

The methodology applied by the Bank for the entire non-performing exposures perimeter is based on the objective loss factors supporting the reasoning that the contractual amount can not be fully recovered. In general, this assessment is based on the qualitative and quantitative analysis of the borrower's financial results, the degree of risk exposure, the risk mitigation factors (eg type of collateral), the external factors applied, and the financial impact of the period time required for recovery.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

b. Assumptions and estimates of uncertainties (continued)

In line with the overall approach, loss provisions are recognized either on a 12-month ECL basis or on the basis of the ECL over the lifetime, depending on the significant increase in the credit risk of the financial instrument from the initial recognition. Under the simplified approach, tracking credit risk changes is not necessary, but instead, an ECL depreciation adjustment is recognized over the lifetime from the start.

The Bank uses the general approach for the loan portfolio and for sovereign banks and entities (for which it uses simplified credit risk low) and the simplified approach for assets other than debt instruments.

According to the general approach, depending on asset quality, they are classified in 3 stages / stages. Stage 1 includes performing loans, in Stage 2, the performing portfolio with a significant increase in credit risk from initial recognition and in Stage 3 non-performing financial assets. The Bank considers that exposures to banks and sovereign entities as having a low credit risk (Step 1) if the external ratings of these exposures at the reporting date are within the "investment grade" range.

Collective assessment

Exposures in Stages 1 and 2 are subject to collective evaluation. For the purpose of determining an impairment adjustment on a collective basis, financial instruments are grouped on the basis of similar credit risk characteristics in order to facilitate an analysis that is designed to allow timely identification of significant credit risk increases.

The loan portfolio was divided into 3 groups, exposures to individuals (consumer credit), individuals (mortgages), corporations.

The Bank monitors that the exposures in the pools remain homogeneous in their response to the determinants of credit risk and the credit risk characteristics. Exposure groups are re-analyzed and exposures are re-segmented when there is a significant change in the loan portfolio or changes in the Bank's risk profile.

Stage 1 and Stage 2 ECLs are differentiated due to the maximum residual maturity considered: for exposures classified in Stage 1, the 12-month horizon is considered a ceiling, while for transactions classified in Stage 2, the horizon over the life.

The key input data in the ECL assessment include the following variables: PD, LGD, and EAD. PD and LGD are only involved in Stage 1 and 2 ECL calculations.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

b. Assumptions and estimates of uncertainties (continued)

Individual assessment of impairment losses on loans and advances to customers

The purpose of estimating the expected loss of credit is neither estimating the most pessimistic scenario nor estimating the most optimistic scenario. Instead, an estimate of anticipated credit losses reflects the possibility that a credit loss may occur and the possibility that no credit loss may occur, even if the outcome is most likely not a credit loss. It is necessary that the estimate of anticipated credit losses reflects an impartial and probability-weighted amount that is determined by evaluating a possible range of results without the need for a large number of detailed scenario simulations. Expected credit losses reflect at least three scenarios. Scenarios and their likelihood of occurrence for each of the scenarios are properly supported and documented and reflect the recovery strategy and stage at the client level. Scenarios are updated whenever significant developments occur to maintain relevance.

b.2 See also Note 3.14, Note 14 and Note 27: Recognition of the deferred income tax asset: availability of future profit for the use of tax losses.

b.3 See also Note 4.4: Determining the fair value of instruments that are not traded on an active market.

b.4 See also Note 3.2 viii and Note 4.1.1: Impairment of financial instruments: key assumptions used in estimating future cash flows to be recovered.

BANCA COMERCIALA EXIMBANK S.A.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)****6 NET INTEREST INCOME**

	2022	2021
Interest income based on the effective interest method		
Loans and advances to customers	178,855,751	142,386,330
Investment securities	67,070,731	32,591,535
Due from NBM and from other banks	72,811,985	5,179,691
	318,738,467	180,157,556

Net interest income on impaired financial assets was MDL 6,600,848 (2021: MDL 4,893,432).

	2022	2021
Interest expense		
Due to customers – individuals	45,633,758	30,109,351
Due to customers – companies	19,646,293	5,242,928
Interest expense on leasing debts	2,159,812	2,057,976
Borrowings from other banks	3,661,190	4,524,205
Other borrowings	433,094	-
	71,534,147	41,934,460

7 NET FEE AND COMMISSION INCOME

	2022	2021
Fee and commission income		
Cards	68,955,031	43,345,606
Cash transactions	13,880,058	17,543,140
Payment transactions	14,819,964	17,415,152
Clients accounts administration	6,756,596	6,803,857
Guarantees and letters of credit	1,094,659	1,342,242
International money transfers payments	522,007	417,849
Other commissions	6,238,319	3,143,193
	112,266,634	90,011,039
Fee and commission expense		
Card account services	62,604,496	40,927,061
Payment transactions	5,679,647	5,175,845
	68,284,143	46,102,906

BANCA COMERCIALA EXIMBANK S.A.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)****8 NET TRADING INCOME**

	2022	2021
Net gains from foreign currency transactions	60,071,086	43,644,189
Net gain/ (losses) from foreign currency revaluation	(70,949)	(264,964)
	60,000,137	43,379,225

9 OTHER OPERATING INCOME

	2022	2021
Rent income	1,360,802	1,369,822
Recoveries from loans previously written-off	17,682	1,138,572
Other income	3,419,653	1,733,103
	4,798,137	4,241,497

Other income comes from the sale of commemorative coins, the disposal of other assets, etc.

