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Banca Transilvania

Annual Report 2023

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victoriabank

THE BANK'S MANAGEMENT MESSAGE

2023 - a year of consolidating market position

Dear partners, customers and Victoriabank team members,

The year 2023 was the best in Victoriabank's history, despite the fact that Moldova's economy was adjusting to a number of challenges: the war in Ukraine, high energy costs, inflation etc. Even in a year of economic recovery, Victoriabank managed to remain one of the main financiers for business. The Bank has played a key role in maintaining stability, but also in the process of innovation in banking.

Our priority has been and remains financing SMEs and the population, stimulating operational activity and bringing in new customers. We are committed, as in previous years, to investing in technology, digitization and quality services and products.

The financial results achieved in 2023 confirm the ambitious direction we have set for the future:

- The Bank's assets amounted to 21.741 billion lei, 18% more than at the end of 2022;
- Loans offered to the Bank's customers totalled 6.1 billion lei, up by 1 billion lei;
- Non-performing loans reached an index of 4.4%, below the average level of the banking sector;
- Net profit reached 672 million lei, up almost 5% compared to 2022;
- ROE (Return on Equity) reached 15.68%;
- The number of active customers continued to grow to 310 thousand;

Victoriabank has reaffirmed its support for small and medium-sized enterprises, with a significant increase in their financing. The SME loan portfolio exceeded 1.3 billion lei, reflecting an increase of 46.53% compared to 2022.

We have launched programs to support entrepreneurs in the Republic of Moldova, including the SME Digital initiative, a first in the country, which meets the needs of customers eager to digitize their business. We aim to facilitate this transition for them by offering innovative solutions. We are determined to be a trusted partner for SMEs, providing the resources and expertise they need to thrive and evolve in an increasingly dynamic and digitalised economic environment.

As leaders in the digital transformation of banking services in Moldova, last year we started an ambitious project to modernise our mobile and web application. We want to offer customers a new version that will help them be faster and more efficient. We will have a completely changed platform, which will integrate services for both individual and corporate customers in the mobile and web version.

On the side of innovation through digitisation, a sector in which we are investing more and more, several successes should be mentioned:

- The launch of the first banking chatbot - ALEX, which has revolutionised customer interaction and provides customers with access to information and services in a more convenient way, without waiting times;
- joining Swift Go, being the first Bank in the country to offer this service to customers, by being able to make foreign currency transfers abroad in up to four hours;

- launch of the top UP service, which allows you to top up your Victoriabank card free of charge from another card issued by any Bank in Moldova.

To streamline business processes, we launched VB24 POS and Android POS, two products that are fast and secure payment solutions for entrepreneurs. We are pleased that in just a few months we have already managed to put almost 1000 of these devices into operation. In addition, since December, our customers also have the VB24 POS with fiscal solution, which they can turn any payment acceptance terminal into a smart home device.

Over the past year we have also invested in network expansion. We managed to open 3 new Victoriabank units and relocated 3 others to larger and more comfortable premises to ensure we are closer to our customers. We are also pleased to announce that we have purchased an additional 70 multifunctional ATMs.

In 2023, Victoriabank marked a first in the banking market of the Republic of Moldova. Thanks to the joint efforts of the entire team, we successfully completed the acquisition process of BCR Chisinau in January this year, after a nine-month period of working with the authorities to obtain all the necessary approvals. With the acquisition of BCR Chisinau we have strengthened our position on the local market. We have confidently assumed our role as a trailblazer and will continue in the same way in 2024

We are a Bank that also cares for its employees. This is why **Victoriabank** was named **the best employer in the Republic of Moldova** again in 2023, based on the results of the Employer Brand Perception Survey. We won the award **for the third year in a row** and we are happy that we are the only Bank included in the top. This recognition reconfirms Victoriabank's commitment to supporting employees by promoting transparency and maintaining consistency in implementing good organizational practices. **#VBPeople are Victoriabank's strength**.

We also invest with passion and dedication in corporate social responsibility activities. For the ninth consecutive year we were the general partner of the Gala of Generosity, a flagship event organized by CCF Moldova. We support this initiative out of a desire to demonstrate care for our community and humanitarian values. In addition, we strengthened our partnership with the Basketball Federation of Moldova, through which we contribute to the promotion of sport and talented young people in the country.

Through these efforts and achievements, Victoriabank remains a pillar of economic stability and progress in a challenging year. #WithBankingPower, we are determined to continue to be a reliable partner for our customers and actively contribute to the development of the Republic of Moldova.

Thank you for your trust and support Victoriabank in 2023.

With respect and gratitude,

Thomas Grasse
Chairman
of the Board of
Directors

Levon Khanikyan
Chairman of
the Executive
Committee

BANK MANAGEMENT
AS OF 31.12.2023

MEMBERS OF THE BOARD OF DIRECTORS

Victor ȚURCAN
Chairman of the Board of Directors

Thomas GRASSE
Independent Member of the Board of Directors

Peter FRANKLIN
Independent Member of the Board of Directors

Maris MANCINSKIS
Independent Member of the Board of Directors

Tiberiu MOISĂ
Non-independent Member of the Board of Directors

Mehmet Murat SABAZ
Independent Member of the Board of Directors

Igor SPOIALĂ
Independent Member of the Board of Directors

MEMBERS OF THE EXECUTIVE COMMITTEE

Levon KHANIKYAN
Chairman of the Executive Committee, CEO

Vasile DONICA
Vice-Chairman of the Executive Committee, CBO

Sorin ȘERBAN
Vice-Chairman of the Executive Committee, CRO

Elena-Ionela MALOȘ
Vice-Chairman of the Executive Committee, COO

Vitalie CORNICIUC
Vice-Chairman of the Executive Committee, CFO

GENERAL DATA AND OWNERSHIP STRUCTURE

CB Victoriabank JSC (hereinafter "Bank" or "Victoriabank") is a systemic bank in the Republic of Moldova, with an expansion throughout the country and a wide range of banking products and services tailored to both individual and corporate needs of its customers.

Established in 1989, Victoriabank was a pioneer in the commercial banking sector in the Republic of Moldova. Today, its main shareholders are Banca Transilvania and the European Bank for Reconstruction and Development (EBRD), which together hold more than 72% of the Bank's share capital. The strategic collaboration between these entities has contributed significantly to the Bank's steady development.
With the integration into the Banca Transilvania Financial Group, Victoriabank has undergone an extensive transformation process, both in terms of corporate governance and business model. Today, Victoriabank is a leader in innovation and digital transformation, offering modern banking solutions.

With over 310,000 active customers and 70 branches in the largest and most important cities in the country, Victoriabank has a strong brand, strengthened by the support of Banca Transilvania Group.

Thus, Victoriabank continues to be a reliable financial institution, dedicated to meeting the needs of customers and supporting the economic development of the Republic of Moldova. Through its extensive experience and commitment to innovation, Victoriabank remains a driver of success and prosperity for the business community and the population.

JOINT STOCK COMPANY

Name:	CB VICTORIABANK JSC
IDNO:	1002600001338
Headquarters:	31 August 1989, 141, MD-2004, Chisinau

CHARACTERISTICS OF THE ISSUE OF SHARES ISSUED BY THE JOINT STOCK COMPANY

ISIN code:	MD14VCTB1004
Type of actions	registered ordinary shares
Country	Republic of Moldova
Trading on the regulated market	Stock Exchange of Moldova MD-2012, Maria Cebotari 16, mun. Chisinau, Republic of Moldova Tel: 022 277 592
Nominal value of a share, lei:	10
Total number of shares outstanding, units:	25.000.091
Treasury shares, units:	0

Total number of shares of the same class, units:	25.000.091
Total value of the issue, lei:	250.000.910

SHAREHOLDERS AS AT 31.12.2023

Individuals from the Republic of Moldova	27,50%
Companies from the Republic of Moldova	0,06%
Foreign individuals	0,25%
Foreign companies	72,19%
Total	**100%**

LIST OF SHAREHOLDERS OF CB "VICTORIABANK" JSC AND GROUPS OF PERSONS ACTING IN CONCERT WITH QUALIFYING HOLDINGS

Name Surname / Name of shareholder	Country of residence	Ownership in share capital	Indirect holders and final beneficiaries
1. **VB Investment Holding B.V.**	Netherlands	**72,19%**	**Indirect owners** ▸ Banca Transilvania (Romania) – 61,82% ▸ BERD EBRD (UK) - 38.18% **There are no final beneficiaries*
2. **Țurcan Victor**	Republic of Moldova	**10,76%**	**Țurcan Victor**
3. **Țurcan Valentina**	Republic of Moldova	**8,07%**	**Țurcan Valentina**
4. **Artemenco Elena**	Republic of Moldova	**4,95%**	**Artemenco Elena**
5. **Proidisvet Galina**	Republic of Moldova	**1,58%**	**Proidisvet Galina**

MANAGEMENT REPORT

THE BANK'S STRATEGIC OBJECTIVES

The business Strategy during 2023 is geared towards the organic development of the Bank, the reorganisation of the business model and the launch of new digital products. The customer is at the centre of our attention and the Bank's aim is to maintain and develop medium and long-term partnerships. To grow and develop together is an important success factor for the periods immediately ahead.

The year 2023 was the period of many digital launches which, together with the launches made available to customers during the previous years, form an integrated offer covering the day-to-day needs of every customer of the Bank.

The Strategy is defined through five major interlinked areas, each with main objectives, projects, activities to be carried out.

For Victoriabank, the relationship with its customers is important throughout the interaction with them: from the moment the customer learns about the Bank or its products, benefits from its services, to the perception remaining after each interaction with the Bank. Victoriabank applies and promotes high standards of transparency and fairness in business, which are considered key aspects of the Bank's business, customers and partners relationship.

People contribute to Victoriabank's growth and success. The Bank's employees add value to Victoriabank's business and relationship with customers and partners. The Bank aims to create an optimal working environment for employees, ensuring their professional development and proper motivation.

The Retail and SME segments are in top priorities for the Bank, with the volumes of products offered to customers and the number of customers benefiting from them constantly increasing. It is worth mentioning the evolution of the loan portfolio, the number of cards and customers, deposits etc.

High degree of acceptance of changes and technologies are defining features of Victoriabank customers. Consumer behaviour is undergoing an accelerated change from the traditional way of service to modern technologies, self-service, remote service. The digital initiatives implemented allow customers to benefit from most products without physically going to the Bank. Individuals can become Victoriabank customers online, acceptance is ensured through digital onboarding. Today, almost any VB product can be offered digitally.

Operational efficiency and financial results achieved are important for shareholders, customers, employees, the business environment and authorities. Centralisation and automation of processes allows a concentrated effort to serve customers.

The Bank's strategy can be traced through three values:

Respect pfor the customer and employee. Everything starts and moves forward with respect for people and their aspirations. Through respect, things can be influenced for the better. Diversity of ideas, opinions and experiences is valued at Victoriabank.

Passion for the growth of the Bank's business, customer and employee relations. The Bank's employees are keen to help customers grow, Victoriabank being an inspiration to others. The pride of being part of the Victoriabank team, together with like-minded colleagues, inspires a sense of ambition and respect in others.

Ambition - the first choice of customers and employees. Offering high quality services and innovative products. Increasing satisfaction by improving the quality of customer service, effectively leveraging advantages, differentiating from competitorsi.

Significant results were achieved in each area of activity, which underlines the precision of the Bank's strategic objectives.

At the beginning of 2024, the Victoriabank strategy for the period 2024-2026 was approved, which represents a successor step of the previous strategy, with new important aspects for this period being outlined. Thus, the accomplished achievements, changes in the business environment, new opportunities, the evolution of supply and demand etc., were taken into account.

Victoriabank aims to become the largest banking group in the Republic of Moldova, being the main channel between our country, Romania and the European Union.

The Bank's vision: "We are here to contribute to the prosperity of the Republic of Moldova".

The Bank's mission is to combine its own strengths and energy to ensure that it supports its clients' plans and businesses, acting responsibly and transparently.

Victoriabank has set itself ambitious targets for growth, efficiency, profitability, customer experience, key network activities, product spectrum, market positioning etc. The Bank's employees, organisational culture, digital transformation and belonging to a large banking group are key factors that will facilitate the successful implementation of the Bank's strategy.

VICTORIABANK PERFORMANCE IN 2023

Macroeconomic climate

Globally, economic growth remains vulnerable due to the influence of still high interest rates and structural shifts in global trade in recent years. Lower energy prices and reduced supply chain pressures have contributed to a faster decline in inflation than anticipated. However, 2024 brings even more ambiguity due to the geopolitical risks that remain high with two major ongoing armed conflicts: the war in Ukraine and the conflict in Palestine.

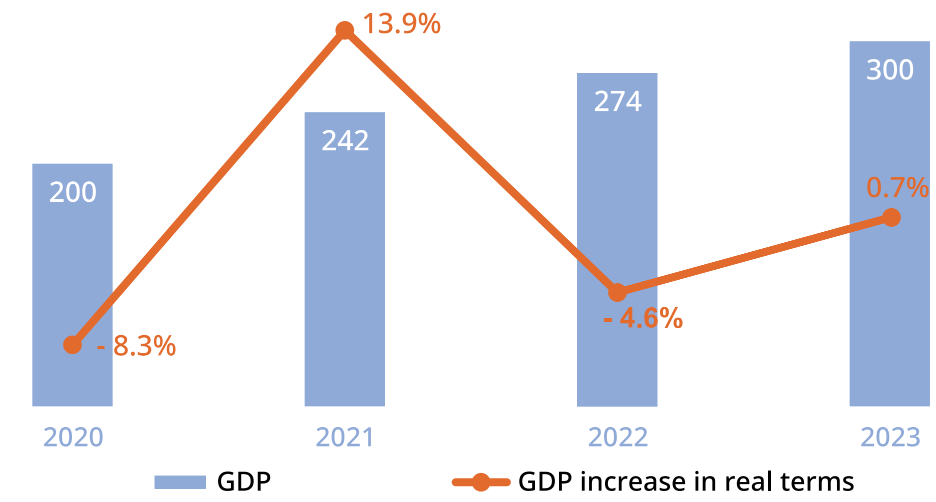
The year 2023 marked a new historical milestone for Moldova's European integration process with the European Commission's recommendation to start accession negotiations, following Moldova's achievement of candidate country status for EU membership in June 2022.

After the economic downturn in 2022, Moldova's economy has experienced slow growth. According to data from the National Bureau of Statistics, the Gross Domestic Product in 2023 showed a steady but slow development: according to preliminary data it amounted to 300.4 billion lei, current market prices, increasing in real terms by 0.7% compared to 2022.

By resource categories, the positive contribution to GDP growth was generated by agriculture, forestry and fisheries, health and social assistance, information and communications. On the other hand, the adverse effect was conditioned by developments in manufacturing, construction, wholesale and retail trade, transport and warehousing etc. Net taxes on products, with a 13.9% share in GDP formation, contributed to a 0.7% decrease in GDP.

By category of use, a positive impact on GDP dynamics was generated by net exports of goods and services due to the narrowing of the trade balance deficit. At the same time, an adverse impact on GDP dynamics was generated by developments in final consumption of general government, final consumption of households and gross fixed capital formation.

GROSS DOMESTIC PRODUCT
(MDL, billion)



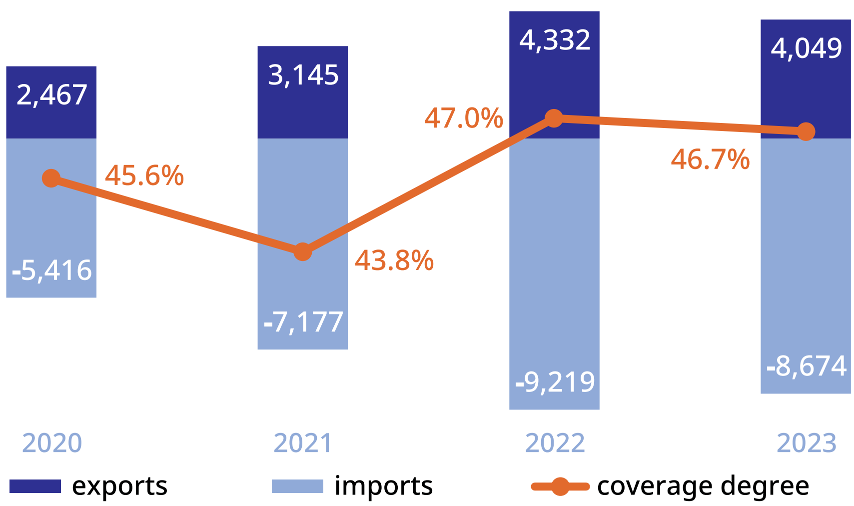
Global agricultural production in 2023 increased by 23.6% in comparable prices compared to 2022, this after a 29.8% decrease in 2022. The increase in overall agricultural production was driven by a 35.1% increase in crop production, while livestock production decreased by 1.9%.

In 2023 compared to the previous year, industrial production (gross series) decreased by 3.6%. The decrease in production was generated by decreases in mining and quarrying (-6.5%) and manufacturing (-5.3%). At the same time, there was an increase in the production and supply of electricity and heat, gas, hot water and air conditioning (+5.4%).

According to preliminary data, in 2023, investments in fixed assets amounted to 32.2 billion lei, down 1.0% (in comparable prices) compared to 2022, of which investments in tangible fixed assets amounted to 31.1 billion lei (-1.7%) and investments in intangible fixed assets to 1.1 billion lei (+26.9%).

In 2023, exports of goods totalled USD 4,048.6 million, down 6.5% compared to 2022. Imports of goods totalled USD 8,673.7 million, less than in 2022 by 5.9%. The gap between merchandise exports and imports resulted in a trade balance deficit of US$4,625.1 million in 2023, US$261.8 million (-5.4%) less, compared to 2022.

TRADE BALANCE DYNAMICS, (USD, million)

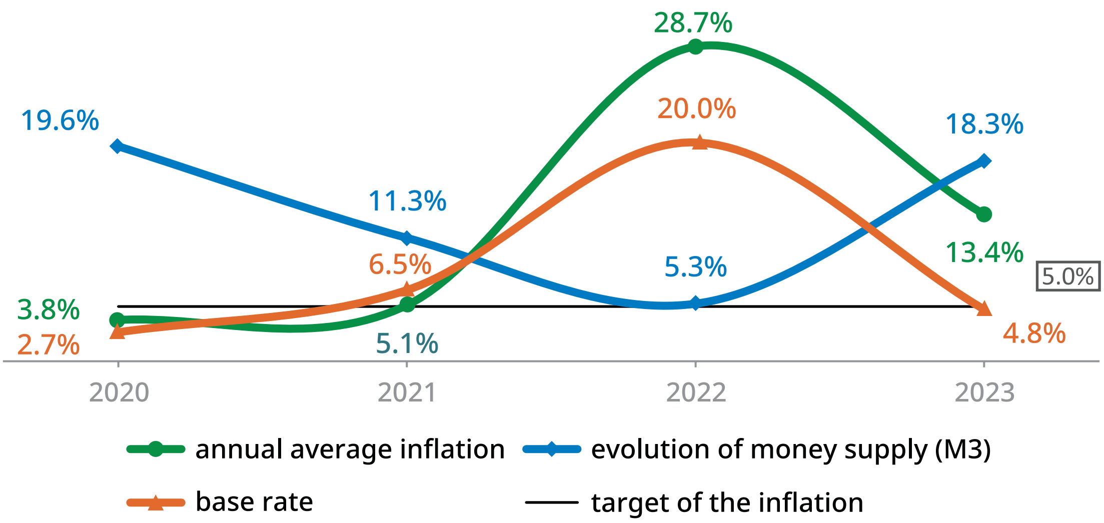


Money supply (M3) reached a historical high of 149.2 billion lei, growing by 18.3% in 2023. In the structure of money supply, 25.8% goes to money in circulation and 41.9% to sight deposits.

The annual inflation rate in December 2023 compared to the corresponding month of the previous year was within the range associated with the inflation target (5% ± 1.5 p. p.), at 4.2%, compared to 30.2% in December 2022. The average annual inflation rate registered 13.4% for 2023, compared to 28.7% during 2022.

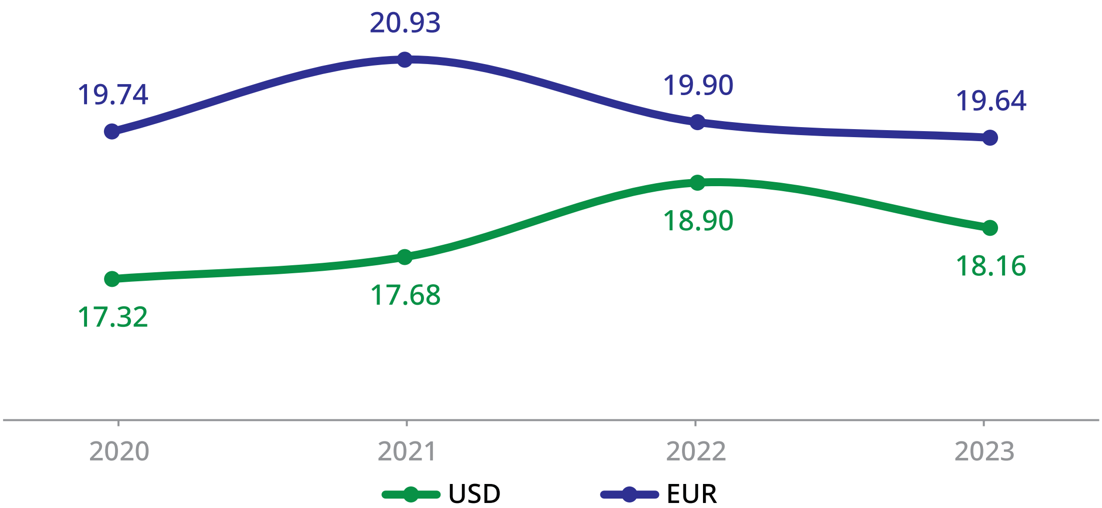
Monetary policy measures have been correlated with inflation dynamics and inflation expectations. During the year, the base rate applied to the main short-term monetary policy operations gradually declined to 4.75% at the end of 2023. The rate on the deposit and credit facility was adjusted to fall within a symmetric corridor of ±2 percentage points of the base rate. The reserve requirement rule in MDL and foreign currency followed a slight downward trend to 33% and 43% respectively at end-2023.

INFLATION AND MONEY SUPPLY



The MDL/USD exchange rate ranged from 17.4062 to 19.2356, averaging 18.1607, compared to 18.9032 during 2022. The official MDL/EUR exchange rate was determined by the development of the USD/EUR exchange rate on the international market, averaging 19.6431 compared to 19.8982 during 2022.

USD AND EUR EXCHANGE RATE, ANNUAL AVERAGE (MDL)



The unemployment rate (share of unemployed BIM in the labour force) at the country level was 4.9%, up 0.3 p.p. compared to the level of Q4 2022. The unemployment rate in rural areas was 5.4% and in urban areas - 4.4%.

The decrease in interest rates had an impact on the recovery of economic activity, which will be felt more strongly in 2024 and beyond. The biggest visible challenge at present relates to the uncertainty of the situation in the region and the war in Ukraine. The energy crisis in 2023 has been a catalyst for accelerating several processes related to the diversification of electricity and gas markets and suppliers.

Macroeconomic indices in dynamics 2023 vs 2022

+0.7% GDP	**+3.4%** Average salary earnings	**+13.4%** Consumer Price Index	**-2.0%** Population
+23.6% Gross Agricultural production	**-5.4%** Trade balance deficit	**-3.6%** Industrial production	**-1.0%** Investments in fixed assets

Banking sector in 2023

The banking sector had a favourable evolution during 2023, with the most important asset categories and results increasing. The trend of increasing own funds, growth in assets, deposits and loan portfolio was maintained.

The number of banking institutions operating in the Republic of Moldova remained unchanged: 11 banks licensed by the NBM, including 5 banks that are members of international financial groups. The share of foreign investment in banks' equity is 88.9%.

The number of subdivisions of banks (branches and sub-branches) registered 557 units, 22 less than at the beginning of the year. The number of employees in the system increased by 56 persons, to 8,560 at the end of the year.

Increased demand for banking products and the business environment had a positive impact on profitability, with the financial result for 2023 being 12.0% higher than the previous year.