10 IMPAIRMENT CHARGE ON FINANCIAL ASSETS

	2022	2021
Net impairment charge for:		
- loans and advances to customers	62,716,975	(5,629,300)
- commitments and contingent liabilities	333,324	(5,039,890)
- government securities and certificates issued by the NBM	(15,373,278)	11,279,316
- cash and balances with the NBM	(3,641,754)	6,469,659
- loans and advances to banks	(180,372)	(259,715)
- other financial assets	(150,000)	(215,947)
	43,704,895	6,604,123

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in Moldovan Lei (MDL) unless otherwise stated)

10 IMPAIRMENT CHARGE ON FINANCIAL ASSETS (CONTINUED)

Movements in impairment charge of financial instruments are presented as follows:

	Loans and advances to banks	Cash and balances with NBM	Treasury bills and NBM Certificates	Loans and advances to customers	Other assets	Commitments and contingent liabilities	Total
Balance at 1 January 2021	643,608	2,039,980	8,556,332	107,606,736	4,254,426	9,459,312	132,560,394
Charge	818,017	7,552,686	166,686,223	20,576,494	-	33,152,293	228,785,713
Release	(1,077,577)	(1,083,027)	(155,406,908)	(26,205,799)	-	(38,192,182)	(221,965,493)
Recoveries	-	-	-	1,053,451	-	-	1,053,451
Effect of foreign currency movements	8,540	(87,127)	-	(630,597)	(6,996)	(105,426)	(821,606)
Cession to Veneto Banca (in liquidation)/ Transfer of assets/ Loans sold	-	-	-	-	-	-	-
Balance at 31 December 2021	392,588	8,422,512	19,835,647	102,400,285	4,247,430	4,313,997	139,612,459
Balance at 1 January 2022	392,588	8,422,512	19,835,647	102,400,285	4,247,430	4,313,997	139,612,459
Charge	1,277,546	6,120,892	86,249,992	70,718,411	-	17,388,591	130,001,175
Release	(1,457,903)	(9,762,646)	(101,623,270)	(8,001,436)	(97,656)	(17,055,267)	(86,243,921)
Recoveries	-	-	-	-	-	-	-
Effect of foreign currency movements	21,482	52,403	-	1,026,327	8,007	51,347	1,159,566
Cession to Veneto Banca (in liquidation) / Transfer of assets / Loans sold	-	-	-	-	-	-	-
Balance at 31 December 2022	233,713	4,833,161	4,462,369	166,143,587	4,157,781	4,698,668	184,529,279

Financial instruments, with the exception of loans and advances granted to customers and other financial assets, throughout 2022 were classified in Stage 1 (2021: idem).

BANCA COMERCIALA EXIMBANK S.A.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)****11 PERSONNEL EXPENSES**

	2022	2021
Salaries, wages and bonuses	97,270,913	79,642,333
Social security payments	21,550,344	17,318,342
Meal tickets	2,999,215	3,485,510
Provision for unused leave and other benefits	4,294,771	3,771,738
Remuneration of members of the Board of the Bank	1,008,080	1,045,786
	127,123,323	105,263,709

During 2022 the average number of employees of the Bank was 360 (2021: 353).

12 DEPRECIATION AND AMORTISATION EXPENSES

	2022	2021
Tangible assets depreciation expenses (Note 20)	23,356,576	20,933,913
Intangible assets amortisation expenses (Note 19)	7,601,560	4,954,966
	30,958,136	25,888,879

13 OTHER OPERATING EXPENSES

	2022	2021
Operating lease expenses	942,303	935,990
Stationary expenses and related services	2,469,544	2,630,943
Consulting, legal and audit services	3,513,371	5,043,700
Advertising expenses	3,545,844	3,391,026
Contribution to Deposits Guarantee Fund	6,873,582	6,473,561
Taxes other than income tax	858,349	755,237
Expenses with representatives of Intesa Sanpaolo	4,535,755	3,382,131
Maintenance of intangible assets	16,806,505	16,262,994
Other assets disposal	1,027,196	2,018,682
Other expenses	14,657,100	3,624,679
Administration expenses	3,362,792	3,119,267
Repair and maintenance expenses	10,084,052	10,004,560
Postal and communications expenses	3,364,953	3,056,566
Insurance expenses	1,491,392	1,483,171
Utilities	4,515,816	2,617,831
Expenses/(revenue) with impairment of real estate investments	183,155	(710,390)
Expenses/(revenue) with impairment of recovered guarantees	-	(1,431,657)
	78,231,709	62,658,291

BANCA COMERCIALA EXIMBANK S.A.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)****14 INCOME TAX EXPENSES**

The income tax expense consists of current and deferred tax as follows:

	2022	2021
Current tax	(8,880,036)	(4,580,278)
Total tax expense	(8,880,036)	(4,580,278)

Reconciliation between profit (loss) before tax and income tax expense / reversal from the profit or loss and other comprehensive income statement:

		2022		2021
Profit/(loss) before tax		75,967,022		29,336,949
Taxation at statutory rate	12.00%	9,116,043	12.00%	3,520,434
Tax effect of tax-exempt income	1.6%	1,242,056	5.7%	1,659,658
Tax effect of non-deductible expenses	-0.3%	(207,626)	0.1%	(26,696)
Use of deferred tax	-0.2%	(171,781)	0.00%	-
Reported losses	-1.4%	(1,098,656)	2.0%	(573,118)
Tax (income)/expense in the statement of profit or loss and other comprehensive income	11.7%	8,880,036	15.61%	4,580,278

Further information about deferred income tax is presented in Note 27.

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

BANCA COMERCIALA EXIMBANK S.A.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)****15 CASH AND BALANCES WITH NATIONAL BANK OF MOLDOVA**

	31 December 2022	31 December 2021
Cash on hand	252,949,884	243,819,719
Current account with National Bank of Moldova, of which:		
- funds in (deficit) / excess of mandatory reserves	(62,890,107)	14,495,709
Included in cash and cash equivalents (Note 31)	190,059,777	258,315,428
- Current accounts with NBM:		
mandatory reserve in foreign currency	667,916,990	406,807,915
mandatory reserve in domestic currency	511,990,289	384,139,154
<i>Allowance for expected impairment losses</i>	(4,833,162)	(8,422,512)
	1,175,074,117	782,524,557
Total	1,365,133,894	1,040,839,985

These balances are neither collateralized, nor past due.