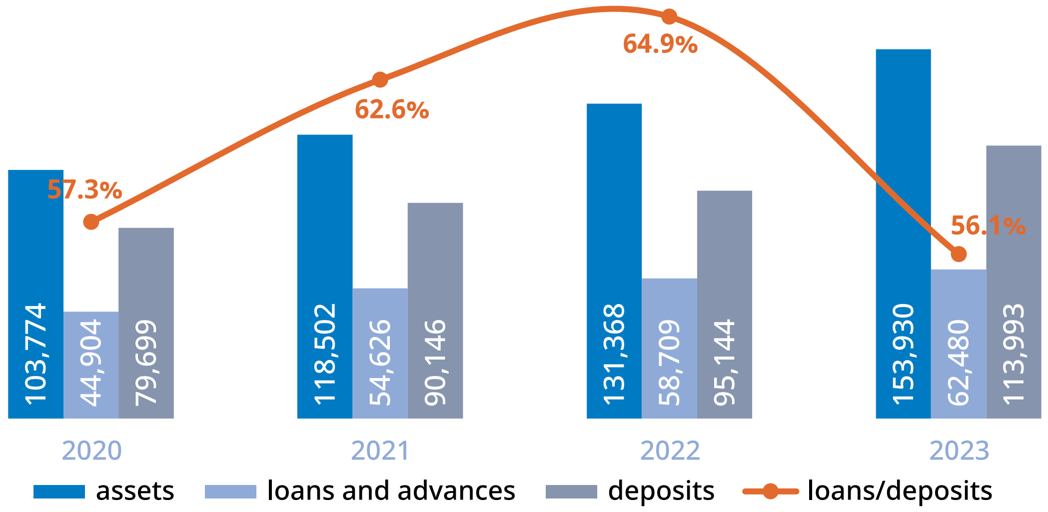
Total assets of the banking sector amounted to MDL 153,929.6 million, increasing during the year by 17.2%. The top 4 banks managed 82.2% of total assets at sector level, increasing by 1.6 percentage points during the year.

The deposits increased by MDL 18,849.1 million or 19.8% amounting to MDL 113,993.1 million. Both the deposits of individuals and the legal entities recorded upward dynamics.

During the year, the balance of loans and advances increased by MDL 3,771.4 million or 6.4% to MDL 62,480.0 million. The decrease in interest rates on loans, together with the demand for financing from individuals, led to a significant increase in loans to individuals, which ensured the dynamics of the loan portfolio at the banking sector level. The quality of the loan portfolio improved, as at 31.12.2023 non-performing loans (prudential definition) amounted to 5.6% of the total portfolio compared to 6.4% at the beginning of the year.

The loans (principal) to deposits (base amount) ratio amounted to 56.1%, decreasing by 8.8 percentage points compared to the end of 2022, as a result of faster growth of the deposit portfolio compared to the growth of the loan portfolio.

BANKING SECTOR (MDL, million)

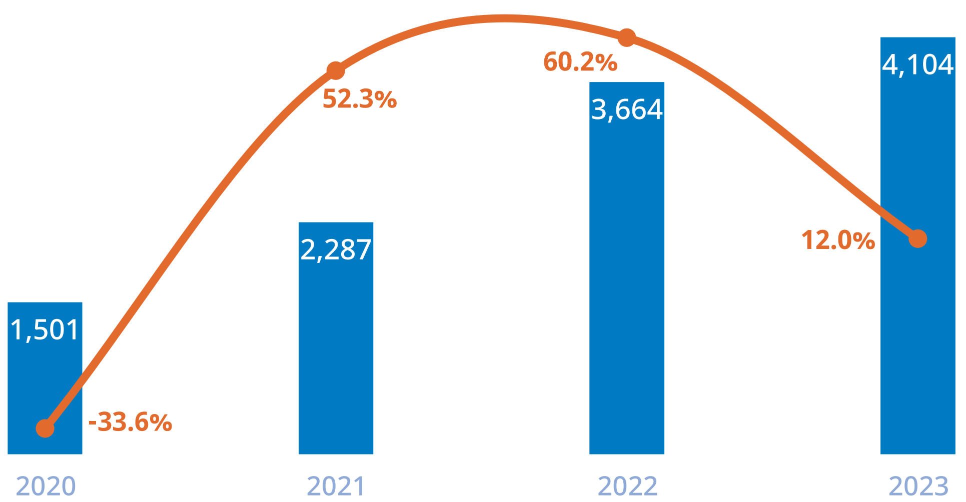


The activity of attracting/placement of resources was influenced by the downward trend in interest rates and the volume of available resources. Thus, during 2023, net interest income decreased by 2.1% compared to the previous year, the increase in activity volumes did not cover the impact from lower interest rates. The net interest margin decreased by 1.24 percentage points to 5.40%. The strong upward trend in fee and commission expenses continued in 2023, increasing faster than the commission incomes (incomes +10.1% and expenses +21.9%), net commission income decreasing by 2.1% compared to 2022.

Foreign exchange gains increased by 10.2%.

On the other hand, operating expenses increased by 13.9%, with the greatest impact being generated by the evolution of staff expenses (+19.3%), followed by depreciation, administrative expenses, etc. Impairment expenses and provisions for contingent liabilities decreased significantly compared to the previous year, amounting to MDL 175.3 million, compared to MDL 1,423.3 million in 2022. The net profit achieved at banking sector level was MDL 4,104.5 million, by MDL 440.2 million or by 12.0% more than in 2022.

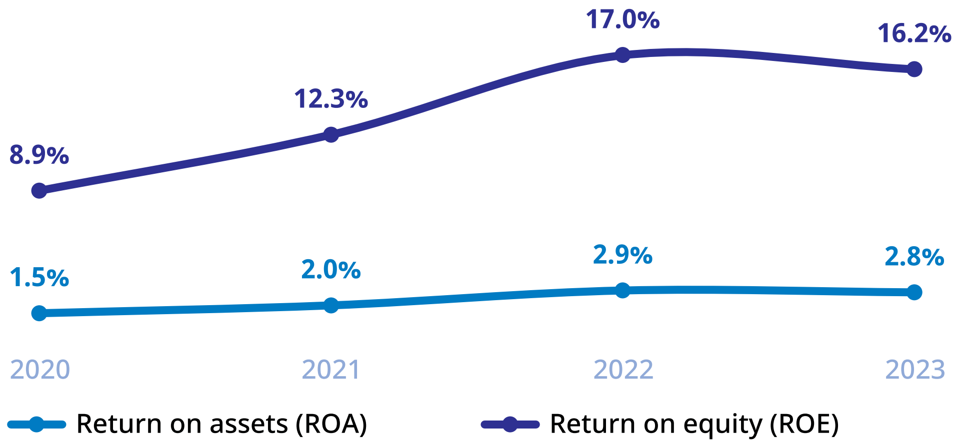
NET PROFIT BANKING SECTOR (MDL, million)



Return on assets (ROA) reached 2.78% in 12 months 2023, decreasing by 0.11 percentage points compared to 2022.

Return on equity (ROE) amounted to 16.20% in 12 months 2023, being with 0.84 percentage points lower than in 2022.

RETURN ON ASSETS (ROA) AND EQUITY (ROE), BANKING SECTOR



Total own funds amounted to MDL 20,953.9 million at banking sector level, increasing by 14.1% during the year. The total own funds ratio amounted to 29.95%, by 0.70 percentage points higher than at the beginning of the year.

The net interest margins are declining, which will put pressure on net interest income, but at the same time will have a favourable impact on volumes of economic activity having a positive effect on lending and fee and commission income. Falling inflation will slow down the growth rates of the operating expenses and respectively the pressure on profitability.

Evolution of financial results

During 2023, Victoriabank has grown and developed together with its customers and employees, achieving good results in the most important business areas. The Bank's customers benefited from products and services according to their needs by expanding its digital offering and implementing products and services that are a first for the banking sector.

Belonging to a strong financial group, which stands by the Bank and contributes to its transformation and growth, is a source of pride for Victoriabank employees.

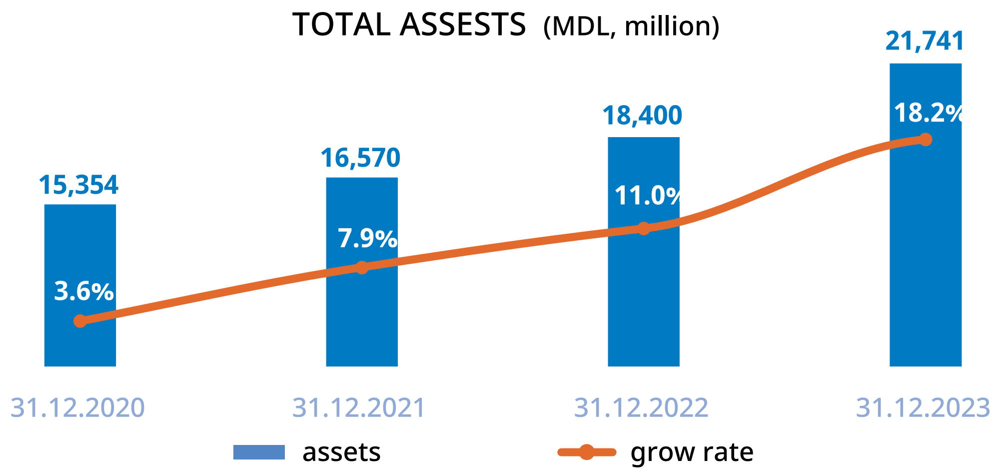
In 2023, as in previous years, compliance with the main objectives set, growth in business volumes and financial results was ensured.

BALANCE SHEET INDICATORS 2023 vs 2022

Total assets	Customer loans Stage 1&2	Customer loans Stage 3	Customer Deposits
21,741	6,147	284	15,716
+3,340.8 (million MDL)	+1,005.4 (million MDL)	-208.5 (million MDL)	+2,082.0 (million MDL)

At the end of the period, the Bank's assets amounted to 21,740.8 million lei, up by 3,340.8 million lei or 18.2% more than in the previous period, the positive dynamics being mainly conditioned by:

- increase of deposits of individuals by MDL 660.6 million or by 8.1%;
- increase of deposits of legal entities by MDL 1,421.4 million or by 25.8%;
- increase of equity by MDL 672.7 million or 17.4%;



The market share of the bank at the end of the year, by total assets amounted to 14.12%, increasing by 0.12 percentage points compared to the beginning of the year.

The customers deposit portfolio increased during the year by 2,082.0 million MDL or by 15.3% amounting to 15,715.9 million MDL, due to the increase in the number of customers and balances on their accounts. Financing the clients' investments and current needs has allowed Victoriabank to dynamically increase its loan portfolio. An important evolution in the market position has been observed:

- Victoriabank is 3rd on the banking sector by individuals loan portfolio, compared to 4th position at the beginning of the year,
- and 4th on the banking sector by legal entities loan portfolio, compared to 5th position held at the beginning of the year.

During the year, the portfolio of loans to individuals increased by 258.6 million MDL or by 9.3%. The balance of loans to legal entities increased by 538.3 million MDL or by 18.8%. The main growth driver continues to be the SME segment. This evolution ensures a balanced loan portfolio structure. Ongoing measures taken with regard to the quality of the loan portfolio safeguards the Bank, starting from 2023, a better position compared to the sector, both as a result of decrease in the volume of non-performing loans and increase in the volume of new loans.

The Bank managed the available resources in order to capitalize them considering the existing options on the local and international market, in the context of demand/supply evolution and decreased interest rates, by purchasing government securities, NBM certificates, bonds etc. The debt securities portfolio amounted to 5,860.0 million MDL at the end of the period, increasing by 31.6%. The share of debt securities in the bank's total assets was 27.0%.

FINANCIAL INDICATORS 2023 vs 2022

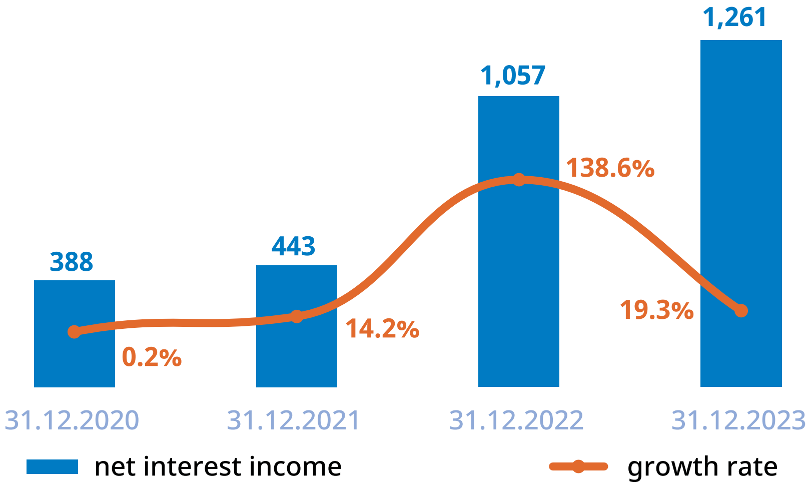
Net interest income	Net commission income	Foreign exchange differences	Operating expenses	Impairment expenses	Net profit
1,261	**210**	**265**	**(850)**	**(105)**	**672**
+204.0 (million MDL)	-31.8 (million MDL)	+13.8 (million MDL)	+190.0 (million MDL)	-44.1 (million MDL)	+30.2 (million MDL)

The increase in volumes of activity, the expansion of the range of services and their delivery channels, the efficient management of assets and liabilities had a positive impact on the Bank's operating income:

- net interest income amounted to 1,260.9 million MDL, increasing by 19.3% compared to the last year;
- net commission income amounted to 209.8 million MDL, decreasing by 13.2%, due to the evolution of commission expenses more accelerated than the respective income;
- foreign exchange rate differences amounted to 265.1 million MDL, increasing by 5.5.

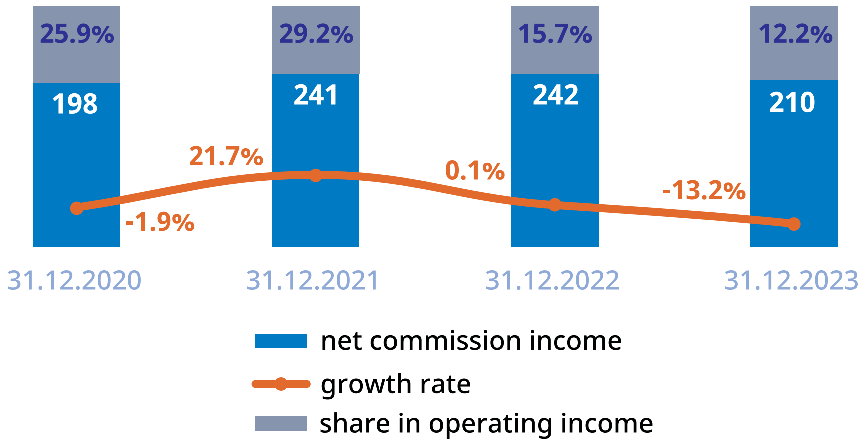
Interest income increased during the year by 519.7 million MDL reaching 1,827.3 million MDL, with an increase in income from debt securities, income from customer loans and income from interbank placements. The interest expenses amounted to 566.5 million MDL, compared to 250.7 million MDL in 2022, the largest increase coming from term deposits of individuals and demand deposits of legal entities.

NET INTEREST INCOME (MDL, million)



Fee and commission income amounted to 617.9 million MDL, increasing by 31.7 million MDL compared to 2022. Commission expenses amounted to 408.2 million MDL. In 2023, net commission income amounted to 209.8 million MDL, compared to 241.6 million MDL in the previous year. In the structure of commission income, the main share refers to card transactions, followed by those related to servicing of customer accounts.

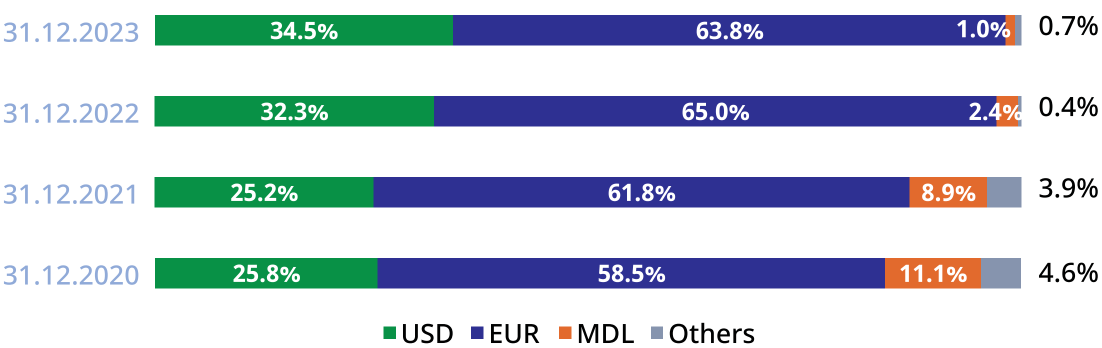
NET COMMISSION INCOME (MDL, million)



The Bank operates with several remittance systems for individuals. The revenue generated from providing these services in 2023 decreased, similar to the downward trend in the volume of money transfers from abroad. In the currency structure of remittances, the euro remains the predominant currency.

Customers can receive transfers from abroad free of charge directly to their card or account, without visiting the bank's premises, using the Transfer Online service (T2A): https://transfer.victoriabank.md/. Several promotions have been organised for the Bank's customers.

STRUCTURE OF REMITTANCES NUMBER BY CURRENCY



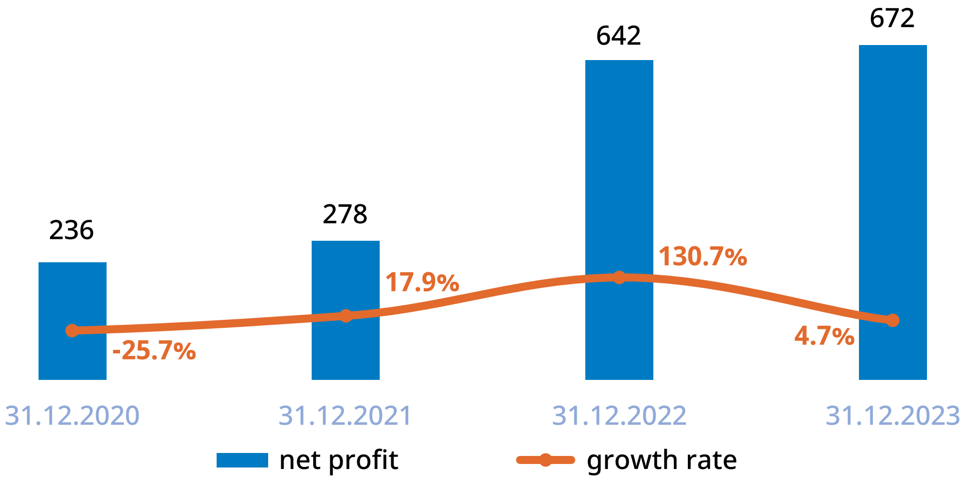
Foreign exchange income increased during the year due to the evolution in volumes of activity, the competitive rates offered to customers, the number of customers and market volatility.

High inflation and the labour market situation impacted operating expenses, which increased by 28.8% year-on-year, with the main categories of expenses increasing: staff expenses, general and administrative expenses, other operating expenses. Major investments in new technologies, implementation of new services, equipment of offices etc. has led to an increase in depreciation expenses.

Operating profit amounted to 872.3 million MDL, compared to 882.5 million MDL in 2022. Operating income grew slower than operating expenses. Impairment charges on financial and non-financial assets are lower than in 2022 by 44.1 million MDL, for the year totalling 104.7 million MDL.

Net profit for 2023 amounted to 672.0 million MDL, increasing by 30.2 million MDL or 4.7% more than in 2022.

NET PROFIT DYNAMICS (MDL, million)



Return on equity (ROE) for the period is 15.7% and return on assets (ROA) 2.9%, decreasing by 2.3 percentage points and 0.8 percentage points respectively compared to the previous year.

PERFORMANCE INDICATORS 2023 vs 2022

Net interest margin	NPL ratio	ROA	ROE
6.5%	4.4%	2.9%	15.7%
-1.70 (p.p.)	-4.32 (p.p.)	-0.76 (p.p.)	-2.34 (p.p.)

At the end of the period, own funds amounted to 3,564.4 million MDL, increasing by 23.7% compared to 31.12.2022, as a result of increase in retained earnings and decrease in the amount of the adjustment of own funds due to prudential filters. The own funds ratio was 43.9% (regulated by NBM ≥ 17.24%, including buffers), exceeding 2.5 times the minimum requirement imposed by the NBM and the average size at the banking sector level. During the year, the own funds ratio decreased by 0.8 percentage points.

CAPITALIZATION 2023 vs 2022

Equity	Own funds	Own funds ratio
4,534	3,564	43.9%
+672.7 (million MDL)	+682.5 (million MDL)	-0.83 (p.p.)

The Bank's performance is the result of every employees' efforts, daily progress and continuous investment. It is important for Victoriabank to have the support of the colleagues from Banca Transilvania, the largest Romanian financial group.

Victoriabank - digital banking

Digitization objectives are part of the Bank's strategy, making banking in the Republic of Moldova simple, convenient, accessible and fast. Victoriabank continues to offer customers more advantageous offers for remote and digital servicing compared to over-the-counter servicing. The Bank's digital offer is constantly developing. In addition, customers can benefit from intra-group products at attractive rates.

In 2023, several services and products were implemented to bring additional benefits to customers.

The first chatbot on the Moldovan banking market was launched by Victoriabank. It revolutionizes the interaction with Victoriabank customers, using artificial intelligence to help and guide customers in restoring the card PIN and blocking the card. In addition, the chatbot "ALEX" is able to answer questions and hold discussions on various topics related to the Bank's services or products.

Victoriabank is the first bank in Moldova joining the Swift Go service, a new standard in international low-value payments developed by SWIFT. Through this service, Victoriabank customers can receive transfers from abroad directly into their accounts within 4 hours during business days. The maximum amount that can be sent via Swift GO is 10 000 EUR/USD/GBP. The process is secure and transparent, with the sender being notified of all fees and exchange rates before initiating the transaction and the recipient receiving the full amount.

The digitisation of Victoriabank's services remains a priority in order to meet the needs of entrepreneurs. Through our approach, team and integrated banking services, we have created an enabling environment to boost businesses. In 2023 we launched a unique programme in Moldova for business digitisation.

The advantages offered to clients through the SME Digital Programme, created in partnership with the Future Technologies in Moldova Project, funded by USAID, Sweden and the UK, are: free consultancy on digitisation, access to a wide range of digital solutions, non-reimbursable financing provided by the Future Technologies in Moldova Project.

In 2023, the Bank reinforced its commitment to innovation with modern merchant services and provided customers with an advanced payment acceptance tool adapted to current market requirements. Victoriabank successfully integrated the tax module into the VB24 POS software. This smart 2-in-1 equipment allows card or cash payments and issuing of the tax receipt.

The Bank has implemented several new functionalities in VB24 mobile to expand the possibilities offered to the customers such as activating the issued card directly in the app, the possibility to see the exchange rate for various currencies, viewing instalment payments and managing them directly in the app for STAR cardholders etc.

More and more customers are opting for Express Credit - 100% online, which can be accessed quickly and easily with an advanced electronic signature and eliminates the need for the customer to go to the Bank to sign the credit application, contract or to collect the money. In 2023, the share of Express loans granted online in total loans granted to individuals represents 4%.

The fact that customers prefer digital products is also confirmed by the share of online deposits in the total number of online and over-the-counter deposits, which are increasing in 2023 to 72%.

During the year more and more customers

have chosen the option to update online the Know Your Customer (KYC) questionnaire or have become customers of Victoriabank without physically visiting the Bank through Digital Onboarding. VB uses the latest biometric and artificial intelligence technologies for this purpose.

DIGITALIZATION 2023 vs 2022

Active users Mobile Banking	Active users Web Banking	Number of transactions	Transactions amount
197 k	24 k	8.7 mil	141 bil
+40.3 (thousands)	-4.9 (thousands)	+1.5 (millions)	+12.3 (billions)

The number of active users of remote banking system increased, at the same time we see a migration of customers from web-banking to mobile-banking. The total number of transactions increased by 21% and the total volume of payments increased by 10%.

Victoriabank continues to invest in digitization of operations and processes to ensure convenience, added value and efficiency for customers and employees.

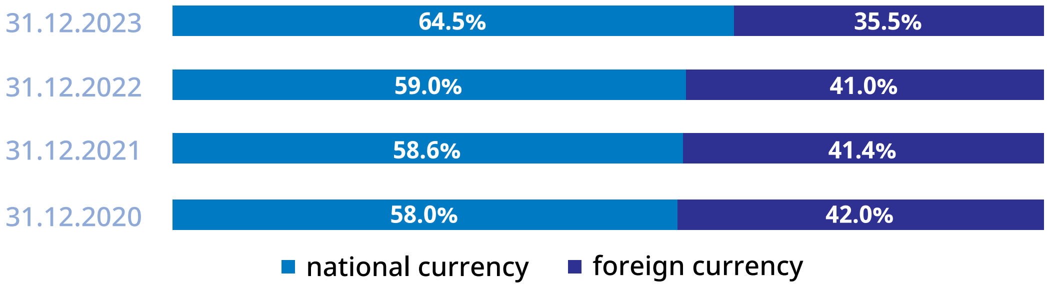
Activity on attracting deposits

The increase of deposits was influenced by the increase in the number of customers, their turnover, the products offered by the Bank, the possibility of remote self-service available to customers and the income of the population. The Bank's main source of funds are deposits attracted from individuals and legal entities. The structure of customer deposits is balanced, the weight of individual deposits is 55.9% and of legal entities 44.1%. During the year, deposits from legal entities grew faster, their share in total deposits increasing by 3.7 percentage points.

Deposits of individuals at the end of the year amounted to 8,781.4 million MDL, by 660.6 million MDL or by 8.1% more than at the beginning of the year. In the breakdown by currencies, deposits in national currency and in euro increased. The preference for liquidity, together with the decrease of interest rates for deposits in national currency, ensured the increase of individuals deposits as a result of the evolution of current account balances.

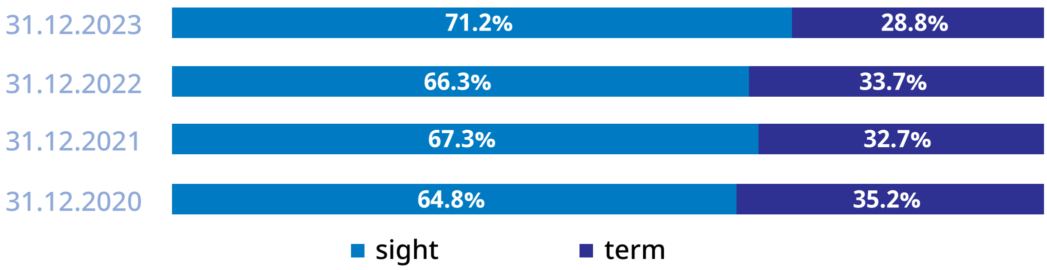
Deposits of legal entities recorded at the end of the year 6,934.5 million MDL, increasing by 1,421.4 million MDL or by 25.8% compared to beginning of the year. By customer segment, the Bank recorded a balanced growth for both the SME segment and Corporate segment.

DEPOSITS STRUCTURE BY CURRENCY



According to the structure by currency, as in previous years, the preference for deposits in national currency is higher and increasing compared to deposits in foreign currency, with a share of 64.5% in the total portfolio. Among foreign currencies, the largest balances are recorded in Euros, followed by those in US dollars. Both the balance of deposits in Euros and those in US dollars increased during the year, more accelerated increase being recorded for deposits in US dollars.

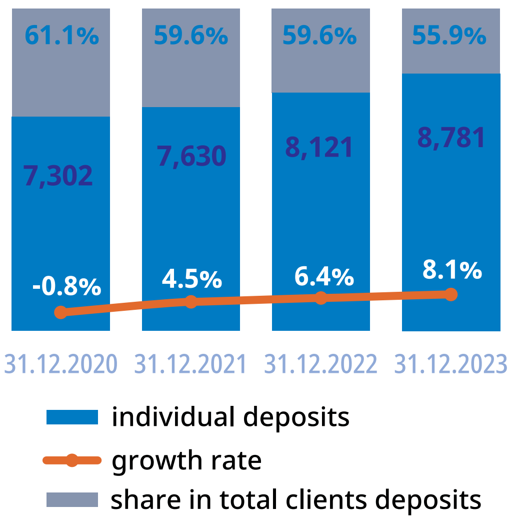
DEPOSITS STRUCTURE BY TYPE



The structure of deposits by maturity is different for individuals and legal entities. Individuals have preferences for savings products, while the vast majority of legal entities deposits consists of demand resources. If in the case of individuals it is a balanced structure of about 43%, for legal entities, the share of term deposits is 10%.

INDIVIDUALS DEPOSITS

(MDL, million)



LEGAL ENTITIES DEPOSITS

(MDL, million)

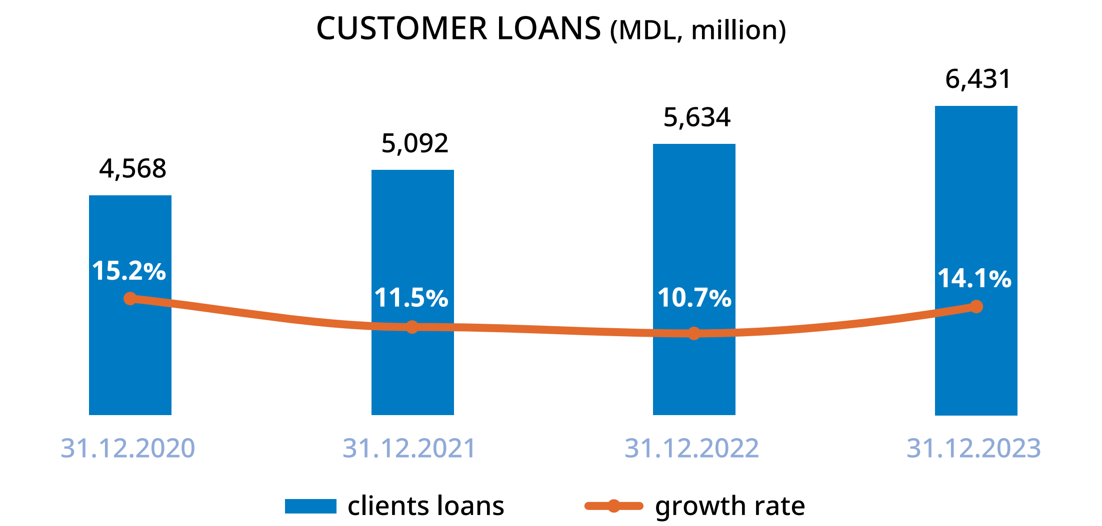
Interest expenses on customer deposits amounted to 548.1 million MDL, compared to 239.3 million MDL in the previous year, expenses related to deposits from individuals increasing by 79.8%. The increase of expenses on deposits from legal entities is conditioned by the dynamics of the portfolio recorded during the year, mainly in the first semester. In the structure of expenses by type of customer, 61.8% represents expenses related to deposits from individuals, a share that decreased during 2023 by 16.9 percentage points.

During the year, interest rates followed a downward trend, being correlated with demand and supply of resources, exchange rate dynamics, evolution of inflation and monetary policy rates.

Lending activity

Lending is important for commercial entities, the population and the national economy. For this activity, in 2023 the Bank has registered a record evolution, with the recovery in lending activity continuing at a faster pace for the legal entities segment. The main growth driver is the loans granted to SME segment. New financing opportunities have been made available to customers with more advantages.

The growth of the customers' loan portfolio was determined by the positive evolution in all business segments, with an increase in loan of individuals, SME and Corporate loans.



During the year, Victoriabank registered important evolution in terms of market positions, being on the 3rd position in terms of individuals loan portfolio and on 4th position in terms of legal entities loan portfolio. A year ago, we were ranked on 4th and 5th position respectively.

The portfolio of loans to individuals and legal entities increased to 6,431.3 million MDL, including in 2023 increasing by 796.9 million MDL or by 14.1%, which is a record for the last years.

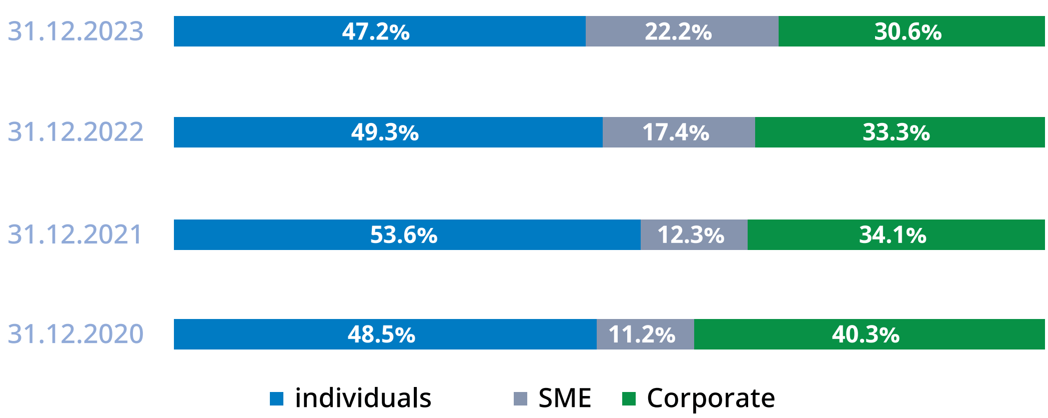
At the same time, the quality of the loan portfolio has steadily improved after 2018, since Banca Transilvania holds a majority stake in Victoriabank. As of 2023, the quality of the portfolio is better than the average of the banking sector and the best among the large banks. The proposed objectives are to further improve the portfolio quality parameters.

The balance of qualitative loans (stage 1 and stage 2) increased by 1,005.4 million MDL or by 19.6%, which is a record for Victoriabank. At the same time, the balance of non-performing loans, IFRS approach (stage 3), recorded 283.9 million MDL and decreased by 208.5 million MDL or by 42.3%. The NPL ratio for customer loans (principal) decreased by 4.3 percentage points, reaching 4.4% at the end of the year.

The growth of the loan portfolio was positively influenced by competitive interest rates, new product launches, optimization and automation of internal processes, promotions etc. For the safety and convenience of the Bank's individual customers, Victoriabank offers 100% online lending.

Victoriabank is the first bank in Moldova that applied a distinct approach to the interest rate on the granted loans, which is linked to a reference index of the market plus the bank's fixed margin.

LOANS STRUCTURE



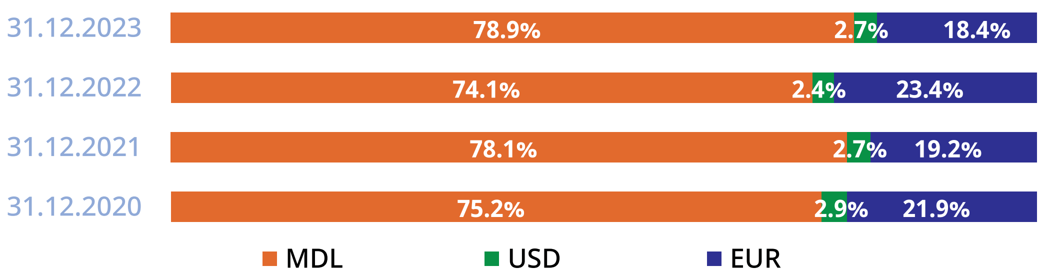
The management of the lending activity has allowed Victoriabank to have a balanced structure of the portfolio between individuals and legal entities, with the largest share in the portfolio being held by loans granted to individuals, followed by corporate loans and SME loans, which have recorded a dynamic evolution in recent years.

Loans to individuals recorded 3,037.1 million MDL, increasing by 258.6 million MDL or by 9.3%. In terms of structure, the largest share accounts to consumer loans (57.8% of total loans to individuals), followed by real estate loans representing 42.2%.

More and more customers are taking advantage of the benefits offered by the instalment shopping card - STAR Card, including the possibility to pay for purchases in instalments without interest, receive cash-back and star points. For exclusive and privileged advantages and possibilities: the Bank offers its customers the STAR Card Platinum.

The increase in the balance of loans to individuals and high demand for loans in national currency from legal entities, coupled with the evolution of interest rates, led to an increase in the share of loans in MDL by 4.8 percentage points.

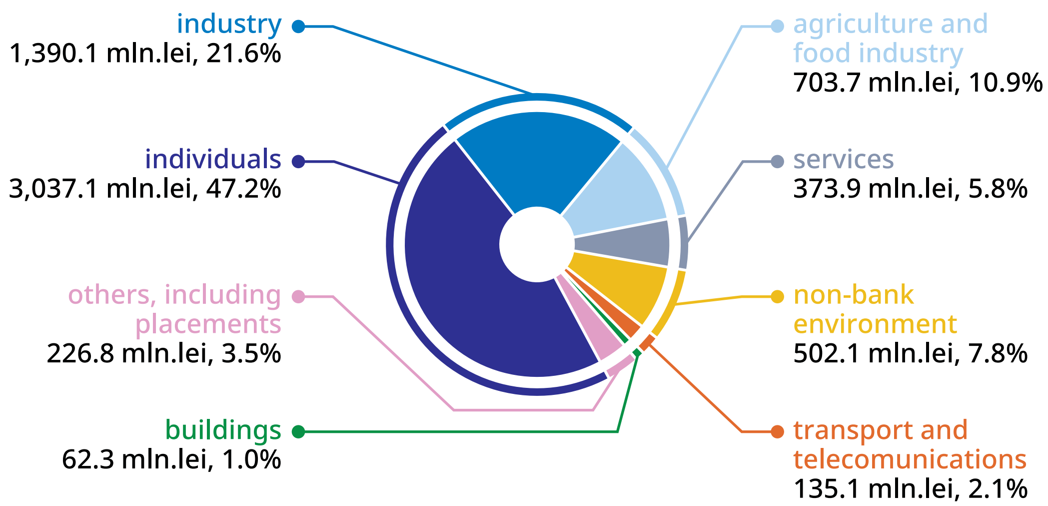
CUSTOMER LOANS, STRUCTURE BY CURRENCY



The portfolio of legal entities recorded 3,394.1 million MDL, increasing by 18.8% or 538.3 million MDL more.

In the structure of the portfolio of loans to legal entities, the largest share accounts to loans granted to industry and commerce, followed by loans granted to agriculture and the food industry, to loans granted to non-banking financial sector and to the service sector.

LOANS STRUCTURE, SECTORS



Interest rates on new loans evolved during the year in line with market trends, correlated with supply and demand for resources and funding costs. For loans in national currency, the interest rate decreased and for loans in foreign currency there was a slight increase in interest rates.

The increase in the portfolio of qualitative loans generated interest income from loans in amount of 673.1 million MDL, 23.9% higher than in 2022, thus contributing to the increase in net interest income, which recorded 1,260.9 million MDL, by 19.3% more than in the previous year.

Bank card activity

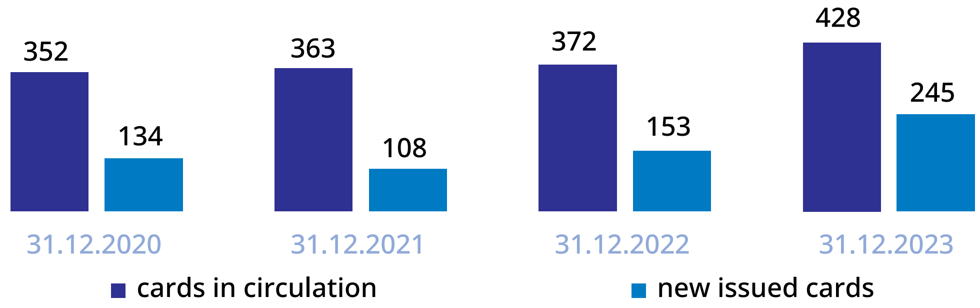
To ensure customers' convenience and access to a wide range of services, the Bank continually invests in the card business. At the same time, reducing the volume of cash in circulation has beneficial effects for the national economy and a positive impact on the environment. Digitisation and the card business are closely interlinked.

OPERATIONAL INDICATORS 2023 vs 2022

Active clients	Cards in circulation	Branches and agencies	ATM	POS-terminals
310 k	**428 k**	**68**	**225**	**8.1 k**
+18.8 (thousands)	+56.4 (thousands)	-3 (subdivisions)	+13 (units)	+0.6 (thousands units)

The number of cards in circulation at the end of 2023 reached 428 thousand units, increasing during the year by 56.4 thousand cards. Over 245 thousand cards were issued during the year, 92.5 thousand more than in the previous year.

NEW ISSUED CARDS AND IN CIRCULATION (thousands)



Advanced technologies are part of Victoriabank customers' lives and they are increasingly opting for cashless transactions: purchases of goods and services from merchants or via the internet, P2P transfers, payments for services, currency exchange, transfers in national and foreign currencies, etc.

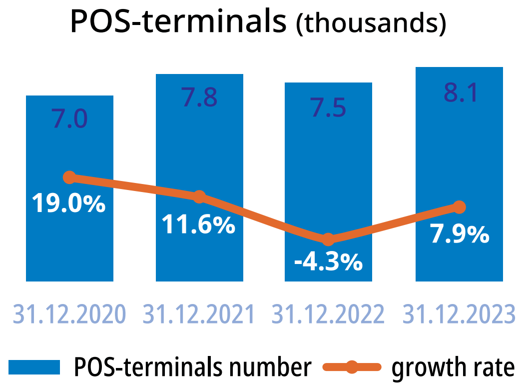
The structure of cards in circulation is correlated with customer demand: cards issued under general conditions, salary cards, followed by social cards. Bank customers can enjoy the facilities offered by meal vouchers, companies providing an additional benefit to their employers.

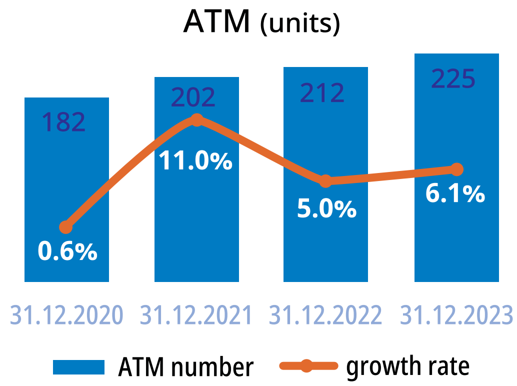
The Salut Card is highly appreciated by the Bank's customers, being accessible to every individual who is 18 years old and is a resident of the Republic of Moldova. The card can be issued online via the VB24 application or at the counter. For individuals who are not Victoriabank clients, there is Digital Onboarding option through which an online account opening is provided.

To ensure the service of growing volumes of activity, the Bank constantly invests and modernizes the network of POS-terminal and ATMs, develops new products and facilities for its customers. Every year the Bank purchases new generation ATMs to meet the ever-increasing demands of the customers.

These ATMs are much more than just a source of cash, their functionality will be extended to include possibilities such as account set-up, deposit replenishment, biometric authentication, two-way video functionality etc. Victoriabank is constantly renewing its POS terminal network to provide customers with ergonomic, modern and reliable equipment. From 2023, the Bank also offers its customers the POS terminals with Android operating system, including integrated tax module, designed to work as an efficient alternative to traditional tax printers or cash registers.

At the end of 2023 the number of POS terminals registered 8.1 thousand units and the number of ATMs: 225 units.





The efficiency of customer service processes continues to be one of our priority, which generates added value and benefits for all parties involved in the transaction: customers, beneficiaries and the bank.

Safety of service is a priority for Victoriabank, therefore resources are allocated and investment to ensure compliance with the highest standards in force.

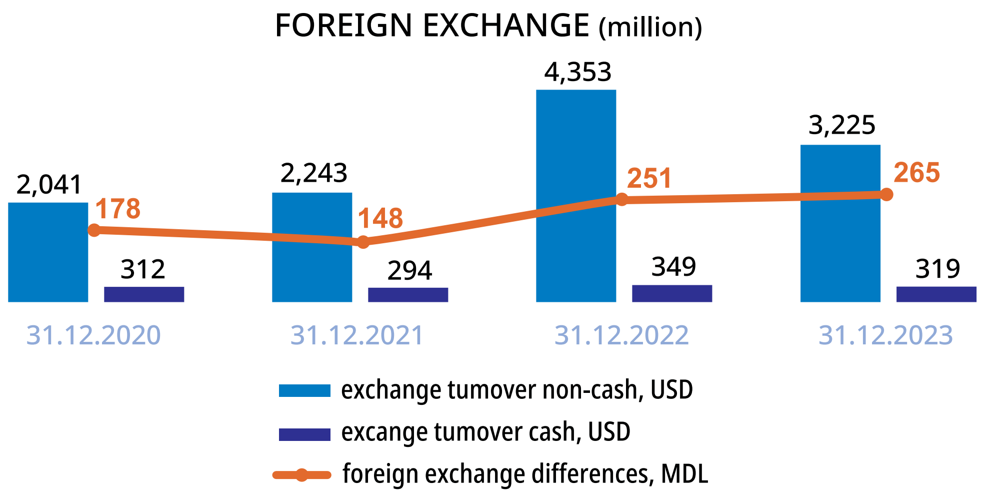
Foreign exchange activity

The Moldovan foreign exchange market ended 2023 in balance, with a decreasing evolution of the exchange rate on the USD/MDL and EUR/MDL pair, although there were many fluctuations during the year. The net demand was USD 2,817 million, by USD 39 million less than the net supply, which amounted to USD 2,856 million.

As of 31 December 2023, official reserve assets amounted to 5,453 million USD, an increase of 979.0 million USD compared to 31 December 2022, when they amounted to 4,474 million USD.

Correspondent relationships with European and USA banks help the Bank to provide customers with qualitative and secured services: Bank of New York Mellon, New York, DZ Bank AG, Frankfurt, Raiffeisenbank International AG, Vienna, Intesa SanPaolo, Milan.

It is worth mentioning the special correspondent relationship with Banca Transilvania which allows, on the background of very low commissions applied to commercial payments within the BT Financial Group, to serve numerous clients, importers or exporters, interested in the development of cross-border relations between Moldova and Romania.



The high volatility of the international and local markets and the efficient management of the foreign exchange position allowed the Bank to record income from foreign exchange trading (FX) in amount of 265.1 million MDL, 5.5% more than in the previous year.

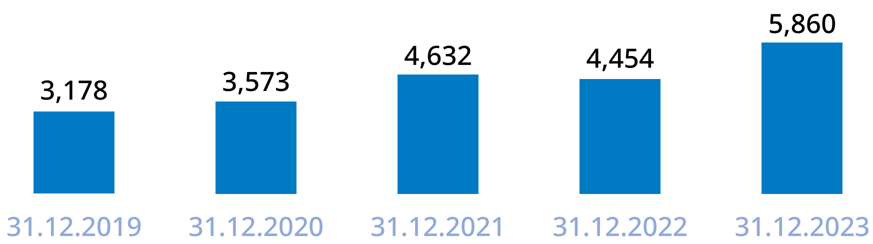
Activity on the government securities market

Against the backdrop of falling inflation, the NBM lowered the base rate during the year from 20.00% to 4.75%, which led to a significant drop in interest rates on government securities. The average rate for 1-year treasury bills decreased during 2023 from 17.97% to 6.19%.

The debt securities portfolio, represented by government securities and NBM certificates, accounted for 27% of the Bank's total assets at the end of the year.

According to the assessment made by the Ministry of Finance for 2023, Victoriabank maintained its No. 1 position in the ranking of primary dealers, occupying this position since 2018.

DEBT SECURITIES (million MDL)



Capital market activity

Victoriabank, as an Investment Company, carries out its professional activity on the capital market on the basis of its category "C" license, issued by the CNPF for an unlimited term and remains an active participant of the capital market, offering investment services to its clients, executing sale-purchase transactions on behalf of investors on the Stock Exchange and on the OTC market.

During the reporting year, the Bank brokered transactions for its clients on and off the Stock Exchange in the amount of 2,377.56 thousand lei, ranking at the top according to the rating of market operator members, even though the year 2023 was marked by a low presence of investors in the Moldovan capital market.

Corporate and municipal bonds are financial instruments, which provide issuers with the possibility to attract financial means necessary for the realization of projects, and investors - new financial instruments for investment.

In 2023, Victoriabank continued its activity as Paying Agent in the first municipal bond issues in Moldova, issued by the City Hall of the Sîngera city and the Ceadir-Lunga municipality, which were brokered by the Bank within the project "Local Government Bonds - as a measure to increase local autonomy".