During 2022, the Bank implemented a model regarding the estimation of the allowances for expected impairment losses of exposures to the NBM from the perspective of the credit risk associated with the counterparty, in accordance with IFRS 9.

Current accounts with NBM are required to satisfy the mandatory reserve requirements of the National Bank of Moldova. During 2022 the interest rate of remuneration of the obligatory reserves paid by the National Bank of Moldova ranged from 7.50% - 19.50% (2021: 0.15% - 3.50%) for reserves held in MDL and from 0.01% during 2022 for reserves held in USD and EUR (2021: 0.01%).

The mandatory reserves have to be kept at an average limit at the date of 16 and 15 of each month (2021: 16 și 15 of each month). The level should be established at an average throughout a period of 30/31 days. During the dates of reporting to NBM (16 and 15 of each month) these can be used at any capacity needed by the Bank. The ratio of mandatory reserves as at 31 December 2022 was 40.0% (31 December 2021: 26.0%) for reserves held in MDL and 45.0% for reserves held in USD and EUR (31 December 2021: 30.0%).

On 31.12.2022 the requirements regarding the mandatory reserves are considered fulfilled, since for the period of application, the average daily balances in MDL, USD and EUR reserve requirements exceeded the established levels of reserve requirements in the corresponding currencies.

BANCA COMERCIALA EXIMBANK S.A.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)****16 LOANS AND ADVANCES TO BANKS**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Placements with an initial maturity under 3 months, gross	230,101,386	221,842,574
Current accounts, gross	154,635,167	432,119,492
<i>Allowance for expected impairment losses</i>	(233,713)	(392,588)
Included in cash and cash equivalents (Note 31)	<u>384,502,840</u>	<u>653,569,478</u>
Placements with an initial maturity over 3 months, gross	-	-
<i>Allowance for expected impairment losses</i>	-	-
Net placements with an initial maturity over 3 months	<u>-</u>	<u>-</u>
Total	<u>384,502,840</u>	<u>653,569,478</u>

All loans and advances to banks are impaired in a total amount of MDL 233,713 (2021: MDL 392,588). As at 31 December 2022 and 2021 these balances are neither collateralized, nor past due.

Placements with banks and current accounts are placed with large banks from OECD countries amounting to MDL 383,037,149 (2021: MDL 649,984,934). Balances with banks from non-OECD are MDL 1,699,404 (2021: MDL 3,977,132) and are placed with Moldovan, Russian, Ukrainian and Romanian banks.

As at 31 December 2022, the Bank has placements only in foreign currency. The interest rate on placements with banks in foreign currency varied from 0.10% to 5.15% (2021: from 0.01% to 2.00%).

BANCA COMERCIALA EXIMBANK S.A.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)****17 INVESTMENT SECURITIES**

	31 decembrie 2022	31 decembrie 2021
Investments in debt securities measured at amortized cost, of which:		
- treasury bills with an initial maturity of less than three months and Certificates of the National Bank of Moldova	575,635,279	650,775,251
<i>Allowance for expected impairment losses</i>	(3,146,192)	(8,036,769)
Total included in cash and cash equivalents (Note 31)	572,489,087	642,738,482
- treasury bills with an initial maturity over three months	100,606,385	281,873,432
<i>Allowance for expected impairment losses</i>	(1,316,177)	(11,798,878)
	99,290,208	270,074,554
Total investments in treasury bills	671,779,295	912,813,036
Equity investments valued at fair value through other items of comprehensive income	10,000	10,000
Total Investments securities	671,789,295	912,823,036
Current	667,407,395	906,032,744
Non-current	4,381,900	6,790,292

For debt securities, which represent State Securities and Bonds issued by the Government of the Republic of Moldova and Certificates issued by the National Bank, allowances for expected impairment losses of MDL 4,462,369 (2021: MDL 19,835,647) were recorded. Government securities include short, medium and long-term securities in the amount of MDL 275,540,140 (2021: MDL 379,327,901) issued by the Ministry of Finance of the Republic of Moldova and Certificates of the National Bank of Moldova amounting to MDL 396,239,155 (2021: MDL 533,485,136). The yield of these titles ranges from 7.56% to 19.53% in 2022 (2021: from 3.90% to 6.58%) and for Certificates of NBM the yield was between 8.50%-21.50% in 2022 (2021: 2.65%-6.09%).

As at 31 December 2022 and 31 December 2021 investments securities are neither pledged nor expired.

BANCA COMERCIALA EXIMBANK S.A.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)****17 INVESTMENT SECURITIES (CONTINUED)**

The movement in investemnts in debt securities may be summarized as following:

	2022	2021
Balance at 1 January	912,813,036	814,514,516
Additions	6,488,265,091	16,210,763,523
Disposals	(6,744,672,109)	(16,101,185,688)
Impairment	15,373,277	(11,279,315)
Balance at 31 December	671,779,295	912,813,036

At 31 December 2022, equity securities comprise participations in the form of minority interest in the capital of non-listed local companies.

The analysis of the units is as follows:

	Nature of business	Interest held (%)	31 December 2022	31 December 2021
Moldova Stock Exchange	Stock exchange	2.56	10,000	10,000
			10,000	10,000

Movements in equity securitie are as follows:

	2022	2021
Balance at 1 January	10,000	10,000
Additions	-	-
Disposals	-	-
Balance at 31 December	10,000	10,000

BANCA COMERCIALA EXIMBANK S.A.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)****18 LOANS AND ADVANCES TO CUSTOMERS**

	31 December 2022	31 December 2021
Individual (retail customers):		
Mortgages	1,003,339,043	898,842,878
Consumer loans	152,568,479	174,246,334
Credit cards	10,785,699	12,351,682
	1,166,693,221	1,085,440,894
Legal entities	970,462,394	887,143,071
Gross loans and advances	2,137,155,615	1,972,583,965
Less: allowance for expected impairment losses	(166,143,588)	(102,400,284)
Loans and advances, net	1,971,012,027	1,870,183,681
Current	134,502,639	261,995,919
Non-Current	1,836,509,388	1,608,187,762

All loans and advances to customers are granted to borrowers in the Republic of Moldova. Interest rates on commercial loans and advances denominated in Moldovan Leu, granted during the year, range between 3.99%-28% (2021: 3.99% and 23.00%). Nominal interest rates on foreign currency denominated loans ranging between 3.00%-14.00% (2021: 3.00% and 8.75%).