At the beginning of 2023, after receiving the prior consent of all holders of bonds issued by the municipality of Ceadîr-Lunga, the Bank will issue bonds to the city of Sîngera. Victoriabank assisted and serviced the process of early redemption of municipal bonds issued by this local public authority.

CORPORATE GOVERNANCE

Code of Governance and compliance

Victoriabank recognises the importance of adhering to high standards of corporate governance to ensure that the legal rights and interests of shareholders are respected and protected. To this end, the Corporate Governance Code, a public document that sets out fundamental principles and standards for the Bank's corporate governance system, has been developed. This code is in line with the Basel Committee's recommendations on corporate governance for financial institutions and with the requirements of Moldovan law.

The Corporate Governance Code defines the key approaches and benchmarks that guide our corporate governance system. It describes how the Bank's objectives are set, the means by which they are achieved and the ways in which the Bank's activities are monitored. It outlines the rights and responsibilities of the Bank's management and supervisory bodies, as well as shareholders, employees and clients.

It is important to note that the Corporate Governance Code is an evolving instrument, which adapts to changes in the market and examples of best practice. In this regard, Victoriabank's Corporate Governance Code has been reviewed and updated, with the changes approved by the Board of Directors at its meeting on 13 April 2023.

Through the Corporate Governance Code, the Bank aims to facilitate understanding of its corporate culture and values. Victoriabank is committed to respecting the rights and ensuring fair treatment of shareholders, providing access to transparent and relevant information to investors, and establishing and respecting the roles and rights of all stakeholders.

At the same time, the Bank is committed to further refine the corporate governance system in a consistent manner, taking into account the interests of shareholders, investors, customers and other stakeholders. This approach reflects the Bank's commitment to excellence and accountability in all aspects of its business.

The Corporate Governance Code, along with with the Corporate Governance Statement "Compliance or Justification", is available on the Bank's website.

Powers and activity of the governing bodies

VVictoriabank has adopted a system of corporate governance in line with the highest standards in the industry, ensuring transparency of information, protecting the interests of all stakeholders and ensuring efficient functioning in the banking market. This framework has been developed in accordance with the most rigorous regulations and standards, and the Bank's efforts continue to keep pace with changing market requirements.

An essential element of corporate governance is the clear delineation of roles and responsibilities between management and executive bodies and effective interaction between them.

The detailed organisational structure of the Bank can be found on our official website www.victoriabank.md, in the "About Us" section, subsection "Public Disclosure" and "Corporate Governance".

General Meeting of Shareholders

The General Meeting of Shareholders is the supreme authority - the deliberative and decision-making body where shareholders exercise their rights and influence the strategic direction of the Bank.

Victoriabank promotes equality in relation to its shareholders and encourages them to be actively involved in the activities and decision-making process of the General Meeting. In order to ensure optimal conditions for the exercise of shareholders' rights, the Bank uses all available resources to prepare meetings responsibly and carefully. The use of information technologies enables shareholders to debate agenda items and make decisions on matters to be voted on without the need to be physically present at the venue of the Meeting.

General Meetings can be Ordinary and Extraordinary and are convened by the Board of Directors in accordance with the law. In 2023, only one Ordinary General Meeting of Shareholders of Victoriabank was held on 28 April 2023.

At this Meeting, the shareholders approved the Bank's annual financial report for 2022, the report on the activities of the Bank's Board of Directors for the same year, approved the audit entity to conduct the mandatory ordinary audit for 2023-2026 and the distribution of the Bank's annual profit for 2022.

The Ordinary General Meeting of Shareholders also elected a new composition of the members of the Bank's Board of Directors and approved the Regulation on Remuneration of the Members of the Board of Directors in a new wording.

The General Meeting of Shareholders of 28.04.2023 approved the following composition of the Board of Directors: Ludmila Costin, Peter Franklin, Thomas Grasse, Maris Mancinskis, Tiberiu Moisa, Murat Sabaz, Roman Turcan.

According to the shareholders' decision, the members of the Board of Directors, including those who were not elected in the new composition, continued their mandate until the approval by the National Bank of Moldova of at least one newly elected member.

As of 31.12.2023, the approval process of the National Bank of Moldova for the mandates of Mr. Roman Turcan and Mrs. Ludmila Costin had not yet been completed.

Board of Directors

The Board of Directors of CB Victoriabank JSC operates based on the applicable legal framework: the Law on the activity of banks no.202 of 06.10.2017, the Law on joint-stock companies no.1134 of 02.04.1997; the Law on the Regulation on the framework for the management of Banks' activity approved by the Decision of the Executive Committee of the NBM no.322 of 20.12.2018, the Code of corporate governance approved by the Decision of the National Commission for Financial Markets no.67/10 of 24.12.2015 and the internal regulatory framework of the Bank.

The Board of Directors is composed of seven members elected by the GMS by cumulative vote for a period of four years, with the possibility of re-election for a further term.

Thus, during 2023, the Board of Directors of the Bank had the following composition:

		Start of activity (NBM approval)
Chairman	Victor ȚURCAN	24.12.1993
Vice-Chairman	Thomas GRASSE	25.09.2018
Members	Peter FRANKLIN	05.12.2019
	Maris MANCINSKIS	20.02.2020
	Tiberiu MOISĂ	26.07.2018
	Murat SABAZ	09.08.2018
	Igor SPOIALĂ	27.02.2014

To ensure robust and effective corporate governance, the Board of Directors of Victoriabank in exercising its oversight function and discharge of fiduciary duties is supported in its activity by specialized committees. These committees are composed exclusively of members of the Board of Directors and have specific duties, functions and responsibilities established in accordance with the regulations of the National Bank of Moldova and Victoriabank.

The role of these specialized committees is to provide expert analysis in their areas of expertise and to develop recommendations for decisions of the Board of Directors. Four specialized committees operate within the Board of Directors:

- Audit Committee - assists the Board of Directors in fulfilling its duties in the areas of financial statements, accounting policies, financial and non-financial reporting, external auditors independence, reports and recommendations, appointment or withdrawal of the external auditor, internal audit systems developed by the Head of the Internal Audit function, a direct report to the Board of Directors, compliance with applicable internal policies and regulations as well as external legislation and the provisions of the National Bank of Moldova.
- Risk Management Committee - provides competent and independent opinions on Bank's risk management strategy across all risk categories, Bank's risk profile, risk appetite and tolerance, risk policies and practices, capital adequacy in relation to risks assumed. It monitors compliance with NBM regulations and recommendations with regard to the risk management and compliance functions, both of which were subordinated in 2023 to the Chief Risk Officer.
- Remuneration Committee - assists the Board of Directors in the area of remuneration policies, practices and staff incentives in order to ensure alignment with Victoriabank strategy, long-term objectives and risk management principles.
- Nomination Committee - assists the Board of Directors in the area of assessments and nominations.

The implementation of Victoriabank Sustainable Development and ESG policy, approved in September 2023, is supervised directly by the Board of Directors. The full list of committees' duties, competencies and responsibilities is determined in the Regulation on Specialized Committees of the Board of Directors.

During the reporting period, the members of the Board of Directors met in regular monthly meetings and, in special cases, ad-hoc meetings were convened and held by correspondence. Thus, during 2023 a total of 26 meetings were recorded in which 243 issues were discussed and decisions were taken. Of the 26 meetings, 3 were held in person, 8 by videoconference, and 15 - by correspondence.

During the reporting period, the members of the Board of Directors regularly received, reviewed, discussed and took decisions based on reports from the Chief Executive Officer and members of the Executive Committee of the Bank about the implementation of strategic and financial objectives, operational priorities and risk management strategy as well as the corporate governance framework, including compliance with applicable NBM regulations and orders as well as the Corporate Governance Code. Both the Head of Internal Audit and the Compliance function provided regular and substantiated information about Internal audit plan and Compliance program 2023 execution and related recommendations.

In each Board of Directors meeting, the Chairmen of the Specialized Committees reported about decisions taken by the committees and recommendations made to the Board of Directors. All Specialized Committees meeting minutes were submitted to the Board of Directors for consideration.

The members also assessed whether performance standards were maintained in line with the Bank's long-term financial interests and capital requirements. The Board of Directors approved the Bank's annual business plan, income and expenditure budget and social and environmental policies, the Bank strategy 2024-2026, the annual Internal Audit plan as well as the 2023 Compliance function program for AML/KYC/Compliance activities.

Victoriabank strategic and operational response to combatting money laundering and countering the financing of terrorism continued as a top priority item in each meeting of the Board of Directors. The Human Resources activity reports provided valuable insights to the Board of Directors as regards to staff performance assessment and remuneration in context of market dynamics, Victoriabank people training and development programs, staff satisfactory survey results with favorable NPS ratio, competencies, experience and diversity of Bank staff.

During the 26 meetings held in 2023, several topics had regular occurrence:

- financial reports (monthly);
- presentation of the evolution of the loan portfolio (monthly);
- presentation of business activity (monthly);
- reporting on monitoring and risk management (quarterly)
- submission of compliance function activity reports (quarterly)
- submission of activity reports to the audit function (quarterly);
- disclosure of transactions with affiliated persons (quarterly)
- approval of primary internal regulations;
- approval of transactions falling within the competence of the BoD;
- changes in the branch and agency network.

In a context where the banking market was facing significant challenges and changes, Victoriabank has taken a strategic decision of major importance: the acquisition of Banca Comercială Română Chișinău JSC.

Victoriabank's Board of Directors approved the transaction at the end of March 2023, recognizing the potential and value-creating opportunity of this 'first in the market' event where a Moldovan Bank acquired another local Bank. The Board attentively oversaw the acquisition process and integration planning throughout all phases of the transaction.

The acquisition of BCR Chisinau is complementary to the Bank's business model. The transaction, which was completed in January 2024 after granting regulatory approvals, confirms Victoriabank's commitment to further strengthen both its market position, also by external growth, and the commercial business ties with Romania and the European Union for the benefit of existing and potential new clients. The integration of BCR Chisinau will be performed in 2024. The Bank is expecting a smooth transition of business and operations.

As a member of Banca Transilvania Financial Group, Victoriabank is open for business and investment opportunities that will contribute to growth and value creation in all segments. The Bank's strategy, people and solid financial position helps deliver on Victoriabank plans.

Below, the Board of Directors report on the activities of its Specialized Committees in 2023.

Audit Committee

The Audit Committee supervises the financial reporting process including the appointment and remuneration of external auditors as well as the implementation of appropriate accounting policies and practices ensuring the integrity and accuracy of Victoriabank's financial condition. It oversees the preparation of the Bank's financial statements and is responsible for the assessment of the performance, objectivity and independence of the external auditors and its Senior Partners engaged in the audit process and the delivery of a quality audit.

Furthermore, the Audit Committee helps the Board of Directors to oversee and carry out supervisory responsibilities in relation to internal audit, internal control and risk management systems, compliance with regulatory requirements and non-audit services of the Victoriabank. The Committee acts independently of management to fulfil its fiduciary duty to shareholders and ensure their interests are properly protected by effective internal controls, financial reporting, compliance with regulatory requirements and appropriate relationship with external auditors.

The Committee has the right to make recommendations on the effectiveness of the Internal Audit Division's performance and, in cooperation with the Remuneration Committee, on the remuneration of the Head of Division to the Board of Directors.

The members of the Audit Committee meet regularly with the external auditor of the Bank, to discuss any issues related to the auditing activities, as well as the Bank's executive management answers. The Committee monitors the compliance with the legal provisions in Republic of Moldova regarding the financial statements and accounting principles, compliance with the provisions of the National Bank of Moldova, assesses the external auditor's report including key audit matters and audit opinion on the financial consolidated statements (IFRS), reviews and pre-approves the financial consolidated statements (IFRS) of the Bank.

The Audit Committee's duties include reporting regularly to the Board of Directors on the activities carried out in line with good governance and best practice standards for Audit Committees of Financial Institutions.
In 2023, the Audit Committee had the following composition:

- homas Grasse – Chairman of the Audit Committee; Independent non-executive director with extensive audit experience, attending 17 out of 17 meetings;
- Igor Spoiala – member; Independent non-executive director with extensive audit experience, attending 17 out of 17 meetings;

- Maris Mancinskis – member; Independent non-executive director with extensive audit experience, attending 17 out of 17 meetings.

During 2023, the Audit Committee held 17 meetings, of which 3 were physically attended, 11 meetings - in videoconference format and 3 extraordinary meetings held by correspondence.

In 2023, due to a change of the BTFG Group auditor, the Audit Committee, based on its own independent analysis and judgement, recommended to appoint Deloitte SRL, member of Deloitte Group. Representatives of Deloitte presented updates on external audit at 4 meetings of the Audit Committee. In addition, in line with good governance practices, the Audit Committee held a meeting with the lead audit partner without the presence of executive management.

The CEO, CRO, CFO and external auditors attend Audit Committee meetings by invitation. During the past year, the Committee maintained a hybrid meeting schedule, with 11 of the 17 meetings held online. Committee members are confident that this did not affected the quality or effectiveness of its work and interactions.

In 2023, the Audit Committee focused on the following activities:

- Review of mid-year and year-end IFRS financial results;
- Comprehensive review of the annual and interim financial statements, reporting process and going concern assumptions, ensuring that all applicable legal requirements and International Financial Reporting Standards are met, that the disclosures are clear and appropriate, that all areas where significant accounting judgements are made are fully considered and that they provide a fair, balanced and understandable financial statement of the Bank;
- Plan and scope of 2023 external audit process, review of the 2022 full-year external auditors' report, KPMG Management Letter from 2022 audit, the external auditors' half-year 2023 review and discussed management's responses to it. The work of the Committee continued to focus on overseeing the implementation of IFRS 9 accounting standards, related Expected Credit Loss models and its independent validation;
- Reviewing and assessing the effectiveness of the external auditors, recommending the appointment of Deloitte Audit SRL as external auditors for the 2023 financial year and approving their remuneration, subject to shareholder approval at the 2023 GMS, as well as individual approvals for the provision and remunerationof non-audit services by the incumbent external auditor;
- Ongoing oversight and evaluation of the performance and independence of the internal audit function, including review and approval of the 2023 internal audit plan and budget, external quality assessment of the Internal Audit function action plan implementation, review of 2023 internal audit reports and any remediation plans, review of the Internal Audit Manual; IAD Code of Ethics and IAD Regulation;
- Reviewing the deficiencies and effectiveness of internal financial controls and other internal control systems and - together with the Risk Management Committee of the Board of Directors - assessing and monitoring the Bank's internal control, risk management and compliance functions
- Regular monitoring of the progress of the implementation of the measures set out in the action plans related to the thematic control and control in the AML/CFT area carried out by the NBM at Victoriabank;
- Review the Bank's correspondence with the NBM and monitor

the implementation of the recommendations communicated by the regulator.

As of 01.07.2023, Mrs. Anna Musteața was appointed Head of the Internal Audit Division, following approval of her candidacy by the National Bank of Moldova.

The IAD continued to report functionally directly to the Board of Directors, which ensured the organizational independence of this function.

The Audit Committee also reviewed the adequacy of the Bank's internal controls and, together with the internal auditor, closely monitored any weaknesses identified in internal controls and the progress of their remediation.

During the year under review, the Audit Committee, in cooperation with the Risk Management Committee, monitored the Bank's organizational and operational arrangements to further develop and strengthen the Bank's activities in the areas of KYC, AML/CFT and information security management.

Risk Management Committee

The Risk Management Committee (RMC) reports directly to the Board of Directors and is responsible for independent review, assessment and recommendation for actions regarding the Bank's risk strategy, risk profile, risk appetite and tolerance, risk management system, risk policies and capital adequacy in relation to risks assumed.

It helps the Board of Directors fulfill its supervisory oversight roles and responsibilities in risk governance and regulatory compliance through attentive monitoring and regular performance assessment of Victoriabank risk management ecosystem, including, but not limited to, supervising risk profile, risk management practices and results within the principles of sound risk governance.

The committee consists of three non-executive members of the Board of Directors, of which two are independent. The Bank considers that all members of the Risk Committee of the Board of Directors continue to demonstrate a fully independent judgement in all aspects related to their functions. Its duties include:

- The Committee advises the Board of Directors on the Bank's risk appetite and makes recommendations on the overall risk management strategy, taking into account both current and emerging risks.
- The Committee oversees the implementation of capital and liquidity management strategies and other relevant risk management strategies such as credit risk, market risk, operational risk including IT Security, compliance and reputational risk.
- The Committee reviews the significant risks associated with new activities, products or processes in which the Bank engages and assesses their impact on the business model and risk management strategy.
- The Committee reviews whether the Bank's remuneration policies take into account risk, capital and liquidity, and advises on the appointment of external consultants to support in this area.
- The Committee monitors the implementation of recommendations made by internal and/or external auditors.

The full list of committee's duties, competencies and responsibilities is established in the Regulation for Specialized Committees of the Board of Directors Victoriabank.

The 2023 Risk Management Committee had the following composition:

- Thomas Grasse – Chairman of the Risk Committee; Independent, non-executive director with extensive risk management experience, attending 14 out of 14 meetings;

- Mehmet Murat Sabaz – member; Independent, non-executive director with extensive risk management experience, attending 14 out of 14 meetings;

- Tiberiu Moisă – member; Non-Executive director with extensive risk management experience, attending 14 out of 14 meetings.

The Head of Internal Audit Division participated in the meetings, as well. Upon invitation, the CFO and specialized teams in the risk and finance areas as well as external consultants are attending to provide updates and support materials.

At all its meetings, the Risk Management Committee reviewed, monitored and discussed key risk indicators and approved risk limits for credit, market, liquidity, operational - including IT and Cyber Security - and strategic risks reported by the Chief Risk Officer (CRO) and the Compliance function. The Committee also ensured compliance with NBM regulations and recommendations related to the risk management and compliance functions within the Bank.

In 2023, the Risk Management Committee met 14 times, of which 3 were in attendance, 10 - by videoconference and one extraordinary meeting by correspondence.

During the meetings, the work of the Risk Management Committee focused around five main pillars: overseeing asset quality within Victoriabank risk framework, monitoring regulatory capital and liquidity alignment to the Bank's growth strategy, Compliance risk, cybersecurity resilience and ESG risk approach as well as risk model adjustments to the dynamic macro environment.

The following section provides detail on how the Committee discharged its responsibilities during 2023 alongside principal activities and priorities:

- Reviewing and evaluating the robustness, adequacy, effectiveness and efficiency of the Bank's risk management system, particularly concerning risk management strategies and policies for 2023, based on reports prepared by the Bank's risk management functions.

- Supervising and providing recommendations with regard to implementation of the risk management strategy for 2023 proposed by Risk Management.

- Evaluating the framework of risk management policies, methodologies, and processes and their impact on the Bank's financial and regulatory standing.

- Conducting monthly and quarterly reviews of periodic risk reports for credit-, market-, liquidity-, strategic risk and non-financial risks (operational-, compliance-, regulatory-, cyber-, reputation risk).

- Collaborating with other specialized committees of the Board of Directors to ensure alignment of primary internal regulations with the Bank's strategy and to promote sound and effective risk management.

- Overseeing and assessing the results of internal capital allocation principles (ICAAP) and liquidity adequacy assessment principles (ILAAP), in compliance with BNM provisions.

- Analyzing reports on non-performing and restructured loans, as well as the results obtained by departments in charge of recovery and debt collection.

- Considering uncertainties from continued adverse macroeconomic effects given high energy and other commodity prices, inflationary pressure, interest rates rise and geopolitical volatility as well as post Covid-19 recovery processes, the Committee focused on model risk management, reviewed management assumptions and model validation results for PMA adjustments for estimate of collective impairment allowances.

- Preliminary examination of credit- and market risk exposures within the competence of the Board of Directors including transactions with related parties, based on information provided by both the Corporate business line and Risk Management function of the Bank / CRO.

- Monitoring, evaluating, and providing recommendations for the redesign of risk management and compliance functions, also based on external independent experts assessments.

- Overseeing the implementation of the project to enhance the Bank's resilience against information and cybersecurity risks from Victoriabank's digitalization initiatives and offering clients safe digital applications and product solutions.

- Reviewing the SREP (Supervisory Review and Evaluation Process) report conducted by the National Bank of Moldova.

- Reviewing and impact assessment from new legislative changes, such as those related to Bank recovery and resolution planning in line with expectations of the BNM (MREL indicator).

The Risk Management Committee closely monitored and assessed the loan portfolio performance in every meeting in 2023, based on reports received about the portfolio structure including non-performing and restructured portfolios.

The RMC also reviewed and thoroughly assessed the results from Bank's capital and liquidity allocation process (ICAAP and ILAAP) to its risk profile.

Key assumptions used by Executive Management for ICAAP and ILAAP crisis simulations under various macroeconomic scenarios as well as for robust scenario stress testing performed in accordance with applicable regulatory requirements for banks were regularly reviewed, the results discussed and evaluated to assess the Bank's resilience and regulatory compliance with the minimum standards set by the National Bank of Moldova. The Committee has nothing to report in this respect for 2023.

The risk management organization subordinated to the Chief Risk Officer continued to operate in 2023 as an independent entity within the Bank, supporting a wide range of controls that cover the risk identification and management process. The Committee reviewed and recommended for approval by the Board of Directors the main documents that cover risk policies and procedures and monitored observance thereof.

The Chairman of the Committee is invited to every meeting of the Remuneration Committee, which enables the Risk Management Committee to follow the remuneration policies and to make sure that there are no incentives that could weaken the risk management decisions, the monitoring and control of the credit portfolio.

Nomination Committee

Victoriabank's Nomination Committee is responsible for identifying, evaluating and appointing members of the governing bodies and persons holding key-positions. Its duties include:

- Evaluating the knowledge, skills, diversity, and experience within the governing body, including describing roles and abilities required for appointment to specific positions; assessing the ability of members to allocate time to perform their duties effectively.
- Conducting periodic evaluations, at least annually, of the structure, size, composition, and performance of the governing bodies, and providing recommendations to the governing body regarding potential changes.
- Regularly assessing, at least once a year, the knowledge, skills, and experience of each member of the governing body, as well as the collective knowledge, skills, and experience of the entire governing body and individuals holding key positions, and reporting findings to the board as appropriate.

In 2023, the Nomination Committee had the following composition:

- Victor Turcan – Chairman of the Nomination Committee;
- Peter Franklin – member;
- Maris Mancinskis – member.

Two out of three members are Independent non-executive directors.

The activity of the Nomination Committee extends beyond the initial selection phase. It is responsible for assessing the performance of members of the governing bodies and key individuals, promoting a culture of continuous improvement and accountability.

During 2023, the Committee held 7 meetings and addressed the following topics:

- Evaluation of the candidates proposed for election to the Board of Directors by the General Meeting of Shareholders 2023 with submission of the evaluation results to the Board of Directors and the NBM, within the regulatory approval process;
- Nomination and evaluation of Ms. Anna Musteață for the key position of Head of the Internal Audit Division (Head of Internal Audit Function);
- Nomination and evaluation of Mr. Mihai-Mircea Aursulesei as member and Vice-President of the Executive Committee;
- Assessment of the collective suitability of the Bank's Board of Directors and Executive Committee;
- Identification of the members of the Supervisory Board and Executive Committee of BCR Chisinau with subsequent recommendation for their approval by the competent bodies of the subsidiary and the regulator;
- Top Management succession plan 2023.

Remuneration Committee

The Remuneration Committee is an advisory, standing and independent committee which assists the Board of Directors in the area of remuneration at the Bank level and which carries out the tasks mandated by the Board of Directors in this area of activity.

The primary objective of the Committee is to assist the Board of Directors in fulfilling its responsibilities in the area of compensation and to uphold best practices in corporate governance. Its core duties encompass:

- Preparing remuneration decisions for approval by the Board of Directors,

especially concerning executive body members and key staff.
- Supporting the Board of Directors in elaboration the Bank's remuneration policy.
- Monitoring remuneration policies, practices, and processes to ensure alignment with the existing remuneration policy.
- Selecting external consultants for remuneration matters and advising the Board accordingly.
- Ensuring shareholders receive adequate information on remuneration policies and practices, particularly regarding the fixed-to-variable remuneration ratio.
- Evaluating remuneration mechanisms and systems to ensure comprehensive risk consideration and alignment with the Bank's objectives and values.
- Assessing the attainment of performance targets and the necessity for ex-post risk adjustments to remuneration.
- Reviewing potential scenarios to assess how remuneration policies and practices respond to internal and external events and ex-post testing of the criteria used for setting remuneration.
- Directly overseeing the compensation of independent control function heads and recommending their compensation packages to the Board.