BANCA COMERCIALA EXIMBANK S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in Moldovan Lei (MDL) unless otherwise stated)

19 INTANGIBLE ASSETS

Intangible assets include programs, licenses and other assets (databases, certificates).

	Software	Licenses	Other intangible assets	Intangible assets in progress	Total
Balance at 1 January 2021					
Cost	36,950,304	32,590,863	3,455,317	961,082	73,957,566
Accumulated amortisation	(16,587,651)	(18,297,347)	(2,384,556)	-	(37,269,554)
Book value at 1 January 2021	20,362,653	14,293,516	1,070,761	961,082	36,688,012
Entries	315,000	99,993	-	13,736,074	14,151,067
Transfers	3,027,851	1,275,878	-	(4,303,729)	-
Disposals, cost	-	(904,527)	-	(1,113,632)	(2,018,159)
Disposals, accumulated amortisation	-	904,526	-	-	904,526
Amortisation expense (Note 12)	(2,716,140)	(1,977,876)	(260,950)	-	(4,954,966)
Amortisation expense (integration funds)	(808,946)	(3,748,304)	(150,151)	-	(4,707,401)
Balance at 31 December 2021					
Cost	40,293,155	33,062,207	3,455,317	9,279,795	86,090,474
Accumulated amortisation	(20,112,737)	(23,119,001)	(2,795,657)	-	(46,027,395)
Book value at 31 December 2021	20,180,418	9,943,206	659,660	9,279,795	40,063,079
Entries	-	1,642,332	-	11,135,250	12,777,582
Transfers	10,228,916	7,427,257	-	(17,656,173)	-
Disposals, cost	-	-	-	-	-
Disposals, accumulated amortisation	-	-	-	-	-
Amortisation expense (Note 12)	(5,282,361)	(2,101,845)	(217,354)	-	(7,601,560)
Amortisation expense (integration funds)	(948,571)	(1,792,182)	(14,795)	-	(2,755,548)
Balance at 31 December 2022					
Cost	50,522,071	42,131,796	3,455,317	2,758,872	98,868,056
Accumulated amortisation	(26,343,669)	(27,013,028)	(3,027,806)	-	(56,384,503)
Book value at 31 December 2022	24,178,402	15,118,768	427,511	2,758,872	42,483,553

*Intangible assets amortisation expenses in the amount of MDL 2,755,548 (31 December 2021: MDL 4,707,401) were covered from the integration funds (Note 3.24).

BANCA COMERCIALA EXIMBANK S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts are in Moldovan Lei (MDL) unless otherwise stated)

20 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

The movements in property and equipment are summarized as follows:

	Land and buildings	Equipment and furniture	Vehicles	Other assets	Assets in progress	Right-of-use assets	Total
Cost							
Balance at 1 January 2021	334,880,143	87,299,761	4,091,885	60,310,276	-	35,913,038	522,495,103
Additions	-	10,480,844	-	1,381,286	8,807,635	20,557,006	41,226,771
Transfers	1,447,366	5,425,275	-	-	(6,872,641)	-	-
Reclassification to investment property	-	-	-	-	-	-	-
Disposals, cost	(1,976,861)	(19,231,503)	-	(1,875,044)	(45,022)	(6,602,259)	(29,730,689)
Reevaluation	-	-	-	-	-	-	-
Balance at 31 December 2021	334,350,648	83,974,377	4,091,885	59,816,518	1,889,972	49,867,785	533,991,185
Balance at 1 January 2022	334,350,648	83,974,377	4,091,885	59,816,518	1,889,972	49,867,785	533,991,185
Additions	-	1,996,746	288,452	103,245	10,984,192	9,692,935	23,065,570
Transfers	1,243,663	7,031,328	30,800	1,904,878	(10,210,669)	-	-
Reclassification to investment property	-	-	-	-	-	-	-
Disposals, cost	(446,155)	(4,918,049)	(419,426)	(1,308,831)	(23,453)	(4,218,984)	(11,334,898)
Reevaluation	-	-	-	-	52,467	-	52,467
Balance at 31 December 2022	335,148,156	88,084,402	3,991,711	60,515,810	2,692,509	55,341,736	545,774,324

BANCA COMERCIALA EXIMBANK S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts are in Moldovan Lei (MDL) unless otherwise stated)

20 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

	Land and buildings	Equipment and furniture	Vehicles	Other assets	Assets in progress	Right-of-use assets	Total
Depreciation and impairment							
Balance at 1 January 2021	146,561,005	74,908,471	4,091,885	36,827,544	-	15,663,108	278,052,013
Depreciation expense (Note 12)	5,308,888	5,933,250	-	800,541	-	8,891,234	20,933,913
Depreciation expense (integration funds)*	-	-	-	14,344,732	-	-	14,344,732
Reclassification to investment property	-	-	-	-	-	-	-
Disposal, cummulated depreciation	(1,931,944)	(19,215,505)	-	(1,875,044)	-	(3,439,049)	(26,461,542)
Impairment expense	-	-	-	-	-	-	-
Balance at 31 December 2021	149,937,949	61,626,216	4,091,885	50,097,773	-	21,115,293	286,869,116
Balance at 1 January 2022	149,937,949	61,626,216	4,091,885	50,097,773	-	21,115,293	286,869,116
Depreciation expense (Note 12)	5,448,523	7,426,583	15,311	942,719	-	9,523,440	23,356,576
Depreciation expense (integration funds)*	-	-	-	6,732,265	-	-	6,732,265
Reclassification to investment property	-	-	-	-	-	-	-
Disposal, cummulated depreciation	(312,309)	(4,915,114)	(419,425)	(1,308,832)	-	(3,924,015)	(10,879,695)
Impairment expense	-	-	-	-	-	-	-
Balance at 31 December 2022	155,074,163	64,137,685	3,687,771	56,463,925	-	26,714,718	306,078,262
Book value							
At 1 January 2021	188,319,138	12,391,290	-	23,482,732	-	20,249,930	244,443,090
At 31 December 2021	184,412,699	22,348,161	-	9,718,745	1,889,972	28,752,492	247,122,069
At 31 December 2022	180,073,993	23,946,717	303,940	4,051,885	2,692,509	28,627,018	239,696,062

* Expenses on depreciation of property and equipment amounting to MDL 6,732,265 (31 December 2021: MDL 14,344,732) were covered by the integration funds (Note 3.24).

BANCA COMERCIALA EXIMBANK S.A.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)****21 ASSETS HELD FOR SALE**

Assets taken into possession include foreclosed collateral on non-performing loans and other assets.

	31 December 2022	31 December 2021
Other assets	22,380	22,380
Assets held for sale	22,380	22,380

22 OTHER ASSETS

	31 December 2022	31 December 2021
<i>Other financial assets</i>		
Included in cash and cash equivalents:		
Receivables from international money transfer systems	208,606	337,493
Receivables from Visa and MasterCard	28,789,089	13,318,540
Total included in cash and cash equivalents (Note 31)	28,997,695	13,656,033
Settlements with other individuals and legal entities	10,854,039	6,704,015
Transit and restricted amounts	5,911	245,327
Other receivables	433,462	509,797
Total other financial assets	40,291,107	21,115,172
<i>Other non-financial assets</i>		
Investment property	10,711,723	11,138,560
Inventory and spare parts	1,905,639	1,666,963
Other prepayments	7,036,081	3,870,805
Total other non-financial assets	19,653,443	16,676,328
Other assets	59,944,550	37,791,500
Current	49,232,827	26,652,940
Non-current	10,711,723	11,138,560

All financial assets presented above are neither expired nor impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in Moldovan Lei (MDL) unless otherwise stated)

23 DUE TO BANKS

Name of Bank	Currency	Maturity Date	31 December 2022	31 December 2021
INTESA SANPAOLO S.P.A. (ITALY)	USD	22.09.2025	96,816,097	89,676,896
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (BERD)	EUR	11.06.2027	50,482,067	-

On 22.09.2020 a loan has been obtained from Intesa Sanpaolo S.P.A. in an amount of 10.0 million USD and with the maturity date on 22.09.2025. At the same time, on January 20, 2022, a loan was contracted from the EBRD in the amount of EUR 5 million (composed of 2 tranches A and B in equal amounts of EUR 2.5 million), with a maturity date of June 11, 2027.

According to the loan agreement, a series of covenants with the Bank are imposed, which must be respected at all times during the validity of the financing. As of December 31, 2022, the Bank complies with all the contractual covenants established in the commitment to the EBRD.

24 DUE TO CUSTOMERS

	31 December 2022	31 December 2021
Corporate customers:		
– current/ settlement accounts	495,203,981	720,991,325
– term deposits	216,879,799	143,060,720
Small and medium sized enterprises:		
– current/settlement accounts	915,648,959	871,954,150
– term deposits	200,445,679	131,913,717
Individuals:		
– current/demand accounts	742,944,327	844,728,501
– term and savings deposits	766,688,783	812,873,463
	3,337,811,528	3,525,521,877

Annual interest rates on deposits in MDL attracted by the Bank from customers in 2022 vary between 0% and 18.18% (2021: 0% and 6.50%). For deposits in MDL, the average market rate during 2022 had a range of 1.58% - 13.44% annually (2021: 3.26% - 4.68%).

Annual interest rates on deposits in foreign currency attracted by the Bank from customers in 2022 had a range of 0% - 3.10% (2021: 0% - 2.10%). For foreign currency deposits, the average market rate during 2022 had a range of 0.09% - 1.37% (2021: 0.36% - 0.61%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in Moldovan Lei (MDL) unless otherwise stated)

25 PROVISIONS

	Reserve for unused annual day leaves	Employee settlements (prizes and bonuses)	Provisions for financial guarantee contracts and credit commitments	Provisions for other losses	Total
Balance as at 1 January 2021	2,523,963	9,359,898	9,459,312	759,096	22,102,269
Increases during the year	1,110,156	13,857,637	33,892,943	42,280	48,903,016
Decreases during the year	(1,167,746)	(10,028,310)	(39,038,257)	(48,263)	(50,282,576)
Balance as at 31 December 2021	2,466,373	13,189,225	4,313,998	753,113	20,722,709
Balance as at 1 January 2022	2,466,373	13,189,225	4,313,998	753,113	20,722,709
Increases during the year	1,393,763	17,824,709	18,388,198	5,794,033	43,400,703
Decreases during the year	(1,155,725)	(13,767,976)	(18,003,528)	(2,366,227)	(35,293,456)
Balance as at 31 December 2022	2,704,411	17,245,958	4,698,668	4,180,919	28,829,956

26 OTHER LIABILITIES

	31 December 2022	31 December 2021
<i>Other financial liabilities</i>		
Settlements with individuals and companies	18,894,417	34,108,254
Lease liabilities	31,553,328	31,170,830
Transfers to be collected by individuals	568,694	550,542
Amounts in transit	2,561,813	2,233,169
Other financial liabilities	9,397,416	8,474,862
Total other financial liabilities	62,975,668	76,537,657
<i>Other non-financial liabilities</i>		
Deffered income related to government grants*	-	9,488,498
Other tax liabilities	3,701,130	2,466,438
Total other non-financial liabilities	3,701,130	11,954,936
Total other liabilities	66,676,798	88,492,593

* In the Intesa Sanpaolo communique of December 28, 2017, the Bank was informed about the public contribution in the form of a grant granted by the Italian Government to the Italian banking group

BANCA COMERCIALA EXIMBANK S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in Moldovan Lei (MDL) unless otherwise stated)

26 OTHER LIABILITIES (CONTINUED)

Intesa Sanpaolo in order to cover the restructuring and integration costs of all ex-Veneto Banca banks, including those of the Bank.