During 2023, the Remuneration Committee had the following composition:
- Mehmet Murat Sabaz – Chairman of the Remuneration Committee;
- Peter Franklin - member;
- Tiberiu Moisă – member.

Two out of three members are Independent non-executive directors.

In addition, the Chairman of the Risk Management Committee is invited to attend meetings of the Remuneration Committee to ensure that the Bank's remuneration policies and incentives are consistent with prudent risk-taking.

During the reporting period 7 meetings of the Committee were held, 4 of which were attended by members and 3 - by correspondence. During the meetings, the following topics were presented to the members for consideration:
- approving decisions on the remuneration of members of the executive body and key persons;
- prior review of the remuneration policy, other internal regulations regarding remuneration and recommendation for approval to the Board of Directors;
- monitoring remuneration policies, practices and processes in the Bank, in particular with regard to the ratio between fixed and variable remuneration;
- assessing the achievement of performance targets and deciding on the annual bonus for Bank employees;
- other subjects related to the remuneration of Bank staff.

The results of the meetings of the specialized committees were regularly presented at the meetings of the Board of Directors, and the Chairmen of each Committee informed the members of the Board of Directors of the decisions approved and the recommendations in their areas of responsibility, relating to the items on the agenda.

In 2023, the Bank's committees performed their duties with the utmost diligence in the interests of Victoriabank and stakeholders.

The Board of Directors fulfilled its supervisory role and carried out its fiduciary responsibilities to both shareholders and stakeholders of Victoriabank in accordance with the Bank's Charter and relevant regulations, while adhering to principles of good governance and best practices.

Special emphasis was put on developing further Bank's medium-term strategy, supporting executive management in execution and delivery of the approved business plan, while closely overseeing risk management, related parties transactions and declared conflict of interest situations, compliance activities, and enhancing further good governance practices as well as nurturing the corporate culture and values of Victoriabank.

Executive Committee

The Executive Committee is the collegial executive body of the Bank that organizes, directs and is responsible for the day-to-day business of the Bank, manages the business of the Bank efficiently and prudently in a manner consistent with the Bank's strategy and management framework approved by the Board of Directors.

The main tasks of the Executive Committee are to implement the resolutions of the General Meeting of Shareholders and the decisions of the Board of Directors, as well as to promote policies aimed at increasing the Bank's competitiveness, ensuring its sustainable financial and economic position, and protecting the rights of shareholders and investors. Subsequently, the following priorities are included in the list of ExCo competences:

- implementation of the strategic objectives, internal control systems, risk management strategy and business management framework approved by the Board of Directors;
- developing an appropriate and transparent organisational structure for the Bank that ensures separation of functional responsibilities;
- adequate monitoring of subordinate staff;
- the distribution of tasks and responsibilities among Bank staff;
- to report quarterly to the Board of Directors on the results of its activities;
- other duties provided for in the Staff Regulations and internal rules.

The Executive Committee reports to the Board of Directors. Members of the Executive Committee are elected for a four-year term, with the possibility of reappointment. During 2023, the Executive Committee had the following composition:

		Start of activity (NBM approval)
President (CEO)	Levon KHANIKYAN	12.01.2023
Vice President (CBO)	Vasile DONICA	03.03.2018
Vice President (CRO)	Sorin ȘERBAN	04.05.2018
Vice President (CFO)	Vitalie CORNICIUC	18.06.2020
Vice President (COO)	Elena-Ionela MALOȘ	24.06.2021

Mr. Levon Khanikyan was appointed as Chairman of the Executive Committee at the meeting of the Board of Directors on 22.09.2022, but started to exercise his functional duties from 12.01.2023, when he obtained the NBM's approval. Until that date, the mandate of the Chairman of the Executive Committee was held by Mr. Bogdan Pleșuvescu.

The Executive Committee is obliged to report regularly to the Board of Directors on situations that may influence the Bank's business strategy and/or management framework, the Bank's financial performance, violations of risk limits or compliance rules, deficiencies in the internal control system.

To carry out its work in specific specialised areas, the Executive Committee creates and coordinates specialised committees:

- Credit Committees - examine matters relating to the Bank's lending activity, except those falling within the remit of the Board of Directors and the Executive Committee. Decisions are taken in these Committees on applications for granting/extending/renegotiating loans.
- Asset Recovery Committee - is a review committee, which has powers and rights in the non-performing asset recovery segment.
- Asset and Liability Executive Committee (ALCO) - reviews and takes decisions related to the management of interest rate risk, foreign exchange risk, liquidity risk, price risk and related areas in order to manage the Bank's assets and liabilities appropriately, as well as ensuring the optimal structure of the Bank's balance sheet in line with the Bank's strategic documents.
- Acquisitions Committee - is a review and decision-making committee with responsibility for the procurement of goods and services within the Bank.
- Product Committee - is an advisory committee, which proposes to the Executive Committee the approval of new products and changes in existing products, as well as approves promotional campaigns.

During 2023 the members of the Executive Committee held 62 meetings, of which 57 were attended by members and 13 - by correspondence.

Internal control and risk management system

The internal control system is a set of internal control bodies and areas, in line with the specific financial and business operations of the Bank. Victoriabank's internal control is organised on the basis of a risk mitigation approach, which in practical terms is a mechanism to limit the Bank's risk appetite. The Board of Directors is responsible for defining the principles and approaches of the Bank's internal control and risk management system. The Executive Committee, in turn, ensures the effective establishment and maintenance of this system and is responsible for implementing the decisions of the Board of Directors in this area.

The viability of the control system in all functional areas is ensured by the independent work of the following functions:

- Compliance function - assists the Bank's governing bodies in identifying, assessing, monitoring and reporting on compliance risk associated with the Bank's activities by advising on compliance with the legal regulatory framework, the Bank's own rules and standards and established codes of conduct and by providing information on developments in this area.
- Risk Management function - ensures the provision of an overview of all risks, participation in the development of the risk assessment and management framework and risk measurement systems, active involvement in the development of the Bank's strategies (mainly risk management strategies), implementation of appropriate policies and processes for the assessment of significant risks.

- Internal Audit Function - ensures the independent, impartial and objective assessment of the sufficiency and effectiveness of the management framework in accordance with the provisions of the legal and regulatory framework, the Bank's internal regulations, as well as in reporting the results to the Board of Directors, the Audit Committee and informing the Executive Committee, with a view to improving the Bank's performance indicators through the systematic and orderly application of the methods for evaluating and improving the internal control mechanism within the Bank.

RISK MANAGEMENT AND COMPLIANCE

Victoriabank's risk management objective is to integrate the average risk appetite assumed into the decision making process by promoting an appropriate alignment of assumed risks, available capital and performance targets, while taking into account both financial and non-financial risk tolerance. In determining risk appetite and risk tolerance, the Bank takes into account all the risks to which it is exposed due to the specific nature of its business, with appetite being predominantly influenced by credit risk.

Within the Bank, risk management is an integral part of all decision-making and business processes. In this respect, the governing bodies:

- Continuously assess the risks to which the Bank's business is or may be exposed, which may affect the achievement of its objectives, and take action on any changes in the conditions under which it operates;
- Identify significant risks, taking into account both internal factors (complexity of the organisational structure, nature of activities carried out, quality of staff and level of staff turnover) and external factors (legislative changes, changes related to the competitive environment in the banking sector, technological developments).
- Establish the risk management framework that includes internal regulations, limits and control mechanisms that ensure the identification, assessment, monitoring, mitigation and reporting of risks related to the Bank's activities at the overall level and where appropriate at the business line level (Corporate, SME, Retail);
- Identifies exposure to risks inherent in the business through day-to-day operations and transactions (including lending, dealing, asset management and other specific activities) through the risk management infrastructure in place;
- Manages and evaluates/measures risks: the management and evaluation of identified risks is carried out through specific models and calculation methods, such as a system of key risk indicators and related limits, a methodology for the evaluation of risk events likely to generate losses, a credit risk provisioning methodology, estimated calculations of future asset value developments, etc.;
- Monitor and control risks: policies and procedures in place for effective risk management have the ability to temper the risks inherent in the business. Procedures are in place to control and approve decision and trading limits. These limits are monitored on a daily/weekly/monthly basis, depending on

the specifics and conduct of operations;

- Report risks: for specific risk categories, regular and transparent reporting mechanisms have been established so that management and all relevant units benefit from timely, accurate, concise, understandable and meaningful reporting, including the ability to exchange relevant information on risk identification, measurement or assessment and monitoring.

The main categories of risk to which the Bank is exposed are:

- Credit risk;
- Market risk;
- Liquidity risk;
- Interest rate risk from activities outside the trading book;
- Operational risk;
- Risk associated with excessive leverage;
- Reputational risk;
- Strategic risk;
- Compliance risk.

Credit risk

The credit risk management framework is regularly updated and improved. It is designed to cover all credit exposures in the Bank's business and comprises the following core components:

- A risk assessment system for new loan products/significant changes to existing products;
- Lending methodology that ensures the creation of a healthy loan portfolio;
- Integrated IT systems for customer relationship management, both for loans to legal entities and for loans to individuals;
- An effective active credit portfolio management process, including an adequate reporting system;
- Concentration limits per client/client group/per product/economic sector/type of guarantee;
- Methodology for early detection of actual or potential increases in credit risk (early warning signals);
- Regularly and consistently applied processes to establish appropriate loss adjustments in accordance with applicable credit risk accounting regulations.

The methodologies used to assess credit risk and determine the level of expected loss adjustments (ELAs) according to the type of exposure aim in particular to:

- include a robust process designed to equip the Bank with the ability to identify the level, nature and determinants of credit risk at the time of initial recognition of the credit exposure and to ensure that subsequent changes in credit risk can be identified and quantified;
- include criteria that take due account of the impact of forward-looking information, including macroeconomic factors;
- consider relevant internal and external factors that may affect expected credit loss estimates;
- involve a process for assessing the overall adequacy of loss adjustments in accordance with relevant accounting regulations, including a periodic review of expected credit loss patterns.

Credit risk management at the Bank is carried out by:

- Organisation of an own system of rules and procedures in the field, capable of creating the regulatory framework that applied in the lending process allows to avoid or minimise the triggering of risks; development/improvement of the procedural framework for credit risk management (strategy, policies, procedures on credit risk management); continuous improvement of the credit approval/granting activity;

- Maintain an adequate process for the administration, control and monitoring of loans.
- In the Bank's organisational structure - there are divisions and committees with a role in credit risk supervision and management.

Market risk

Market risk is the risk of incurring losses on on-balance sheet and off-balance sheet positions due to adverse market movements in the prices of financial instruments and equities held for trading, interest rates and foreign exchange rates.

In managing market risk, the Bank applies a series of rules, performs stress tests, through which the impact of possible sudden and unexpected changes in interest rates and/or market fluctuations in foreign exchange rates on own funds is assessed and incorporated in the regular reports to the ALCO.

In order to mitigate the market risk inherent in the conduct of operations, the Bank has adopted a prudent approach to protect the Bank's profit from market fluctuations in prices, interest rates, foreign exchange rates, which are all exogenous, external, independent factors. The Bank applies a number of principles relating to the quality, maturity, diversity and riskiness of its components.

Market risk analysis is carried out on the basis of the risk subcategories mentioned below, with the aim of combining prudential requirements with profitability requirements:

- Interest rate and price risk. The management of this risk is adapted and adjusted to the conditions of the Moldovan and international financial-banking market, as well as to the general economic and political context.

- Currency risk is the risk of incurring losses on balance sheet and off-balance sheet positions due to adverse market movements in exchange rates. The Bank applies a number of rules and limits concerning transactions/positions sensitive to exchange rate fluctuations, how they are realised, recorded and the impact of exchange rates on the Bank's assets and liabilities.

Liquidity risk

The aim of liquidity risk management is to obtain the expected return on assets by exploiting temporary cash surpluses and efficiently allocating resources attracted from clients, in the context of appropriate management, consciously assumed and adapted to market conditions and the current legislative framework. Liquidity management is carried out centrally and aims to combine prudential requirements with profitability requirements.

In managing liquidity risk, the Bank applies a series of principles relating to the

quality, diversity, maturity and riskiness of assets, while establishing sets of carefully monitored limits to ensure compliance with the principles and desired returns.
Liquidity stress testing is a component of liquidity risk management, for which different probabilities and severities are established, based on which the Bank's potential vulnerabilities related to its liquidity position are analysed, potential negative effects and ways to avoid/resolve them are determined.

Liquidity risk management, as an element of the Bank's strategy, is the responsibility of the ALCO.
With a view to sound liquidity risk management, the Bank constantly seeks to attract liquidity through treasury operations, external financing, etc.
The operational (intraday) liquidity management is carried out through all the operations carried out by the relevant subdivisions of the Bank, so as to ensure all the settlements/payments undertaken by the Bank, in its own name or on behalf of customers, in national or foreign currency, on account or in cash within the internal, legal, mandatory limits.

The Bank also holds a liquidity reserve for the purpose of covering additional liquidity needs that may arise over a short period of time under stress conditions, periodically tested against various stress scenarios.

Interest rate risk from non-trading book activities

The Bank has established a set of strict principles for managing and monitoring interest rate risk from non-trading book activities, based on a risk management process that keeps interest rates within prudent limits. The aim of interest rate risk management is to minimise the possible negative impact on net income as well as the economic value of capital under adverse movements in interest rates.
The Bank applies management tools such as static GAP analysis as well as economic value of capital, interest rate forecasts, recommended limits and regular updates in interest rate risk management.

Operational risk

Operational risk is the current or future risk of damage to profits and capital resulting from inadequate or failed internal processes or systems and/or from the actions of external persons or events.

In order to identify, assess, monitor and mitigate operational risk, the Bank evaluates new processes, products and services as well as significant changes to existing ones.

In order to reduce the risks inherent in the Bank's operational activities, the controls implemented at various levels are carried out and monitored on an ongoing basis, their effectiveness is assessed, and methods are introduced that contribute to reducing the potential impacts of operational risk events through the implementation of preventive action plans.

The Bank's strategy for reducing exposure to operational risk is mainly based on:
- the continuous compliance of internal regulations with legal and market conditions,
- staff training,
- efficiency of internal control systems (organisation and operation),
- continuous improvement of IT solutions and strengthening of the Bank's information security systems,
- use of complementary means of risk mitigation (conclusion of specific risk

insurance policies),
- implementation of measures to limit and mitigate the effects of identified operational risk incidences such as standardisation of current activity,
- assessment of products,
- processes and systems to determine those significant in terms of inherent operational risk),
- use of recommendations and conclusions resulting from controls carried out by internal and external control bodies in the field of operational risks,
- updating of continuity plans and their regular evaluation and testing.

The operational risk assessment process is closely linked to the overall risk management process. Its outcome is an integral part of the operational risk monitoring and control processes and is continuously compared with the risk appetite established by the risk management strategy.

Risk associated with excessive leverage

The objective of managing excessive leverage risk is to balance the Bank's asset and liability structure in order to achieve expected profitability indicators under controlled risk conditions that ensure both the continued sound conduct of the Bank's business and the protection of shareholders' and clients' interests.

The concept of "leverage" means the relative size of the Bank's assets, off-balance sheet obligations and contingent obligations to pay or provide or secure collateral, including obligations arising from financing received, commitments entered into, derivatives or repo agreements, but excluding obligations that can only be enforced during the liquidation of the Bank, compared to the Bank's own funds.

Reputational risk

Reputational risk is the current or future risk of damage to profits and capital or liquidity resulting from the adverse perception of the Bank's image by counterparties, shareholders, investors or supervisors.

Reputational risk management is achieved by:
- taking steps to attract the best partners, both in terms of clients and suppliers,
- recruiting and retaining the best employees,
- minimising litigation,
- rigorously regulating the activity,
- preventing crisis situations,
- constantly strengthening the Bank's credibility and the confidence of shareholders,
- constantly improving relations with shareholders,
- creating an environment that is as favourable as possible for investment and access to capital,
- communicating continuously and openly with stakeholders (shareholders, media, clients, partners, employees, authorities etc.).

Strategic risk

Strategic risk is the current or future risk of damage to profits and capital caused by changes in the business environment or unfavourable business decisions, inadequate implementation of decisions or failure to respond to changes in the business environment.

A detailed analysis of the significant risks identified by the Bank is available in the Report of CB "Victoriabank" JSC on the management framework, own funds and capital requirements, capital buffers, in accordance with the Regulation on disclosure requirements by banks, approved by Decision of the Executive Committee of NBM No. 158 of 09.07.2020.

Capital adequacy

Internal Capital Adequacy Risk Assessment Process (ICAAP) in Victoriabank is a component of the Bank's management and leadership process, its decision-making culture, which aims to ensure that the management bodies adequately identify, measure, aggregate and monitor the Bank's risks, hold adequate internal capital to the risk profile and use and develop sound risk management systems.

The Bank shall ensure that the level of own funds is maintained at all times at least at the level of the capital requirements laid down in the NBM Regulation on banks' own funds and capital requirements. The Bank shall also ensure that its internal capital requirements are consistent with its risk appetite and the environment in which it operates.

The Bank uses the following calculation methods to assess its capital requirements:

- For determining capital requirements to cover credit risk - standardised approach;
- For the determination of capital requirements in respect of position risks related to traded debt instruments - standardised approach;
- For the determination of capital requirements to cover foreign exchange risk - activity-wide - the standardised approach;
- For determining capital requirements to cover operational risk - the basic approach.
- The planning and monitoring of risk capital adequacy takes into account the Bank's total own funds on the one hand and the Bank's risk-weighted assets on the other.

Internal liquidity adequacy

Internal Liquidity Adequacy Assessment Process (ILAAP) in Victoriabank is a component of the recurrent internal liquidity assessment process, which ensures that the Bank has a sound and specific liquidity and funding risk management framework, including a process for identifying, quantifying and monitoring liquidity levels and its management process.

As part of the internal liquidity adequacy assessment process, the Bank shall plan and maintain an amount of liquidity reserve and liquid assets in order to support the Bank's activities at a sustainable pace and achieve its objectives.

The conduct of the internal liquidity adequacy assessment process is supported by the Funding Plan which includes the sources of funding and the Contingency Funding Plan which describes the responsibilities, strategies and instrumentation applied to cover liquidity shortfalls in emergency situations.

Compliance risk

Compliance risk is the current or future risk of damage to profits and capital, which may result in fines, damages and/or termination of contracts or damage to the Bank's reputation as a result of violations of or non-compliance with regulations, agreements, recommended practices or ethical standards. Victoriabank has established and maintains a mechanism for prudent and effective compliance risk assessment and management in accordance with the provisions of the regulatory acts in force.

The Compliance function, during 2023, assisted the Bank's governing bodies - the Board of Directors and the Executive Committee - in identifying, assessing, monitoring and reporting compliance risk associated with the activities carried out by the Bank, providing support on the compliance of the activities carried out with the provisions of the regulatory framework, its own rules and standards, the Code of Conduct, including by providing information related to developments in this area.

The Bank applies the principle of a risk-based approach to compliance risk, with the compliance function ensuring continuous monitoring of risk indicators, identification and analysis of causes that may lead to compliance risk events. And, in order to prevent and/or mitigate compliance risk related to the Bank's activities, the compliance function has undertaken continuous risk control measures.

To ensure effective compliance risk management, the Bank has adopted the following methods:

- monitoring and continuous adjustment of exposure limits and monitoring of indicators, set in the Bank's internal regulations, that reflect internal processes/products exposed to compliance risk;
- prudent management and alignment with the highest standards in the field of preventing and combating money laundering and terrorist financing/ international financing, including, by establishing mechanisms to know one's customers, monitoring their transactions, ensuring a risk-based approach to the Bank's customers;
- ensuring internal control activities and measures related to the management of conflicts of interest;
- ensuring compliance of internal regulations with the requirements of national legislation and the Bank's internal regulatory framework, in compliance with BT Financial Group's standards and requirements;
- promoting a 'culture of compliance' through ongoing training/consulting on non-compliance events, including those related to corporate ethics, so that compliance risk can be managed effectively;
- developing and streamlining compliance risk management processes, including by optimising and digitising the activities of the compliance function;
- regular internal auditing of the compliance function's activities, ensuring control over the effectiveness of the implementation of legislative requirements.

HUMAN RESOURCES MANAGEMENT

Victoriabank's main priority in terms of human resources management has been and is to provide its employees with numerous opportunities for professional development. Victoriabank's evolution and positive image is largely due to the way in which its organisational culture has evolved.

Victoriabank is a reliable employer in the Republic of Moldova. The Bank is known for its responsibility towards the professional development of its employees and for promoting an organisational culture based on strong values: respect, ambition and passion.

With a team of well-trained professionals with extensive experience in banking, Victoriabank offers a motivating work environment and opportunities for professional growth. Victoriabank has initiated several programmes to support and develop its employees. The Bank has implemented extensive training and professional development programs, providing learning opportunities. In addition, we invest in health and wellness programs, providing medical services and wellbeing programs for employees.

Employer Victoriabank provides its employees with customized development plans, learning opportunities, as well as management and leadership skills development for all levels of management.

Victoriabank also organises teambuilding events and CSR activities to encourage employee interaction and community engagement.

Victoriabank also operates a performance recognition and reward system, with employee excellence and contributions being rewarded. Overall, these initiatives are designed to promote personal and professional development, employee satisfaction and engagement within Victoriabank.

Victoriabank is proud of the projects and team values that have been cultivated throughout 2023, including:

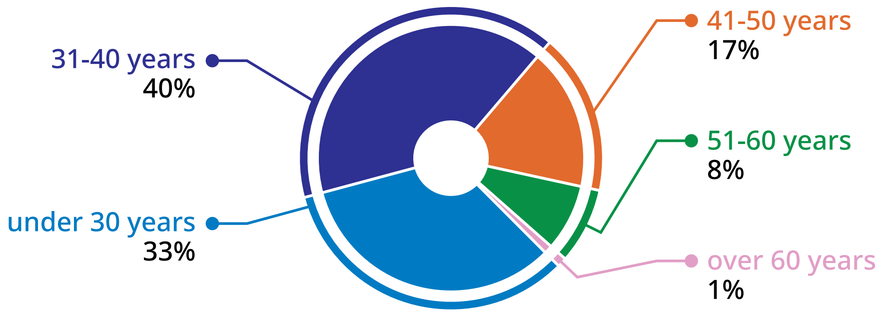
- launching sustainability campaigns,
- the formation of the footballer/ footballer team and the marathoner/ marathoner team,
- launch of the first "I'm fine with myself" ("Sunt bine cu mine") Wellness Programme,
- supporting social diversity.

Victoriabank moved closer to acceptance, solidarity and empathy. An internal Library was created and projects were launched for children and relatives of Victoriabank employees. The Bank's employees participated in board games, went to Quiz. Also, tickets to cultural events - plays, art exhibitions, films, ballet, local festivals were offered to employees.

Staff structure

As of 31 December 2023, Victoriabank employed a total of 1,348 people, of which 740 in the Distribution Network and 608 in the Central Office. The number of active employees of the Bank constitutes 1,138, and 210 constituting 16% of employees are on maternity and childcare leave.
The average age of the Bank's employees on 31.12.2023 is 36 years.

STAFF STRUCTURE BY AGE



Victoriabank Employees
Head Office vs Distribution Network

Staff structure by gender
(male/female)

Recruitment

Victoriabank is transparent in all its processes of recruitment. Vacancies are open and can be found both on social media channels (Facebook, LinkedIn, Instagram) or on the website https://www.victoriabank.md/cariere, as well as on special recruitment platforms and career fairs etc. In 2023, the total volume of recruitment activities reached 283.

At the same time, the Bank used the HR tool in the field of recruitment „Referral Program". The program is an additional benefit/non-formal benefit for employees and an opportunity to increase their income by referring a friend - neighbour - friend to the Bank. Referrals are the most trusted form of employer branding by providing the company with the necessary resources, motivated and trained employees to support the Bank's strategy.
This program enables the selection and recruitment of new employees based on recommendations from Victoriabank employees. During 2023, 390 candidates were recommended of which 119 joined

the Victoriabank team. Similarly, in order to promote the employer brand among students, Victoriabank accepted over 100 students for internships in both Front and Back Office.