The integration funds related to the assets are presented in the statement of financial position by recording them as deferred income, which is subsequently recognized in profit or loss statement on a systematic basis over the useful life of the asset as a reduction of depreciation expense.

For details see Note 3.24.

27 CURRENT TAX ASSET

As of 31.12.2022, the Bank's current income tax receivables amount to 25,896 lei, which will be used in 2023. The income tax rate for 2023 remains unchanged compared to 2022, constituting 12%.

Unrecognized deferred income tax receivables

Deferred income taxes are calculated on all temporary differences under the balance sheet method using an effective tax rate of 12% (2021: 12%).

According to management estimates based on the Bank's background and plans for the future, in 2022 and 2021 the Bank did not recognize deferred income tax assets because it considered that it would not have sufficient taxable profits to benefit from deferred income tax receivables. Consequently, the Bank did not recognize the deferred income tax receivables as at 31 December 2022 and 2021 for the following items in the statement of financial position:

	31 December 2022		31 December 2021	
	Gross amount	Tax effect	Gross amount	Tax effect
Accrued liabilities for unused annual day leaves	2,704,411	324,529	2,466,373	295,965
Accrued liabilities for employees bonus	17,245,958	2,069,515	13,189,224	1,582,707
Accelerated tax depreciation for property and equipment	117,472,547	14,096,706	83,076,146	9,969,138
Losses from previous years	1,218,475	146,217	9,322,451	1,118,694
Other provisions	4,180,919	501,710	753,114	90,374
Total	142,822,310	17,138,677	108,807,308	13,056,877

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in Moldovan Lei (MDL) unless otherwise stated)

28 SHARE CAPITAL

As at 31 December 2022 the total number of authorized and issued ordinary shares was 1,250 thousand shares (2021: 1,250 thousand shares) with a par value of MDL 1,000 per share each (2021: MDL 1,000 per share). All shares are fully paid. During 2022 the Bank has not increased its share capital.

As at 31 December 2022 Intesa Sanpaolo S.p.A. held 100% of the Bank's shares (2021: Intesa Sanpaolo S.p.A. held 100% of Bank's shares).

Movements in the Bank's share capital are summarized as follows:

	2022		2021	
	Number of shares	MDL	Number of shares	MDL
Balance as at 1 January	1,250,000	1,250,000,000	1,250,000	1,250,000,000
Balance as at 31 December	1,250,000	1,250,000,000	1,250,000	1,250,000,000

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at the General Shareholders' Meetings of the Bank.

29 STATUTORY AND OTHER RESERVES

Statutory reserves

In accordance with local law, 5% of the Bank's net profit must be allocated to non-distributable statutory reserves, until such time as this reserve represents 10% of the Bank's share capital. These reserves are not distributable. According to the Bank's statute, they can be used to cover losses.

As a result of the fact that the Bank recorded losses until 2020, which cumulatively at the situation of December 31, 2022 represent MDL 119,556,267 still accumulated losses, statutory reserves were not formed in 2022. Thus, on December 31, 2022 the balance of this reserve is 0 MDL (December 31, 2021: 0 MDL). The decision regarding the formation of reserves based on the financial results and their size is a prerogative of the General Meeting of the Shareholders.

Other reserves

According to the regulations of the National Bank of Moldova, starting with 2012, banks must allocate from retaining earnings to reserves the amount that is the difference between the adjustment for impairment of assets calculated based on prudential rules of the National Bank of Moldova (NBM) and IFRS. These reserves are not distributable.

As at 31 December 2022, the reductions for expected losses from the impairment of assets calculated in accordance with IFRS are with 61,538,212 higher than the reductions for losses on assets calculated on the basis of prudential rules (2021: they were with 5,273,380 MDL lower than the reductions for losses on assets calculated on the basis of prudential rules). As the Bank has accumulated losses as at 31 December 2022, the Bank did not set up "other reserves".

BANCA COMERCIALA EXIMBANK S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in Moldovan Lei (MDL) unless otherwise stated)

30 Dividends

Final dividends are not accounted for until they have been approved at an Annual General Meeting of the Shareholders. At the General Shareholders' Meetings held in 2022 no dividend distributions were approved. In 2022, the Bank did not paid dividends.

31 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	31 December 2022	31 December 2021
Cash and balances with the NBM (Note 15)	190,059,777	258,315,428
Loans and advances to banks (Note 16)	384,502,840	653,569,478
Treasury bills and NBM Certificates (Note 17)	572,489,087	642,738,482
Other assets (Note 22)	28,997,695	13,656,033
	<u>1,176,049,399</u>	<u>1,568,279,421</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in Moldovan Lei (MDL) unless otherwise stated)

32 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9, Financial Instruments, the Bank classifies financial assets into the following categories: (a) measured at amortized cost; (b) measured at fair value through other comprehensive income. The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2022 and 31 December 2021:

	31 December 2022		31 December 2021	
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income
Assets				
Cash and balances with NBM	1,365,133,894	-	1,040,839,985	-
Investment securities:				
<i>Treasury bills and NBM Certificates</i>	671,779,295	-	912,813,036	-
<i>Equity securities</i>	-	10,000	-	10,000
Loans and advances to banks	384,502,840	-	653,569,478	-
Loans and advances to customers	1,971,012,027	-	1,870,183,681	-
Other financial assets	40,291,107	-	21,115,172	-
Total financial assets	4,432,719,163	10,000	4,498,521,352	10,000