In 2023, the Bank continues to run the online (RPA digital program) and offline Onboarding program - an event dedicated to new employees to orient and introduce them to the history and culture of Victoriabank and Banca Transilvania Group. During this event, new employees learn about:

- the Bank's mission, vision and values,
- career opportunities and career management,
- internal communication,
- benefits and remuneration,
- training and development,
- information security;
- marketing Strategy and compliance Policy.

The onboarding event for new Victoriabank employees also includes a Q&A session with the Bank's CEO.

Due to the need to hire new people in specific areas, which is coupled with an ongoing need to market opportunities in the Bank, Victoriabank has adapted a Recruitment Strategy to broaden the possibilities of attracting candidates.

In June 2023, the 4.0 edition of the financial education project "Zoom in banking" was successfully completed, which represents paid internships at Victoriabank in collaboration with the European Business Association (EBA), the Academy of Economic Studies of Moldova (ASEM), the State University of Moldova (USM) and the Technical University of Moldova (UTM).

The aim of the "Zoom in banking" programme is:

- to develop local human capital in order to increase the employability of young people,
- to adjust the educational offer according to the requirements of the banking sector,
- to support talented young people and train future specialists among young graduates who want a career in the banking system,
- to guide students in identifying the right field and job within the Bank for the development of professional skills,
- to disseminate of best practices, counselling and career guidance to students,
- to motivate and reward the most active, responsible and ambitious young people.

The project is open to all, especially students and teachers. The trainings take place in an online environment, the practical topics are set by Victoriabank trainers and practitioners, together with partners EBA, ASEM, USM and UTM. As a result of the project, students who wish to carry out internships at Victoriabank are accepted for internships and are paid.

In 2023 Victoriabank has concluded a new partnership team AIESEC Chisinau, the largest global youth organization in the world, which focuses on developing leadership and entrepreneurial skills among young people. AIESEC is an international organisation run by young people, students and recent graduates of higher education institutions. Members of the organisation are interested in global issues, leadership and management.

Through this partnership, Victoriabank and AIESEC Chisinau supports the initiatives of young people in the Republic of Moldova to help them develop their skills and realize their dreams. This partnership is a testimonial to the Bank's shared commitment to contribute to the growth and development of young people in Moldova.

The Bank is committed to support projects that promote the personal and professional development of young people, as well as projects that have a positive impact on the community. This partnership provides an excellent platform for young people in

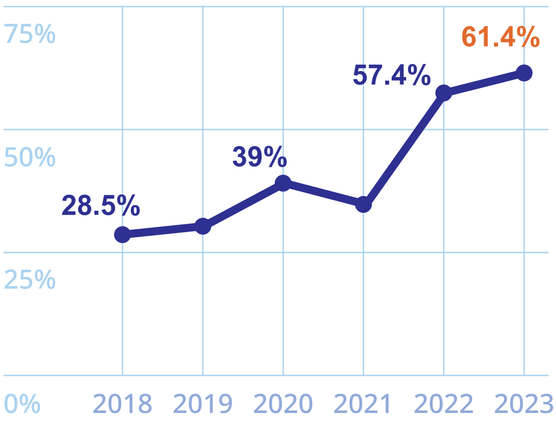
Moldova to express their creativity and put their ideas into practice with the support and guidance of practitioners. Victoriabank is convinced that by working with AIESEC, it contributes to the development of a strong and successful generation in Moldova.
In 2023, as part of the internal project - the "People of Victoriabank" ("Oamenii de la Victoriabank") blog, articles about Victoriabank employees from both the network and the head office were posted, bringing visibility to the Bank's team in social media. Thus, the Bank aims to continue the "People of Victoriabank" project and further promote the Front office and Head office employees through short articles/interviews to be posted on Facebook, LinkedIn and the Bank's website under the "People of Victoriabank" section.
An established practice for 3 years within Victoriabank is the internal HR Newsletter. This monthly edition is an internal communication tool, providing employees with essential information about policies, projects, opportunities and events within the Bank etc.
Through this newsletter, the HR Division keeps employees informed and connected, facilitating the exchange of ideas and feedback. The benefits of the Newsletter are obvious: improving internal communication, strengthening organisational culture and increasing employee involvement in company initiatives and objectives.

Performance assessment

As part of the performance appraisal exercise, employees had the opportunity to evaluate their achievements for the previous year as well as the achievement of the Smart Goals set for each individual employee.

In 2023, the EEI (Employee Experience Index) sessions, an exercise through which employees can evaluate their supervisors, as well as eNPS, through which employees' level of job satisfaction is assessed, continued.
The eNPS score was +20.4 points in July 2023 compared to July 2022, which is the highest score in all 10 sessions conducted over the 5-year exercise. The eNPS score represents the extent to which employees recommend their employer to relatives, friends and acquaintances.

Two editions of the EEI & eNPS exercise were conducted in 2023.



In the 10th edition, the highest eNPS score since the beginning of the project was recorded, i.e. 61.4%

Benefits and remuneration

Victoriabank's remuneration policy is developed in line with the Bank's medium and long-term strategic development objectives, aiming both to retain staff and to achieve the Bank's profitability criteria.
The aim of the remuneration policy is to encourage employee performance (both individual and collective) and to recognise

and value each employee's contribution to the Bank's results.

The principles of the Remuneration Policy cover both the fixed and variable components of the remuneration of all staff. The evaluation criteria addresses both individual and collective performance, specifically for a sufficient period of time to indicate real performance, not only in terms of measurable financial criteria but also in terms of qualitative criteria, including domain knowledge, managerial skills, overall professional effectiveness and attitude, level of commitment and compliance with the Bank's policies.
Victoriabank regularly updates and improves its internal rules and standards to promote best practice in staff remuneration.

Victoriabank's own policy is subject to the principles of Banca Transilvania Financial Group's Remuneration Policy. Any changes and derogations from the policy are under the competence of Victoriabank's Board of Directors and compliance with the provisions of the Banca Transilvania Financial Group Remuneration Policy. Employee care was the Bank's priority in 2023, and the safety and health of employees is essential to Victoriabank.

For this reason, prophylactic medical investigations for employees have continued to be included in the compensation and benefits package and are fully paid by the employer. Also, for the well-being and to be closer to the employees, additional paid leave has been included for the employee's birthday and for the employee's child's birthday up to and including 18 years of age, with the maintenance of the average salary for one working day.

Similarly, for colleagues whose children are studying in Romania, the special programme "Internships for children of Victoriabank employees" has been maintained. Thus, bachelor and master's students following an economic, IT or marketing profile etc. have the opportunity to learn all about banking from the Banca Transilvania team.

At the same time, during 2023, the Bank continued its internal communication campaign through the "VB Brain Zone" project. The "VB Brain Zone" sessions are a series of webinars, which come to bring the Bank's employees closer to all that is beautiful, useful and current. The webinar guests are specialists in the fields of art, communication, health, etc.

Professional development

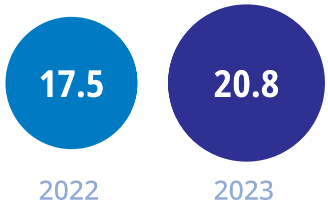
In 2023, Victoriabank continued to work ambitiously towards the persistent development of its employees. One of the initiatives that has received considerable energy investment is the creation and implementation of training paths for each person in the Distribution Network.

Thus, each customer service specialist, RM Retail, RM SME, operations coordinator, head of branch and branch manager has developed a development path. During 2023, training programmes were organised, such as:

- Managerial skills and leadership development sessions;
- Customer communication and sales trainings;
- Courses on effective communication and feedback, stress and conflict management, time management, etc.;
- Internal wellness promotion project, including online and offline events with psychologists; launch of an internal discussion club on "How we create and maintain healthy relationships" and individual therapy sessions;
- Technical trainings on banking products, services and applications.

Employee training and development in numbers:

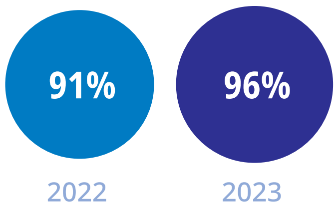
HOURS OF CLASSROOM TRAINING



On average, each employee in 2023 has accumulated 20.8 hours of classroom training, which is an increase from 2022 of 15%.

On average, each manager accumulated 30 hours of training during 2023.

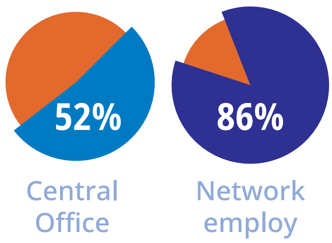
LEVEL OF EMPLOYEE SATISFACTION



Employee satisfaction is extremely high.

At the end of each training, we asked colleagues to rate the quality of the information delivered, the applicability of what they learned and more, and their level of satisfaction is 96%, also up from 2022.

EMPLOYEES ATTENDED AT LEAST 1 TRAINING



On 31.12.2023:

- 52% of Central Office employees attended at least 1 training during 2023.
- 86% of Network employees attended at least 1 training during 2023.

During 2023, several non-formal education events were held, which were popular with employees and very well received by them:

- Online and offline events on various topics such as (Communication, Health, Psychology, Social Diversity etc.);
- Offline events for employees' children;
- Board game nights;
- Offline events about financial education for young people and children (including children of employees and family members).

Victoriabank among the top employers

Victoriabank was named Top Employer of the Year in the 14th annual Employer Brand Perception Survey 2023, organised by AXA Management Consulting. This achievement reconfirms the Bank's commitment to supporting employees, promoting transparency and maintaining consistency in implementing successful organizational practices.

Victoriabank is the only Bank in Moldova to enter the Top 10 best employers of the year. The year 2023 marks Victoriabank's third consecutive win in this important market survey, consolidating its status as Moldova's Top Employer. The survey results cover various aspects of the working environment, including working conditions, development opportunities, pay and benefits, collaboration within the company and relations with superiors and colleagues.

Sixty-one companies from the IT, sales, telecommunications, banking, services and other sectors participated in the survey.

Victoriabank ranks as a top employer:

- Top Employer of the Year. Employer Brand Perception Survey 2021, 12th edition.
- Victoriabank at the top of students' preferences, strengthening its image as a trusted employer . National survey conducted by Iolanta Mura and Riyang Phang, with the support of AmCham Moldova.
- Top employer on the market in the Republic of Moldova in the rankings carried out on recruitment platforms by the delucru.md and undelucram.md teams.
- Top best employer. Employer Brand Perception Survey 2022, 13th edition.
- Top employer 2023. Victoriabank in the Top 10 among the Best Employers in the Republic of Moldova according to undelucram.md platform.
- Top Employer of the Year. Employer Brand Perception Survey 2023, edition 14.

NON-FINANCIAL STATEMENT

BUSINESS MODEL

Since 2018, Victoriabank has undergone a continuous transformation process in terms of its business model, based on the experience of Banca Transilvania, which is also one of the largest shareholders.

Victoriabank's mission is to ensure the continuity of its business under optimal financial conditions for growth and to meet the demands and needs of customers, employees, shareholders and society, while providing protection of their interests.

The Bank's goal is to build one of the best banking institutions in the national financial system by strengthening a brand appreciated by all categories of customers and a favorable and sustainable corporate reputation.

The Bank's mission highlights its importance for the country's economic growth, its value and role in society to guarantee trust, stability and security in the domestic banking system. It is important for Victoriabank to successfully achieve the goal set out in the mission statement – to become the leading bank in Moldova in all areas of the institution's activity.

This will be made possible by realizing the personal and professional goals of the Bank's employees, by forming a team with common visions, principles and values, the provisions of which will be followed by each member of the team.

Victoriabank adheres to the highest ethical standards through the adoption of a Code of Conduct, designed to promote honest and responsible employee behaviour, which transforms ethical principles into rules of conduct for all staff. A well-developed system of corporate governance contributes to the increase of the Bank's value by creating effective mechanisms for managing and making fundamental decisions.

RESPECT FOR HUMAN RIGHTS

The Bank's Corporate Governance Code recognises the rights of all stakeholders - shareholders, customers, business partners, employees, supervisory authorities, civil society etc. The Bank shall do its utmost to create favourable conditions for the full exercise of its shareholders' rights.

At the same time, the Bank shall ensure and promote an ethical working environment in which every employee is treated with respect and dignity, without discrimination. An environment in which all Bank employees are expected to demonstrate integrity and perform their duties impartially, non-discriminatorily and fairly, without giving preference to any person or group on the basis of race, nationality, language, religion, gender, opinion, or political affiliation.

COMBATING CORRUPTION

In the area of anti-corruption, Victoriabank applies both the BT Financial Group Code of Ethics and Conduct and internal policies and procedures.
Victoriabank has implemented its own anti-corruption policy whereby it has adopted and promoted the principle of "zero tolerance of corruption" in all its business dealings. All members of governing bodies of any kind, together with employees, have access to and are informed of these policies at the time of their adoption, including any changes that occur during their validity. In addition, at the time of employment, all employees sign a written commitment to comply with the anti-corruption requirements described in the related policy and Code of Conduct.
Victoriabank's position on this phenomenon is communicated to partners by integrating an anti-corruption clause in all cooperation contracts. Also, when collaboration contracts are concluded/amended, checks are ensured to verify/ensure that they comply with anti-corruption standards.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Responsibility and social involvement remain a priority for the Bank and its employees. At Victoriabank, community involvement and social responsibility are valued. Employees continue to support social projects with the same #AppetiteForGood Deeds (#PoftăDeFapteBune). The VB Charity Association is following its mission in the field of social responsibility already for the sixth year.

A.O. Association "Caritate VB" (non-profit organization) was founded at the end of 2018, through which projects are carried out by supporting employees as well as several community initiatives. "Caritate VB", the association created at the initiative of Victoriabank - Banca Transilvania Group employees, is among the charitable organizations that enjoy the trust of the population.

Since its establishment, the non-profit association has contributed to numerous charitable acts and supported important social projects. In 2023 "Caritate VB" ranked among the organizations to which most citizens choose to entrust the 2% of their taxes.

Thus, in 2023 "Caritate VB" ranked 41st out of 770 NGOs that are beneficiaries of the percentage designation. The Bank wants the economy and the community to thrive, with the Bank's corporate social responsibility strategy "Together with Moldova, Together with Everyone" („Alături de Moldova, Alături de fiecare") being applied to the most relevant local concerns.

The Victoriabank team is working to build a stronger and more inclusive community. The bank focuses its efforts on the most disadvantaged through various projects, such as promotions for social cardholders, the "A warm shoulder in cold weather" („Un umăr cald în perioada rece") campaign for those who paid their bills through VB24.

The long-lasting partnership with the Child Community Family Association (CCF Moldova), which supports socially disadvantaged families, is maintained so that every child in Moldova grows up in a favourable environment and has access to quality education. The charity event "Gala of

Generosity" („Gala Generozității") is held to raise funds for the action "Stories from home" ("Povești de acasă"), with the Bank making an essential contribution. Victoriabank has joined the "Run for Children" team by supporting its humanitarian cause.

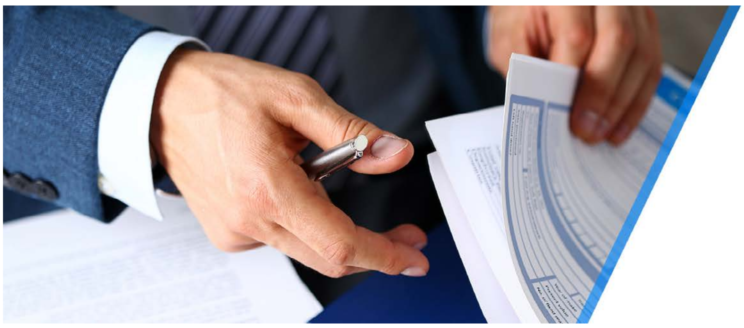
The Bank is also committed to its role as a promoter of financial education and supporting young people in reaching their full potential. Through financial education projects, supporting talented young people and supporting sports and cultural activities, Victoriabank invests in the future of Moldova and the sustainable development of society. In this regard, the financial education project "A memorable day at the bank" stands out. In 2023, Victoriabank's head office hosted more than 300 children, ready to explore the secrets of banking in a different way. From first graders to teenagers in grades X-XII from high schools from the Chisinau.

The Human Resources team created a tailor-made programme to capture the attention and curiosity of the students and teachers. Throughout the year, the students put themselves in the role of a banker, got brave and learned all the secrets of a banking institution, from its functioning to its products and services. The children also discovered the mysteries of an ATM, took a journey through the history of banknotes and learned many interesting facts about digital banking. At the end of each trip, the children were rewarded with Victoriabank branded prizes for their cleverness and curiosity.

At the level of the financial-banking system, a significant proportion of environmental impact occurs indirectly through the projects Victoriabank chooses to fund. As such, a Sustainability Policy has been developed and adopted, which includes an exclusion list of economic activities that will not be knowingly financed by the Bank. The process of developing internal workflows for the implementation of ESG risk analysis in the corporate lending process has also begun.

The Bank recognises that day-to-day operational management activities also have a negative impact on the natural environment, in particular through the consumption of material resources, energy, and the generation of waste and emissions. Through good management, efficient consumption and less waste, Victoriabank contributes to reducing negative impacts. Therefore, the Bank has started the selective collection of recyclable waste, a project launched so far in the Bank's Head Office and Branch No. 3. The collected waste is taken by a specialised company for recycling/reusing.

Victoriabank considers the promotion of a healthy organisational culture as essential for long-term success. The Bank believes that an organizational culture that encourages open communication, mutual respect, collaboration and personal and professional development is the foundation of a strong team and a thriving organization. By promoting values such as integrity, transparency and accountability, Victoriabank creates a work environment where every employee feels valued and encouraged to contribute to the collective success.



CALENDAR OF EVENTS 2023

January

- Levon Khanikyan officially started his mandate as CEO of Victoriabank

February

- ZOOM IN BANKING 4.0 || Webinars on individual assessment - qualitative and quantitative aspects and on "Products and operations in banking" with Ionela Maloș, Vice President Victoriabank

March

- Victoriabank - financial intermediary of the first municipal bond issues in the Republic of Moldova
- A new Victoriabank sub-branch was opened in Chisinau - Budapest
- A new partnership between Victoriabank and AIESEC Chisinau team
- Cash-in with Romanian lei (RON) at 57 Victoriabank ATMs across the country
- New functionality: exchange rate in VB24 too!
- Victoriabank continues to promote financial education for young people and children by joining the Global Money Week initiative again this year
- Signing of the agreement by which BCR prepares the sale of BCR Chisinau subsidiary to Victoriabank

April

- Financial education hour at Victoriabank - interactive event for students from the Modern Languages and Management High School in Chisinau
- Branch 28 Victoriabank has reopened its doors in a new location

May

- Victoriabank, main partner of the Basketball Federation of the Republic of Moldova and in 2023
- Partnership agreement with the Future Technologies in Moldova Project to boost the digitalization process of SMEs
- ABM awards for #PeopleOfVictoriabank, on Professional Bankers' Day

June

- Victoriabank awarded the best students of LT "Mihai Eminescu" from Causeni
- Opening of the doors of the new office of the Agency No. 34 Chisinau of Branch 20 Chisinau
- Victoriabank: Gender equality and performance at the BT Mamaia Football Championship

July

- Launch of the project "Fineco24News and Victoriabank connect you to the most important financial analysis and exclusive interviews"
- Victoriabank secures new €5 million EBRD SME funding

August

- Branch no. 20, located in the Buiucani sector of Chisinau, opened its doors in a new office on Alba Iulia Street no. 79.
- Introducing new functionality for STAR Card and STAR Card Platinum holders via VB24 Mobile: View and manage instalment payments

- Faster currency transfers via Swift Go, available in Moldova, only at Victoriabank

September

- Launch of Victoriabank's first chatbot - ALEX - available for customers 24/7
- Victoriabank and CCF Moldova, a story of generosity that has been changing children's destinies for 9 years
- Victoriabank and EFSE sign €15 million agreement for SMEs
- Exceptional networking: Victoriabank and AIESEC joined forces to support young people

October

- A new feature from ALEX - helps you quickly lock your card
- Victoriabank continues to support Ukraine. Children from Nicolaev received electronic tablets

November

- Victoriabank returns to Buiucani with a modernized branch - Alba Iulia Agency, 7/2 O. Ghibu Street
- A new POS from Victoriabank: simpler, faster and more secure payments
- Super Bank Friday promotions at Victoriabank
- Victoriabank - partner in building a safe and inclusive society. Conference to Prevent and Combat Violence against Women and Girls and Domestic Violence," organized by the National Coalition "Life without Violence."
- Victoriabank participated in the economic forum Romania-Republic of Moldova
- Victoriabank awarded by the Royal House of Romania for civic courage

December

- Victoriabank brings joy to children's lives with "Tales from home"
- IMM Digital, a unique program in Moldova for business digitalization
- Victoriabank, in collaboration with AIESEC Chisinau, organized a career guidance event for 2nd and 3rd year students
- Victoriabank provided support for the National Visual Identity Competition "My Romania"
- Victoriabank - driving the economy through innovation, partnership and performance in 2023
- Victoriabank among the best employers in Moldova according to www. undelucram. md.
- Launch of VB24 POS, available with integrated tax module
- Beautiful achievement: Elena Smocinschi from Victoriabank, designer of the national anniversary coin
- Victoriabank partner at the Gala of Students from Moldova and 2023

LIST OF SUBDIVISIONS
as at 31.12.2023

SUBDIVISIONS	ADDRESS
Branch no. 1 Balti	**MD 3121, mun. Balti, Pushkin Str. no. 18**
Sub-Branch no. 6 Balti	MD 3101, mun. Balti, Independenței Str., no.24
Sub-branch no.7 Balti	MD 3101, mun. Balti, Stefan cel Mare Str., no. 8/4
Sub-branch no.36 Balti	MD 3100, mun. Balti, Nicolae Iorga Str, no.9
ZEL Sub-branch	MD 3101, mun. Balti, Industriala Str., no.4
Branch no. 2 Floresti	**MD 5001, Floresti city, 31 August 1989 Str., no.59**
Branch no. 3 Chisinau	**MD 2004, mun. Chisinau, 31 August 1989 Str., no.141**
Sfatul Tarii sub-branch	MD 2004, mun. Chisinau, Sfatul Țării Str., no.29
Branch No. 4 Nisporeni	**MD 6401, Nisporeni city, Alexandru cel Bun Str., no.92**
Branch no. 5 Causeni	**MD 4301, Causeni city, Ștefan cel Mare Str., no.2, ap. 30-31**
Branch no. 6 Soroca	**MD 3006, Soroca city, Independenței Str., no.77**
Branch no. 7 Orhei	**MD 3505, Orhei city, Vasile Lupu Str., no.42**
Sub-branch no. 9 Orhei	MD 3505, Piatra Neamt Str., no.2/1
Sub-branch no. 47 Telenesti	MD 5801, Telenesti city, Dacia Str.
Sub-branch no. 58 Rezina	MD 5401, Rezina city, 27 August 1989 Str., no.18/a
Branch no. 8 Chisinau	**MD 2038, mun. Chisinau, Decebal Str., no.99**
Sub-branch no.3 Chisinau	MD 2001, mun. Chisinau, Negruzzi C. Blv., no.2/4
Sub-branch no.26 Chisinau	MD 2032, mun. Chisinau, Dacia Blv., no.49/8
Budapest sub-branch	MD 2038, mun. Chisinau, Dacia Blv, no.14/1
Sub-branch no. 49 Chisinau	MD 2071 mun. Chisinau, Zelinski Str., no.7
Sub-branch no.74 Anenii Noi	MD 6501, Anenii-Noi city, Concelierii Naționale Str., no.2A
Branch no. 9 Cahul	**MD 3901, Cahul city, Mateevici Str., no.11 A**
Cantemir sub-branch	MD 7301, Cantemir city, Stefan Voda Str., no.40A
Branch no. 10 Ungheni	**MD 3606, mun. Ungheni, Națională Str., no.26**
Branch no. 11 Chisinau	**MD 2012, mun. Chisinau, Stefan cel Mare și Sfînt Blv., no.77**
Sub-branch no. 4 Chisinau	MD 2012, mun. Chisinau, Tighina Str., no.55
Sub-branch no. 5 Chisinau	MD 2012, mun. Chisinau, A. Pushkin Str., no.32
Sub-branch no. 16 Chisinau	MD 2038, mun. Chisinau, Arborilor Str., no.21
Sub-branch no. 71 Chisinau	MD 2005, mun. Chisinau, A. Pushkin Str., no.26
Branch no. 12 Chisinau	**MD 2020, mun. Chisinau, Moscova Blv., no.3**
Sub-branch no. 2 Chisinau	MD 2020, mun. Chisinau, Moscova Blv., no.16
Sub-branch no. 76 Chisinau	MD 2059, mun. Chisinau, Petricani Str., no.88/1
Posta Veche sub-branch	MD 4839, mun. Chisinau, Stăuceni, Chisinau Str., no.5
Oasis sub-branch	MD 2068, mun. Chisinau, Bogdan Voievod Str., no.1
Branch no. 13 Taraclia	**MD 7401, Taraclia city, Lenin Dtr., no.143/5, ap. (of.) 2**
Branch no. 14 Chisinau	**MD 2044, mun. Chisinau, Mircea cel Bătrîn Blv, no. 14**
Sub-branch no.10 Chisinau	MD 2044, mun. Chisinau, Mircea cel Bătrîn Blv., no.17/3
Bucovina sub-branch	MD 2075, mun. Chisinau, M. Sadoveanu Str., no.42/6