As at 31 December 2022 and 31 December 2021 all financial liabilities were carried at amortized cost.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)****33 COMMITMENTS AND CONTINGENT LIABILITIES****Credit commitments and financial guarantees contracts**

The primary purpose of these instruments is to ensure that funds are available to a customer as required.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Credit commitments represent unused portions, but approved to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk, the Bank is potentially exposed to a potential loss in an amount equal to the total unused commitments. However, the potential amount of loss is less than the total unused commitments since most commitments to extend credit conditions the client to maintain specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

	31 December 2022	31 December 2021
Financial guarantee contracts	38,584,081	32,102,261
Credit commitments	132,820,542	135,309,908
	171,404,623	167,412,169

Operating lease commitments

Where the Bank is lessee, the future minimum lease payments under non-cancellable building and vehicles operating leases are as follows:

	31 December 2022	31 December 2021
No later than 1 year	10,985,807	11,202,550
Later than 1 year and no later than 5 years	17,390,766	25,203,511
Later than 5 years	-	-
	28,376,573	36,406,061

Litigations

The Bank is involved in a number of litigations, as defendant, related to its current activity. The Bank's management estimates that the Bank will win the cases and that these litigations will not have a material impact on these financial statements.

BANCA COMERCIALA EXIMBANK S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in Moldovan Lei (MDL) unless otherwise stated)

34 TRANSACTIONS WITH RELATED PARTIES

The nature of the related party relationships for those related parties with whom the Bank entered into significant transactions or had significant balances outstanding at 31 December 2022 and 31 December 2021 are detailed below. There are no other related party in accordance with IAS 24 “Related party disclosures”.

As at 31 December 2022 the Bank is controlled by Intesa Sanpaolo Societa per Azioni, which owns 100% of the ordinary shares, being its ultimate parent. During 2018, Intesa Sanpaolo Societa per Azioni became the sole shareholder of the Bank.

During 2022 the Bank entered into a number of banking transactions with related parties in the normal course of the business. These transactions include loans, deposits and foreign currency transactions. The volumes of related party transactions and outstanding balances are presented below.

	Director and Executive Management		Parent		Subsidiaries and other entities in the same group		Other related parties	
	2022	2021	2022	2021	2022	2021	2022	2021
(i) Loans and other interest-bearing assets								
At beginning of the year	3,034,886	397,214	221,842,574	309,967,302	-	-	-	-
Received during the year	1,027,959	201,132	3,268,532,677	1,575,332,389	-	-	18,922	5,314
Repaid during the year	(1,479,149)	(233,623)	(3,260,273,865)	(1,663,457,117)	-	-	(18,922)	(5,314)
Changes to affiliation status	153,091	2,670,163	-	-	-	-	-	-
Loans outstanding as at the end of the year	2,736,787	3,034,886	230,101,386	221,842,574	-	-	-	-
Current accounts			81,913,757	340,209,098	544,247	635,565	-	-
Interest income	268,339	102,132	4,648,370	421,440	1,112	257	-	-

BANCA COMERCIALA EXIMBANK S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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34 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	Director and Executive Management		2022	Parent	Other related parties	
	2022	2021		2021	2022	2021
(ii) Deposits and borrowings						
At beginning of the year	3,547,856	5,403,671	89,676,896	173,990,926	1,657,540	1,342,525
Received during the year	38,834,309	24,093,903	22,666,735	27,855,529	3,881,201	1,689,338
Repaid during the year	(36,886,711)	(25,977,503)	(15,527,534)	(112,169,559)	(3,668,053)	(1,422,481)
Changes to affiliation status	18,075	27,785	-	-	7,370,887	48,158
Balance as at the end of the year	5,513,529	3,547,856	96,816,097	89,676,896	9,241,575	1,657,540
Interest expense	71,331	8,367	3,661,190	4,524,206	150,414	13,624

* On 22.09.2020, a loan was contracted from Intesa Sanpaolo S.P.A. in the amount of USD 10.0 million with the maturity date of 22.09.2025.

Other related parties are entities which are controlled or are significantly influenced directly or indirectly by members of the Board of Directors.

In 2022 total salaries and short term benefits of the key management personnel was MDL 19,798,995 (2021: MDL 15,240,114).

In 2022, the total expenses with the representatives of Intesa Sanpaolo, which include the remuneration and accommodation expenses amounted to 0 (zero) MDL (2021: 0 (zero) MDL).

Remuneration of Board of Directors members in 2022 represented MDL 1,008,080 (2021: MDL 1,045,785).

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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35 LEASING

The bank rents commercial space for the location of its branches and agencies as well as part of its car fleet. The contract duration varies between 36 and 60 months. The analysis related to leasing contracts is presented below.

i. Right of use assets

Rights of use assets are presented in property and equipment (Note 20).

	Land and buildings	Vehicles	Electronic equipment	Total
At 1 January 2021	17,350,256	2,899,674	-	20,249,930
Additions	20,557,006	-	-	20,557,006
Disposals	(6,602,259)	-	-	(6,602,259)
Depreciation charge	(4,596,236)	(855,949)	-	(5,452,185)
At 31 December 2021	26,708,767	2,043,725	-	28,752,492
At 1 January 2022	26,708,767	2,043,725	-	28,752,492
Additions	3,752,613	-	5,940,322	9,692,935
Disposals	(4,218,984)	-	-	(4,218,984)
Depreciation charge	(4,446,459)	(855,949)	-	(5,302,408)
At 31 December 2022	21,795,937	1,187,776	5,940,322	28,924,035

ii. Liabilities from leasing operations (shown under other liabilities, Note 26)

	2022	2021
Carrying value at 1 January	31,170,830	23,300,074
Additions	9,925,424	20,557,006
Disposals	(1,319,930)	(3,604,156)
Payments	(11,248,649)	(9,861,908)
Interest expenses	2,159,812	2,057,976
Revaluation	865,841	(1,278,162)
Carrying value at 31 December	31,553,328	31,170,830

Contractual cash flows not discounted after maturity are shown in the table below.