LIST OF SUBDIVISIONS
as at 31.12.2023

SUBDIVIZIUNI	ADRESA
Branch no. 15 Comrat	**MD 3800, Comrat city, Pobedî Str., no.46 a**
Branch no. 16 Edinet	**MD 4601, Edinet city, 31 August Str., no. 19**
Sub-branch no.43 Edinet	MD 4601, Edinet city, Independence Str., no.67/3
Ocnita Sub-branch	MD 7101, Ocnita city, 50 Ani ai Biruinţei Str, no.62
Branch no. 17 Chisinau	**MD 2012, mun. Chisinau, 31 August 1989 Str., no.64**
Sub-branch no. 24 Chisinau	MD 2005, mun. Chisinau, Șoseaua Hîncești Str., no.43
Sub-branch no. 29 Chisinau	**MD 2025, mun. Chisinau, Testemițeanu Str., no. 20**
Branch no. 18 Hincesti	**MD 3401, Hîncesti city, Chisinau Str., no. 7**
Sub-branch Leova	MD 6301, Leova city, Independenței Str., no.14
Branch no. 19 Briceni	MD 4701, Briceni city, Independenței Str., no.20 A
Branch no. 20 Chisinau	MD 2051, mun. Chisinau, Alba Iulia Str., no.79
Sub-branch no.34 Chisinau	MD 2069, mun. Chisinau, Calea Ieșilor Str., no.1b
Sub-branch no.45 Chisinau	**MD 2064, mun. Chisinau, Ion Creanga Str., no.76**
Calea Ieșilor sub-branch	**MD 2069, mun. Chisinau, Calea Ieșilor Str., no.8**
Alba Iulia sub-branch	**MD 2051, mun. Chisinau, O. Ghibu Str., no.7/2**
Branch no. 23 Straseni	**MD 3701, Strășeni city, Mihai Eminescu Str., no.31**
Branch no. 24 Ialoveni	MD 6801, Ialoveni city, Alexandru cel Bun Str., no.53
Branch no. 25 Sîngerei	MD 6201, Sîngerei city, Independenței Str., no. 127/A
Branch no. 26 Chisinau	**MD 2005, mun. Chisinau, Bănulescu-Bodoni Str., no.28/1**
Sub-branch no.38 Chisinau	MD 2005, mun. Chisinau, Constantin Tănase Str., no.6
Energia sub-branch	**MD, 2005, mun. Chisinau, Puskin Str., no.64**
Branch no. 27 Falesti	**MD 5901, Fălești city, M. Eminescu Str., no.10**
Glodeni Sub-branch	MD 4901, Glodeni city, Suveranității Str., no14
Branch no. 28 Calarasi	MD 4401, Calarasi city, Biruinței Str., no.2
Branch no. 30 Chisinau	**MD 2060, mun. Chisinau, Dacia Blv., no.29**
Dacia Sub-branch	**MD 2072, mun. Chisinau, Dacia Blv., no.61**
Sub-branch no.35 Chisinau	**MD 2072, mun. Chisinau, Independenței Str., no.26/3**
Branch no. 31 Drochia	MD 5202, Drochia city, 31 August 20 Str., no.3
Branch no 32 Ceadir Lunga	MD 6100, Ceadir Lunga city, Lenin Str., no.54 A
Branch no. 34 Riscani	MD 5601, Riscani city, Independenței Str., no.18

EXTERNAL AUDIT REPORT

VB classification: Public

B.C. „VICTORIABANK" S.A.

INDIVIDUAL FINANCIAL STATEMENTS

prepared in accordance with
INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the financial year ended 31 December 2023

(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.

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Banca Comerciala Victoriabank S.A.
141, 31 August 1989 street, mun Chisinau, Republic of Moldova
Unique registration core: 1002600001338

Report on the Audit of the Financial Statements

Opinion

1. We have audited the individual financial statements of BC Victoriabank S.A. ("the Bank"), which comprise the statement of financial position as at December 31, 2023, and the income statement and statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of material accounting policies and notes to the financial statements.

2. The financial statements as at December 31, 2023 are identified as follows:

• Total equity:	MDL 4,534,139 thousand
• Net profit for the financial year:	MDL 672,015 thousand

3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standard Board ("IASB").

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), and Law no. 271/2017 on the audit of financial statements as amended to date ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the *Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)*, in accordance with ethical requirements relevant for the audit of the financial statements in Republic of Moldova including the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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Nature of the area of focus	How our audit addressed the key audit matter
Collective impairment of loans and advances to customers	
According to IFRS 9, the Bank accounts for credit losses and advances to customers based on expected credit losses (ECL): for a period up to 12 months for credit exposures for which the credit risk did not increase significantly since origination, and throughout the credit life time for exposures with significant increase in credit risk, as detailed in impairment policy in notes 3.2 and 39.1 to the financial statements. As at 31 December 2023, the Bank registered impairment allowances in amount of MDL 454,697 thousand for loans and advances to customers in gross amount of MDL 6,436,284 thousand as disclosed in note 7 to the financial statements. The Bank exercises significant professional judgement using complex models, extensive data and subjective assumptions over both when and how much to record as impairment for loans. Because loans and advances to customers form a major portion of the Bank's assets, and due to the significance of the management professional judgments applied in classifying loans and advances to customers into various stages stipulated in IFRS 9 and determining the related impairment level, this audit area is considered a key audit matter. Key areas of judgement included: • utilization of historical data for determining risk parameters; • the interpretation of the requirements to determine impairment under the application of IFRS 9, which is reflected in the expected credit loss model; • assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customers; • the identification of exposures with a high level of significant deterioration in credit quality and the industries affected by the restrictions imposed as a result of current economic environment;	Based on our risk assessment and industry knowledge, with the support of our credit risk experts, we have examined the impairment charges for loans receivables and evaluated the methodology applied as well as the key assumptions made by the management according to the description of the key audit matter. Our procedures included the following elements: 1) Testing of key internal controls We have checked the adequacy of the key processes and related key controls applied by management to ensure accuracy of impairment calculation, including: • key controls identified to ensure quality assurance of the methodological aspects used in the development of professional judgments and the ECL models; • key controls related to timely identification of impairment triggers and significant increase in credit risk; • key controls to assess the debtors' financial performance and estimate future cash flows. For the relevant key controls identified in, we have tested the design and operating effectiveness of such controls. 2) Testing the implementation of the ECL computation methodology into the IT computation systems, including: • test the general IT controls related to data sources and computations of ECL; • assessment on a sample basis of the credit quality and stage allocation; • test on a sample basis the ECL computations. 3) Obtaining and analysing the information to support the key assumptions used in: • development of the models for the key risk parameters computation (12-month probability of default, lifetime probability of default and loss given default), including procedures on the source data quality;

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Nature of the area of focus	How our audit addressed the key audit matter
Collective impairment of loans and advances to customers	
• potential impact on the assumptions used, increases in credit risk and impairments, and future cash flows as a result of the current social and economic conditions; • assessment of prospective information.	• development of the expected credit loss models; • development and adequacy of the stage allocation and the criteria used to determine the significant increase in credit risk; • development of models to reflect the potential impact of future economic conditions in the ECL computation; • assessment of the adequacy of the analysis and adjustments made by the management, on all the aspects pertaining to the estimation of expected credit losses, including prospective information on customers loans portfolio. We have analysed whether the ECL material information presented in the financial statements is adequate, in accordance with the applicable IFRS requirements.
Interest and Fee Income Recognition	
Refer to notes 23 and 24 to the financial statements. For the year ended 31 December 2023, the interest income represents MDL 1,827,320 thousand and fee and commission income represents RON 617,931 thousand, the main source being loans to customers, current accounts and investment securities. These are the main contributors to the operating income of the Bank influencing the Bank's profitability. While interest income is accrued over the expected life of the financial instrument using the effective interest rate, the recognition of fee income depends on the nature of the fees as follows: • fees that are directly attributable to the financial instrument are part of the effective interest rate and accrued over the expected life of such an instrument and are presented as interest income; • fees for services provided are recognized when service is provided and are presented as fee and commission income; • fees for the execution of an act are recognized when the act has been completed and are presented as fee and commission income.	We have tested the design and operating effectiveness of the key internal controls and focused on: • interest/fee inputs on customer loans and accounts; • recording/ changes of fees and interest rates; • management oversight and key controls on interest and fee income, including budget monitoring; • key IT controls relating to access rights and change management of relevant automated controls with the assistance of our IT specialists. We performed also the following procedures with regard to interest and fees revenue recognition: - We evaluated the material accounting policies applied by the Bank in respect of fees charged to clients to determine whether the methodology complies with the requirement of the relevant accounting standards. We have focused our testing on challenging the correct classification of:

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Nature of the area of focus	How our audit addressed the key audit matter
Interest and Fee Income Recognition	
Revenue recognition specifics, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT solutions for their recording, resulted in this matter being identified as a key audit matter.	• fees that are identified as directly attributable to the financial instrument and are part of the effective interest rate; • fees that are not identified as directly attributable to the financial instrument. - We assessed the completeness and accuracy of data used for the calculation of interest and fee income. - We evaluated the mathematical formula used for accruing the relevant income over expected life of the loan. - We have assessed the interest and fee income by building our own expectation on the revenue and compared with the actual results of the Bank.

Other information – Annual Report

6. Management is responsible for the preparation and presentation of the other information. The other information comprises the Annual report, which also contains Management's Report, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements for the year ended December 31, 2023, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   Other Reporting Responsibilities in Accordance with the legislation of the Republic of Moldova Related to Other information

   With respect to the Management's Report, we read it and report if this has been prepared, in all material respects, in accordance with the requirements of Law no. 287/2017 on Accounting and Financial Reporting, article 23, paragraph 2-8.

   On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

   a) the information included in the Management's Report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these financial statements;

   b) the Management's Report has been prepared, in all material respects, in accordance with the provision of the Law no. 287/2017 on Accounting and Financial Reporting, article 23, paragraph 2-8.

   Moreover, based on our knowledge and understanding concerning the Bank and its environment gained during the audit on the financial statements prepared as at December 31, 2023, we are required to report if we have identified a material misstatement of this Management's Report. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

7. Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

9. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners of the audit resulting in this independent auditors' report are Claudiu Ghiurluc Lilia Colin.

Lilia Colin

For signature, please refer to the original signed Romanian version.

Claudiu Ghiurluc

For signature, please refer to the original signed Romanian version.

Registered in the electronic public register of financial auditors under No. 1601076

Auditor for general audits
Certificate of audit qualification
Series AG, No. 000036

Auditor of financial institutions
Certificate of audit qualification of financial institutions
Series AIF, No. 0029

Administrator of Deloitte Audit SRL

On behalf of:

DELOITTE AUDIT S.R.L.

Registered in the Electronic Public register of Audit Firms under no. 1903039

IPTEH Building,65, Stefan cel Mare Avenue,
6th Floor, office 600, MD-2001
Chisinau, Republic of Moldova

15 April 2024

FINANCIAL STATEMENTS

VB classification: Public

B.C. VICTORIABANK S.A.

INDIVIDUAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December

In MDL thousand	Notes	2023	2022
Interest income calculated using the effective interest method		1,827,320	1,307,577
Interest expenses		(566,460)	(250,726)
Net interest income	23	1,260,860	1,056,851
Fee and commission income		617,931	586,252
Fee and commission expense		(409,549)	(346,062)
Net fee and commission income	24	208,382	240,190
Net trading income	25	265,838	252,188
Other operating income	26	12,327	22,834
Revenue		1,747,407	1,572,063
Net impairment losses on financial assets and provisions for off-balance sheet commitments	27	(115,637)	(206,103)
Net impairment (losses) / release on non-financial assets	28	8,572	56,929
Net reversals related to provisions	18	2,314	-
Personnel expenses	29	(473,101)	(361,777)
Depreciation	31	(116,684)	(93,508)
Other operating expenses	30	(285,356)	(233,967)
Total expenses		(979,892)	(838,426)
Profit before income tax		767,515	733,637
Income tax expense	32	(95,500)	(91,860)
Profit for the year		672,015	641,777
Other comprehensive income			
Items that will not be reclassified to profit or loss, net of tax			
Equity investments at fair value through other comprehensive income – net change in fair value	8	58	147
Foreign exchange currency revaluation gains/ (losses) on equity instruments at fair value through other comprehensive income		(25)	6
Tax related to items that will not be classified to profit or loss	19	(4)	(18)
		29	135
Items that are or may be reclassified subsequently to profit or loss			
Debt investments at fair value through other comprehensive income – net change in fair value		719	(383)
Tax on items that can be classified as profit or loss	19	(89)	43
		630	(340)
Total comprehensive income		672,673	641,572
Basic earnings per share, MDL	35	26.88	25.67
Diluted earnings per share	35	26.88	25.67

The financial statements were approved by the Board of Administration on April 12, 2024.

The financial statements were signed by the Management of the Bank on April 15, 2024 represented by:

Levon Khanikyan Chief Executive Officer	Vitalie Corniciuc Chief Financial Officer

B.C. VICTORIABANK S.A.

INDIVIDUAL STATEMENT OF FINANCIAL POSITION

For the financial year ended 31 December

In MDL thousand	Notes	31 December 2023	31 December 2022
ASSETS			
Cash and balances with National Bank of Moldova	4	7,317,370	7,056,788
Current accounts and placements with banks	5	1,769,324	1,101,283
Investment securities – debt instruments	6	5,860,016	4,453,627
Equity investment securities designated at fair value through other comprehensive income	8	3,378	3,366
Loans to customers	7	5,981,588	5,104,759
Other financial assets	12	227,296	174,711
Property and equipment	9	348,465	303,331
Intangible assets	10	86,312	74,312
Right-of-use assets	11	81,387	72,679
Deferred tax assets	19	4,002	742
Other assets	13	57,557	49,775
Total assets		21,736,695	18,395,373
LIABILITIES			
Deposits from banks	16	35,605	69,855
Deposits from customers	17	15,725,294	13,651,167
Other borrowings	15	512,482	196,838
Other financial liabilities	20	780,660	472,999
Provisions for other risks and loan commitments	18	39,216	37,175
Lease liabilities	11	79,583	72,860
Current tax liabilities	14	9,826	14,812
Other liabilities	21	19,890	18,201
Total liabilities		17,202,556	14,533,907
EQUITY			
Share capital	22	250,001	250,001
Share premium		10,250	10,250
Fair value reserves	22	916	258
Statutory reserves		25,000	25,000
Other reserves	22	51,445	94,610
Retained earnings		4,196,527	3,481,347
Total equity		4,534,139	3,861,466
Total liabilities and equity		21,736,695	18,395,373

The financial statements were approved by the Board of Administration on April 12, 2024.
The financial statements were signed by the Management of the Bank on April 15, 2024 represented by:

Levon Khanikyan
Chief Executive Officer

Vitalie Corniciuc
Chief Financial Officer

B.C. VICTORIABANK S.A.

INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December

In MDL thousand	Note	Share Capital	Share premium	Fair value reserve	Statutory reserves	Other reserves	Retained earnings	Total equity
Balance at 1st of January 2022		250,001	10,250	462	25,000	448,925	2,485,256	3,219,894
Statement of comprehensive income for the period								
Profit for the period		-	-	-	-	-	641,777	641,777
Other comprehensive income, net of income tax								
Financial assets at FVOCI – net change in fair value	3.15	-	-	(204)	-	-	-	(204)
Total comprehensive income for the period		-	-	(204)	-	-	641,777	641,573
Contributions and distributions of the shareholders								
Dividends distributed to shareholders		-	-	-	-	-	-	-
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	3.15	-	-	-	-	-	-	-
Appropriation of reserves	22b	-	-	-	-	(354,315)	354,315	-
Total contributions and distributions of the shareholders		-	-	-	-	(354,315)	354,315	-
Balance at 31st of December 2022		250,001	10,250	258	25,000	94,610	3,481,347	3,861,466
Statement of comprehensive income for the period								
Profit for the period		-	-	-	-	-	672,015	672,015
Other comprehensive income, net of income tax								
Financial assets at FVOCI – net change in fair value	3.15	-	-	658	-	-	-	658
Total comprehensive income for the period		-	-	658	-	-	672,015	672,673
Contributions and distributions of the shareholders								
Dividends distributed to shareholders		-	-	-	-	-	-	-
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings		-	-	-	-	-	-	-
Appropriation of reserves	22b	-	-	-	-	(43,165)	43,165	-
Total contributions and distributions of the shareholders		-	-	-	-	(43,165)	43,165	-
Balance at 31st of December 2023		250,001	10,250	916	25,000	51,445	4,196,527	4,534,139

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

* 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.

B.C. VICTORIABANK S.A.

INDIVIDUAL STATEMENT OF CASHFLOWS

For the financial year ended 31 December

In MDL thousand	Notes	2023	2022
Cash flows from operating activities			
Profit for the year		672,015	641,777
Adjustments for:			
Depreciation and amortization	31	116,684	93,508
Net impairment losses / (release) of financial assets and provisions for off-balance sheet commitments	27	113,323	233,862
Net impairment losses / (release) on non-financial assets	28	(8,572)	(56,929)
Income tax expense	32	95,500	91,860
Interest income	23	(1,827,320)	(1,307,577)
Interest expense	23	566,460	250,727
(Income) / losses from the revaluation of foreign currency	25	(9,102)	(16,500)
Net profit adjusted with non-monetary elements		(281,012)	(69,272)
Changes in operating assets and liabilities			
Change in current account with National Bank of Moldova	4	(264,390)	(2,324,061)
Change in current accounts and placements with banks	5	(276,164)	120,551
Change in loans to customers	7	(1,048,906)	(641,999)
Change in other assets	12,13	(62,597)	200,084
Change in deposits from banks	16	(30,194)	(5,373)
Change in deposits from customers	17	2,396,231	719,924
Change in other liabilities	20,21	316,513	243,765
		1,030,493	(1,687,109)
Interest received		757,177	842,627
Interest paid		(552,204)	(255,425)
Income tax paid		(104,192)	(81,000)
Net cash-flow from operating activities		850,262	(1,250,179)
Cash-flow used in investment activities			
Acquisitions of investment securities measured at amortized cost		(4,580,358)	(4,248,970)
Proceeds from the disposal of investment securities measured at amortized cost		4,537,068	4,370,744
Interest received for investment securities measured at amortized cost		968,408	598,463
Acquisitions of property and equipment	9	(121,509)	(124,538)
Proceeds from disposal of property and equipment	9	12,887	4,122
Acquisitions of intangible assets	10	(29,978)	(10,202)
Net cash-flow (used in) investment activities		786,518	589,619
Cash-flow from financing activities			
Gross proceeds from loans from other financial institutions	15	386,570	114,316
Gross payments for loans from other financial institutions	15	(66,646)	(65,907)
Repayment of the principal portion of the lease liabilities	11	(34,155)	(32,548)
Net cash-flow from / (used in) financing activities		285,769	15,861
Net increase/decrease (-) in cash and cash equivalents		1,922,549	(644,699)
Cash and cash equivalents at January 1		3,244,724	3,862,134
The impact of exchange rate variations on cash and cash equivalents		548	27,289
Cash and cash equivalents at December 31	4	5,167,821	3,244,724

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

* 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.

B.C. VICTORIABANK S.A.

EXPLANATORY NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

1. GENERAL INFORMATION

BC Victoriabank SA (thereafter “the Bank”) was established in the Republic of Moldova on 22 December 1989. The Bank was re-incorporated as a joint-stock commercial bank on 26 August 1991, obtaining the license of the National Bank of Moldova. The Bank is primarily involved in investment, corporate and retail banking. See note 36 for segment reporting details.
On 29 November 2002 the Bank was re-registered as an open joint stock commercial bank and the shares became listed on Moldovan Stock Exchange.
The Head Office of the Bank is located at str. 31 August 1989, no. 141, MD-2004, Chisinau, Republic of Moldova.
The Bank operates through its head office located in Chisinau, 30 branches and 38 agencies (as at 31 December 2023), located throughout the country (30 branches and 41 agencies as at 31 December 2022).
The Bank’s number of active employees as at 31 December 2023 was of 1,138 (1,097 as at 31 December 2022).
The share capital of B.C. „VICTORIABANK” S.A. represents 250.000.910 lei, divided into 25.000.091 first class registered common shares entitled to vote, at par/face value of 10 lei/share. Registered common shares issued by the Bank (ISIN: MD14VCTB1004) are allowed for trading on the regulated market at the Stock Exchange of Moldova (www.bvm.md).

The shareholders’ structure and/ or groups of persons that act in concert and own significant share (i.e. greater than 1%) in the Bank’s share capital and final beneficiaries as at 31 December 2023 and 31 December 2022:

	Direct owners				Final beneficiaries of significant share	
	Name of the shareholders	Residence country	Number of the group*	Share , %	Name of final beneficiary	Residence country
1	VB INVESTMENT HOLDING B.V.	NED	0	72.19	Banca Transilvania (61.82%);	Romania
					European Bank for Reconstruction and Development (EBRD) (38.18%);	Great Britain
					Ultimate beneficiaries do not exist	
2	Ţurcan Victor	MDA	0	10.76	Ţurcan Victor	Republic of Moldova
3	Ţurcan Valentina	MDA	1	8.07	Ţurcan Valentina	Republic of Moldova
4	Artemenco Elena	MDA	1	4.95	Artemenco Elena	Republic of Moldova
5	Proidisvet Galina	MDA	1	1.58	Proidisvet Galina	Republic of Moldova

The Board of Administration of the Bank acts based on the full information, in good faith and in the shareholders’ interest, performs the role of supervising and monitoring the decision - making process of management and is responsible for the adoption of the development strategy, risk control policies, business plans and exercises the monitoring of their fulfilment. The Board of Administration represents the shareholders’ interest during the period between the General Shareholders’ Meetings and exercises the supervision of the Bank’s activity.

According to the Articles of Association of the Bank, the Board of Administration consists of 7 members appointed by the General Shareholders’ Meeting.
As at 31 December 2023, the composition of the Board of Administration of the Bank in exercise, selected at the ordinary General B.C.”Victoriabank” S.A. Shareholders’ Meeting as at the 24th of May 2019, is of the following members:

- Victor TURCAN, Chairman of the Board of Administration
- Thomas GRASSE, Vice-chairman of the Board of Administration, Independent member
- Tiberiu MOISĂ, Member of the Board of Administration
- Peter FRANKLIN, Member of the Board of Administration, Independent member
- Igor SPOIALĂ, Member of the Board of Administration, Independent member
- Mehmet Murat SABAZ, Member of the Board of Administration, Independent member
- Maris MANCINSKIS, Member of the Board of Administration, Independent member

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2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board (IASB). These financial statements were authorized for issue by the Board of Administration on April 12, 2024.

2.2 Basis of preparation

These financial statements were prepared on historical cost or amortized cost basis, except for the financial instruments at fair value through other items of comprehensive income which are evaluated at fair value and repossessed collaterals which are evaluated at the lower value between carrying amount and fair value minus selling costs.

2.3 Functional and presentation currency

The amounts included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in Moldovan lei ("MDL"), which is the functional and presentation currency of the Bank, rounded to 1,000 units, except where otherwise specifically indicated.