	2022	2021
Under 1 months	6,743,407	6,192,510
Between 1 and 3 months	813,772	2,101,532
Between 3 months and 1 year	3,661,975	9,456,896
Between 1 – 5 years	20,334,174	13,419,892
Over 5 years	-	-
Total leasing liabilities (Note 24)	31,553,328	31,170,830

iii. Amounts recorded in the profit and loss Statement

	2022	2021
Interest expense on operational lease (Note 6)	2,159,812	2,057,976
Expenses related to short term or low value items (Note 13)	942,303	935,990
Total	3,102,115	2,993,966

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2022****(All amounts are in Moldovan Lei (MDL) unless otherwise stated)**

35 LEASING (CONTINUED)*iv. Amounts recognized in the Statement of Cash Flows*

	2022	2021
Operational leasing liabilities	15,055,796	11,923,397
Cash outflow due to leasing contract	11,248,649	9,861,908

36 SUBSEQUENT EVENTS

Events after the close of the financial year are treated regulatorily by IAS10 Standard "Events after the reporting period", which classifies such events into two categories: events that existed at the end date of the year and events that occurred after the end date of the year.

a) Impact of the Russia-Ukraine

In accordance with Decision of the Parliament of the Republic of Moldova no.67 from 30.03.2023, the state of emergency was extended throughout the territory of the Republic of Moldova for 60 days starting from April 5, 2023. The need for its extension is determined by the persistent risks and threats aimed at the national security and public order, the supply of the Republic Moldova with energy resources, managing refugee flows, against the background of the military conflict between Russia and Ukraine. The conflict in Ukraine has shaken the optimism fueled by the end of the global pandemic, and the immediate consequences were the price increases of energy and goods, with the acceleration of general inflation, causing a lot of concerns about the evolution of the economy.

Regarding this regional conflict, the Management of the Bank is permanently taken in serious considerations the related events. In order to coordinate and take immediate decisions about the necessary measures, within Emergency Unit meetings the subject is permanently discussed, empowering operational teams and fostering decision making.

As of 31.12.2021, the Bank had direct exposures with SBERBANK and BANCA INTESA RUSSIA AO, in total amount of equiv. 3.0 mln MDL. Considering that SBERBANK was included in the sanction list, on 11.03.2022 the Bank took the decision to close the Nostro account with this bank.

As of 31.12.2022 the Bank has Nostro account opened in BANCA INTESA RUSSIA AO, with the total gross exposure of equivalent of 0.53 mln MDL.

In addition, following the analysis of its loans portfolio in order to identify the clients' perimeter which could be impacted through direct commercial relationship with Russian/Ukraine/Belarusian counterparties and those Bank's counterparties whose parent company is resident in Russia, Ukraine and/or Belarus, no significant impact was identified.

As of 31.12.2022, the Bank has the ability to maintain an adequate level of prudential indicators, having a reserve for the capital adequacy indicator, as well as the level of liquidity risk. The Bank's management believes that in case of difficulties it will obtain the support of the Group.

36 SUBSEQUENT EVENTS (CONTINUED)

a) Impact of the Russia-Ukraine (continued)

Thus, based on the information currently available to the public, the Bank's current key performance indicators and taking into account the actions initiated since the beginning of the conflict and continued in the current year by the Management, we do not anticipate a direct and significant negative impact of the Russia-Ukraine conflict on the Bank, on its operations, financial position and its operational results. However, we cannot rule out that the possibility of prolonged periods of uncertainty, an escalation of these actions or a secondary negative impact of these confrontations on the economic environment in which we operate, could have a negative effect on the Bank and on the financial position and results its operations, in the medium and longer term.

b) Other events

On February 28, 2023, the sum of 2.5 million Euro (tranche B) was disbursed, part of the loan agreement signed on January 20, 2022 between BC EXIMBANK SA and the European Bank for Reconstruction and Development (EBRD) in a total amount of 5 million euros over a period of 5 years, to stimulate the competitiveness of micro, small and medium enterprises in the Republic of Moldova. The loan agreement was signed under the EU4Business-EBRD credit line.

c) Migration to a new Processing Center

BC "EXIMBANK" S.A. adopted on May 6, 2022 the Decision regarding the migration of operations processing activities through payment cards from the Victoriabank Processing Center to the MoldmediaCard Processing Center, which, in accordance with the Law on the activity of banks no. 202 of October 6 2017, being classified as activities of material importance, include the following:

- issuing cards, accepting them, settling financial and non-financial transactions between financial institutions, extracting exact data related to payment cards, terminals and transactions for mandatory reporting to SIP and customer support service.

The successful implementation of the project led to its completion with the successful Migration of BC EXIMBANK SA to the new MoldMediaCard Processing Center on 25.01.2023.

No deficiencies were reported as a result of the migration, and the services mentioned above were taken over by the new Processing Center without affecting customers or the Bank as a result of this process.

d) Failure of important foreign banks

The recent important events related to international banking sector (the trouble at Credit Suisse followed with taken over by UBS, combined with the failure of two smaller US banks during the last two weeks (Silicon Valley Bank and Signature Bank), have thrown the health of the global financial system into doubt. This was the subject to challenges that underscore the need for banking and nonbanking companies to assess their exposures to these events and determine the related accounting and reporting

36 SUBSEQUENT EVENTS (CONTINUED)

d) Failure of important foreign banks (continued)

impacts. These developments are occurring against a backdrop of ongoing challenges and uncertainty related to the current macroeconomic and geopolitical environment.

Following the assessment related to potential effects of these events on accounting, reporting or internal controls, it is to mention that there is no impact on Bank's activity, as it has no relations with above-mentioned institutions.