2.4 Use of estimates and judgements

In preparing the financial statements, the Bank's management applies judgment, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances. Revisions of accounting estimates are recognized in the period in which the estimate is revised and affect only that period or in the revision period and future periods, if the revision affects both the current period and future periods.

Information about estimates used in the application of the accounting policies which have a significant impact on the financial statements, as well as the estimates involving a significant degree of uncertainty, are described below.

a) Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral value when determing impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank review its loan portfolio in order to assess the impairment thereof on a monthly basis. The bank's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elemnets of the ECL models that are considered to be acocunting judgements and estimates include:

- The Bank's internal credit grading model, which assign probbility of defaults (PDs) to the individual grades,
- The Bank's assessment whethr there is a signficant incrase in credit risk;
- The segmentation of financial assets when their ECL is assessed on collective basis
- Development of ECL models, inluding the various formulas and the choise of inputs
- Determination of association between macroeconomic scenarios and economic inputs, such as GDP, Inflation, Unemployemnt rate, Gross salary, Average monthly consumption expenditure per person, base rate, interest rate on treasury bills, interest rate of new loans loans granted, exchange rates, and selection of forward-looking macroeconomic scenarions and their probability weightings as dislcosed in Note 39.1.1.(d)

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. For details regarding bank's assumtions used in assessing the ECL please refer to Notes 3.2 and 39.1.1.

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2. BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (continued)

a) Impairment losses on financial assets (continued)

The process of selecting significant exposures at the individual level is automatic and applies to exposures equal to or exceeding MDL 20 million which are classified in Stage 3. A specialized team of credit risk experts of the Bank uses professional judgment to assess the unlikeliness to pay and determine the scenarios used in the ECL calculation.

According to IFRS 9, the impairment of assets is classified into 3 stages, depending on a possible significant increase in credit risk since initial recognition. If the credit risk has not increased significantly as outlined in Note 39.1.1, the impairment equals to the expected credit loss resulting from possible default events in the next 12 months (stage 1). If the credit risk has increased significantly, the loan is more than 30 days past due, or is in default or impaired due to other causes, the impairment equals the expected loss of credit risk for the entire duration of the loan (lifetime).

In determining the impairment for expected credit losses, management incorporates forward-looking information, exercises judgement and uses estimates and assumptions.

The estimation of expected credit losses involves forecasting future economic conditions over 3 years.

More details about assumptions made, scenarios used, weights applied to each scenario is described in Note 39.1.1.(d). The incorporation of forward-looking elements reflects the expectations of the Bank and involves the creation of scenarios, including an assessment of the probability for each scenario.

A large part of the impact on the expected credit losses for 2023 year resulted from the effects of the economic turbulences (energy crisis, increase of interest rates, increase of inflation rate, supply chain disruption etc.) on the Bank's customers' activity. In this context, the Bank's management applied its own judgments, considering that a series of post-model adjustments, as well as individual analyzes, are necessary to reflect the context and its own expectations in credit risk modeling. Internal analyzes have assisted the Bank in determination of additional adjustments when indicators of increase in credit risk have been identified.

Thus, a source of the increase in the volumes of expected losses from impairment of loans to customers was an expert individual analysis of the exposures exceeding threshold of MDL 5 million, initiated in order to capture and understand the situations and difficulties faced by debtors, that could affect their ability to meet their credit obligations.

Additionally, in the light of economic turbulences of 2022, the exposures of customers which operate in industries that require a high energy consumption and also specific customers, whose activity could be significantly influenced by the cost of raw materials and disruptions in global supply chains, were subject to additional individual analysis. Exposures, with no impairment triggers but considered susceptible to the effects of economic turbulences were classified in Stage 2. In order to incorporate the effects of the uncertainties associated with this portfolio as a result of the current economic turbulences, the Bank applied post-model adjustments(PMA) in the amount of 2x standard deviations for the guaranteed portfolios (Corporate and Retail guaranteed) and 2.5x standard deviations for the unsecured portfolios (Retail unsecured and credit cards), calculated at default rates.

The major post-model adjustment factor which determined increase in expected credit losses in 2022 was represented by inflationary increases. For this purpose, the Bank's management applied its own judgments, considering that a number of post-model adjustments are required to adequately reflect the risks and uncertainties associated in credit risk modeling. The quantification of the post-model adjustments was reflected by applying some uplifts to all default rates as follows: Q4_2022 – 40%; Q1_2023 – 40%; Q2_2023 – 40%; Q3_2023 – 30%; Q4_2023 – 30%; Q1_2024 – 20%; Q2_2024 – 10%; for the following quarters, the original forecasted default rate being used.

The application of the above mentioned post-model adjustments resulted in an increase in expected credit risk losses as at 31 December 2022 by MDL 107,904 thousand.

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2. BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (continued)

a) Impairment losses on financial assets (continued)

For 2023, as result of evolution of the macroeconomic factors, the Bank adjusted the model by considering the following key types of uncertainties that appear in the model output were also considered:

a. Model peculiarities related to changes in portfolio and underwriting standards for the period 2023 versus 2018. During this time the Bank has gone through significant transformations since 2018, including a change in customers in the portfolio, a more structured approach in sales and in underwriting with 3 lines of business.

b. Uncertainty of results due to model estimation. The model is estimated on a macroeconomic data set characterized by a period with large variations for some economic factors (e.g. MDL devaluation in 2015), while the estimated value of macroeconomic factors may be outside this range and is generally a different set than historical ones.

c. Inherent cause-effect lag. While we are in an economic crisis and the FLI takes this into account, it has not yet fully materialized in all portfolios.

The bank has considered an uncertainty component for each portfolio as at 31 December 2023 based on the standard deviation calculation:

For the Corporate portfolio the limitations of the model would largely relate to uncertainties (a. and (b) mentioned above, thus post model adjustments have been applied as follows:

- for uncertainty type (a). ½ standard deviation (0.5 StDev) was applied
- for uncertainty type (b). ½ standard deviation (0.5 StDev) was applied.

For the Retail Secured portfolio the model limitations would largely relate to uncertainties (a), (b), and (c), thus post model adjustments were applied as follows:

- for uncertainty type a. ½ standard deviation (0.5 StDev) was applied
- for uncertainty type b. ½ standard deviation (0.5 StDev) was applied
- for uncertainty type c. ½ standard deviation (0.5 StDev) was applied.

For the Retail Unsecured portfolio the model limitations would largely relate to uncertainties a., b., and c., thus post model adjustments have been applied as follows:

- for uncertainty type a. ½ standard deviation (0.5 StDev) was applied
- for uncertainty type b. ½ standard deviation (0.5 StDev) was applied
- for uncertainty type c. ½ standard deviation (0.5 StDev) was applied.

For the Credit Card portfolio the model limitations would mostly relate to uncertainties a., b., and c., thus post model adjustments were applied as follows:

- for uncertainty type a. ½ standard deviation (0.5 StDev) was applied
- for uncertainty type b. ½ standard deviation (0.5 StDev) was applied
- for uncertainty type c. ½ standard deviation (0.5 StDev) was applied.

*Additional 1.5 StDev were considered for the Credit Card portfolio.

The application of the above mentioned post-model adjustments resulted in an increase in expected credit risk losses as at 31 December 2023 by MDL 32,200 thousand.

b) Other significant litigations

The Bank was notified on 6 July 2020 that it is being investigated in a case instrumented by the Prosecutor's Office of the Republic of Moldova and on 6 August 2020, a precautionary seizure was placed on some of the Bank's assets, in order to cover the claims in the file - amounting to approximately MDL 2.2 billion. Considering the nature of the case, current status of the investigation, legal limitations related to the investigation, the lawyers' analysis of the content of investigators case files, corroborated with the lawyer’s legal opinion on the background facts and evidence provided by the prosecutors, the management of the Bank concluded that the disclosure of a contingent liability in the financial statements satisfies the requirements of IAS 37. The Bank will monitor the evolution of the topic at each reporting date, in accordance with the relevant provisions of the accounting standards and regulations.

3. MATERIAL ACCOUNTING POLICIES

The bank has consistently applied the following accounting policies to all periods presented in these individual financial statements, except in mentioned otherwise.

In addition, the Bank adopted *Disclosure of Accounting policies* (Amendments to IAS 1 and IFRS Practice statement 2) from 1 January 2023. The amendments require the disclosure of “material” rather than “significant”, accounting policies.

Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information related to financial instruments disclosed in Note 39.1 in certain instances.

3.1 Foreign currency transactions

Transactions denominated in foreign currency are converted into the functional currency at the exchange rates in effect at the date of transaction. The exchange rate differences resulting from such transactions denominated in foreign currency are reflected in the statement of profit or loss at the transaction date.

Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are translated to the functional currency at the exchange rate valid at that date.

Gains and losses in foreign currency resulting from the revaluation of monetary assets and liabilities in foreign currency are reflected in profit or losses, excluding equity investments at FVOCI.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated in the functional currency by using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rate valid at the date when the fair value is determined.
Exchange rates of major currencies at the end of the year and the average exchange rates were:

	2023		2022	
	USD	EUR	USD	EUR
Average for the period	18.1607	19.6431	18.9032	19.8982
The end of the year	17.4062	19.3574	19.1579	20.3792

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3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities

(i) *Recognition and initial evaluation*

Date of recognition

Financial assets and liabilities, with the except of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date on which the Bank becomes a party to the contractual provision of the instrument. Loans and advances to customers are recognized when the funds are transferred to the customer's accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank's accounts.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments as described in Note 3.2.(iii). Financial instruments are initially measured at their fair value as defined in Note 3.2.(vii), except in the case of financial assets and financial liabilities recorded at fair value through profit or loss. A financial asset or liability that is not recorded at fair value through profit or loss is initially measured at fair value plus transaction costs directly attributable to the acquisition or issuance.

(ii) *Classification*

On initial recognition financial assets are classified as measured at:

- amortized cost;
- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL).

Amortized cost classification

The Bank measures Cash and balances with National Bank of Moldova, Current accounts and placements with banks, Loans to customers, Investment securities – debt instruments and other financial assets at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- The asset is held within a business model whose objective is the ownership of the asset to collect the contractual flows; and
- contractual terms of the financial asset give rise to the specific data for cash flows that are only principal and interest ("SPPI").

Debt instruments at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at fair value through profit or loss:

- The asset is held within a business model whose objective is achieved both by collecting contractual flows and the sale of financial assets; and
- contractual terms of the financial asset give rise to the specific data for cash flow that are only principal and interest ("SPPI").

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost as explained in Note 3.3.

Equity instruments at FVOCI

On initial recognition of an equity instrument that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value through other comprehensive income (FVOCI). This choice is made on an individual basis for each instrument.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in profit or loss as other operating income when right of payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument in which case, such gains are recorded in OCI. Equity instruments are not subject to an impairment assessment.

All other financial assets are classified as at fair value through profit or loss (FVTPL).

(iii) *Business model assessment*

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the application of those policies in practice, in particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered separately, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

The bank's retail and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprises mortgages, overdraft, unsecured personal lending and credit card facilities. Sales of loans from these portfolios are very rare.

Certain debt securities are held in a separate portfolio by Bank's Treasury department for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Bank considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Certain other debt securities are held in a separate portfolio by Bank's Treasury department to meet every day liquidity needs. These securities may be sold, but such sales are not expected to be more than infrequent. The Bank considers that these securities are held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the financial assets.

The Bank has no assets classified at FVTPL.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

The evaluation if cash flows represent only payments of principal and interest (SPPI)

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are only SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms;
- terms that limit the Bank’s claim to cash flows from specified assets; and
- features that could modify consideration of the time value of money (e.g. periodical reset of interest rates);
- loans granted to employees or to large corporate clients;
- terms applied to syndicated loans etc.

Based on the analysis performed, the Bank concluded that the portfolio of loans to customers as well as portfolio of debt securities meet the criteria of SPPI.

(iv) *Derecognition*

Bank derecognizes a financial asset when the rights to receive cash flows of that financial asset expire or when the Bank has transferred its rights to receive contractual cash flows related to that financial asset in a transaction in which it transferred substantially all risks and rewards of ownership. Any interest in transferred financial assets that is retained by the Bank or its created for the Bank and it is recognized as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) total encashments (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss., except for the equity investments measured at FVOCI. Bank derecognizes a financial liability when its established contractual obligations are canceled or expire.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized.

Transfers of assets with retention of all or most significant risks and rewards include, for example, securities lending or sale transactions with repurchase terms.

When assets are sold to a third party with a total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

(v) *Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(vi) *Modifications of financial instruments*

If the terms of a financial instrument are modified, the Bank evaluates whether the cash flows of the modified instrument are substantially different.

If the contractual terms are substantially altered due to commercial renegotiations, both at the client's request and at the Bank's initiative, the existing financial asset is derecognized and the modified financial asset is subsequently recognized, such modified financial asset being considered as a "new" asset. The criteria set at Bank level to evaluate modifications leading to derecognition of financial assets, are developed having in mind that they must reflect modifications that are substantial enough (either quantitatively or qualitatively) to satisfy the derecognition requirements in IFRS 9.3.2.3. On the quantitative side, these criteria refer to a significance threshold of 10% by analogy to the de-recognition trigger set by IFRS 9.3.2.3 for derecognition of financial liabilities. On the qualitative side, these criteria refer to contractual modifications that are substantially changing the nature of lender's risks associated with the pre-existing loan contract. During 2022 and 2021, the Bank did not have modification of financial assets that resulted in derecognition of the original instrument.

If a modification of a financial asset measured at amortized cost or FVOCI does not result in the derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect the current market terms at the time of modification. Any cost or fee supported or received adjust the gross carrying amount of the modified financial asset and is amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the debtor, then the gain or loss is presented in the impairment expense. In other cases, it is presented as interest income calculated using the effective interest rate method.

The gain or loss from modification of financial assets was not significant for the years ended 31 December 2023 and 2022.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

(vii) *Fair value measurement*

Fair value is the price that would be received from the sale of an asset or the price that would be paid to transfer a liability in a normal transaction between market participants at the measurement date, mainly, or, in its absence, on the most advantageous market where the Bank has access to that date. The fair value of a liability reflects its non-performance risk.

When information is available, the Bank measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is considered active if transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted market price in an active market, the Bank uses valuation techniques that maximize the use of relevant observable values and minimizes the use of unobservable values.

The chosen valuation technique incorporates all factors that market participants would consider in pricing a transaction. The best evidence of fair value of a financial instrument on initial recognition is normally the transaction price – the fair value of a consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is not evidenced by any quoted market price in an active market for an asset or liability identical or based on an evaluation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and transaction price.

Subsequently, this difference is recognized in profit or loss on an appropriate basis over the life of an instrument, but no later than when the valuation is supported wholly by observable market values or when the transaction is closed.

The Bank recognizes transfers between fair value hierarchy levels at the end of the reporting period in which the changes have been occurred.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)
3.2 Financial assets and liabilities (continued)

(viii) *Impairment of financial assets*

The Bank recognizes loss allowances for expected credit loss on the following financial instruments that are not held at FVTPL:

- Financial assets that are debt instruments
- Financial guaranties contracts
- Loans commitments.

Equity investments are not subject to impairment under IFRS 9.

Impairment according to IFRS 9 is based on credit losses expected to arise over the life of the asset (the lifetime expected credit loses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL) as outlines in Note 39.1. The bank's policies for determining if there has been a significant increase in credit risk are set out in Note 39.1.1(c).

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instruments that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note.

The bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increase significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 39.1.1.

Based on above process, the Bank groups its financial instruments into Stage I, Stage II, Stage III and POCI are described below:

a) Stage I includes financial assets for which there is no significant increase in credit risk at the time of the analysis compared to the origination date or which have a low credit risk exemption at the time of the analysis. For these assets, an impairment adjustment will be determined using the below presented method "ECL 12M".

   Estimated loan losses for 12 months = ECL 12M = The portion of lifetime expected credit losses that represent the expected credit losses that result from default events of a financial instrument that are possible within the 12 months after the reporting date.

b) Stage II includes financial assets for which there was a significant increase in credit risk ('SICR') at the time of the analysis compared to the original recognition date (except for assets that have a low credit risk exemption) and which are not reported as impaired (or impairment evidence is not identified). For these assets, an impairment adjustment will be determined using the below method presented "Lifetime ECL".

   Estimated lifetime loss = Lifetime ECL = resulting from all possible default events over the expected life of a financial instrument, further reflected trough the average credit losses weighted by the respective risk of default (measured through PD).

c) Stage III (default) includes financial assets for which impairment evidence have been identified at the reporting date. For these assets, a "Lifetime ECL" depreciation adjustment will be determined, with the assigned PD of 100%.

* 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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

(viii) *Impairment of financial assets (continued)*

d) Purchased or originated credit-impaired financial assets ("POCI") are those financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted effective interest rate. Their ECL is only recognized or released to the extent that there is a subsequent change in the expected credit losses..
A financial asset classified as impaired upon initial recognition will be maintained as such until its derecognition.
The Bank estimates the expected credit losses ('ECL') for debt instrument assets measured at amortized cost and fair value through other comprehensive income and for exposure from loan commitments and financial guarantee contracts.

The Bank recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information, please refer to note 39.1.1.(d);

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount of a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a derecognition. Partial derecognition of the financial asset.

The determination of expected losses at the reporting date relies on the effective interest rate established upon the initial recognition or an estimated rate. As concerns financial assets with variable interest rate, the expected credit losses must be determined based on the current effective interest rate.

Evidence that a financial asset has a significant increase in credit risk since origination or credit-impaired includes observable data about the following events:
- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or past-due event or financial/nonfinancial covenants;
- the lender, based on economic or contractual reasons relating to the borrower's financial difficulty, grants the borrower a concession that would not otherwise be considered;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for the financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

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3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

(viii) Impairment of financial assets (continued)

The calculation of ECL

The Bank calculates ECL based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

They are measured as follows:

- *Financial assets that are not credit impaired at the reporting date*: as the present value of all cash shortfalls
- *Financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of the estimated future cash flows
- *Undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expect to receive; and
- *Financial guarantee contracts*: the expected payments to reimburse the holder less any amounts that the Bank expect to recover.

When discounting future cash flows, the following discount rates are used:

- *Financial assets other than POCI*: the actual effective interest rate or an approximation thereof
- *POCI assets*: a credit-adjusted effective interest rate
- *Undrawn loan commitments*: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- *Financial guarantee contracts*: the rate that represent the current market assessment of the time value of money and the risks that are specific to the cash flows.

The mechanism of ECL calculation and the key elements are, as follows:

- *PD - The Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The concept of PD is further explained in Note 39.1.1.(b).
- *EAD The Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 39.1.1.(e).
- *LGD - The Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan and not required to be recognized separately.

When estimating the ECL, the Bank considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

(viii) Impairment of financial assets (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve through FVOCI.

Write-off

Based on an analysis, the Bank may decide to derecognize a depreciated asset, by recording it in the off-balance sheet. These assets will continue to be subject to recovery procedures. The Bank considers that a financial asset is in the situation of derecognition and writes it off when there are no reasonable expectations regarding its full or partial recovery.

The Bank periodically analyzes the financial assets to be written-off:

a) for assets that have exceeded the expected recovery horizon. The following levels are set for the recovery horizon:
   - for unsecured loans, maximum 2 years;
   - for guaranteed loans, maximum 7 years.

The recovery horizon is calculated from the date of registration of the exposure in the non-performing category.
The Bank is not obliged, upon reaching these thresholds, to proceed with the write-off of exposures - these loans will be the subject of additional analyzes to estimate the chances of recovery in the next period.

b) for assets that have been guaranteed, and for a specific reason, at the moment, are no longer guaranteed;
c) for loans that are collateralized, but it is estimated that there are no reasonable chances of recovery (uncertain and expensive sources, which do not justify the Bank's effort compared to the expected value of recoveries). This category also includes exposures for which the exposure reduction is based entirely on sale of collateral, and, considering the background of a low degree of coverage, there is the possibility that procedural costs may absorb a significant part of the amounts resulting from sales of collaterals;
d) for the assets for which the Bank has stopped the recovery procedures or they have expired or those for which by a court decision they are no longer due by the debtor;
e) the bankruptcy procedure of the debtor was closed, and the Bank's exposure was not fully covered;
f) the exposure has been partially transferred to another entity (third party) and the remaining exposure has no chance of recovery.

Mandatory, before recording in the off-balance sheet, the Bank shall ensure that the financial asset is fully covered by ECL. Therefore, the amounts subsequently collected from the recovery of the exposure will be directly recognized as income in the Bank's profit or loss account. However, after write-off, the Bank has no reasonable expectations for the recovery of the financial asset.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized in profit or loss using the effective interest method.

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

However, for financial assets that have become credit-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 impaired, then the calculation of interest income reverts to the gross basis.

3.4 Fee and commission income

The Bank earns commissions from a wide range of services provided to customers. Commissions are generally recognized on an accrual basis when the service was provided. Credit commitment fees that are likely to be drawn are referred to (together with related direct costs) and recognized as an adjustment to the effective interest rate of the loan.

Commissions arising from negotiating, or participating in the negotiation of, a transaction with 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. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-pro-rated basis.

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognizes revenue when it transfers control over a service to a customer.
Below is presented information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and related revenue recognition policies.

Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail and corporate banking service	The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, servicing fees etc. Fees for ongoing account management are charged to customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate customers on a periodical basis. Transaction-based fees (e.g. interchange), are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed of variable rates according to the published list of commission or individually negotiated tariffs. The rates are periodically reviewed.	Revenue from account service and servicing fees is recognized over time as the services are rendered. Revenue related to transactions is recognized at the point in time when the transaction takes place.

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3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Net trading income

Net trading income represents the gain or loss from the foreign exchange transactions and foreign exchange position revaluation.

3.6 Income tax expenses

Current and deferred tax shall be recognized in profit and loss, except when it relates to items that are recognized in other comprehensive income or directly to equity, in which case current and deferred tax shall be also recognized in other comprehensive income or directly to equity.

The current corporate tax, as according to the applicable laws of the Republic of Moldova, is recognized as an expense when taxable profits arise. The corporate tax rate for 2022 was 12% (2021 -12%).

The deferred corporate tax is recognized for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the appropriate tax base used for calculation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible tax differences to the extent that taxable profits are likely to be available against which deductible temporary differences can be used. The deferred tax asset value is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that taxable profits will be available to enable the whole or part of the asset to be recovered. Deferred tax assets and liabilities are determined using the tax rates in force and are expected to apply when the deferred tax asset is disposed of or the deferred tax liability is extinguished.

3.7 Sale and repurchase agreements („REPO")

Investment securities (debt instruments) sold subject to repurchase agreements ("REPO") are classified in the financial statements as debt instruments at amortized cost (treasury bills) and the counter party liability is included in amounts due to banks or customers, as appropriate. Investment securities purchased under agreements to resell ('reverse repos') are recorded as loans to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and is accrued over the life of the agreements using the effective interest method.

Investment securities held by the Bank as collateral for lending activities with financial institutions are not recognized in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

3.8 Intangible assets

The intangible assets are measured initially at cost. After recognition, intangible assets are measured according to the cost-based model, i.e. cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount if the recognition criteria are met: generate future economic benefits, are reliably measured, improve future performance and are separately identified within the economic activity. The maintenance and support costs are recognized as expenses during the period when incurred.

The straight-line method is used for depreciation of intangible assets. The period of depreciation and the finite useful life shall be reviewed at least at each financial year-end. The finite useful life of intangible assets shall be from 3 to 20 years at most. Expenses related to brands, publishing titles and other similar items are not recognized as intangible assets.

Intangible assets in execution are not depreciated until they are put into function (available for use).

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.9 Property and equipment

Property and equipment are measured at historical cost minus accumulated depreciation and impairment losses. Historical cost includes expenditure directly attributable to the acquisition of tangible elements.

Subsequent costs are recognized in the asset's carrying amount when incurred, if it is probable that future economic benefits associated with the item will be attributed to the Bank, and the cost of the item can be measured reliably. All repairs and daily maintenance are recorded at other costs as incurred.

Depreciation is calculated using the straight-line method over the lifetime estimated for each item of the property and equipment category.

The useful lives estimated by category are:

- Buildings 25-45 years
- Improvements to leased buildings 5 years
- Furniture and equipment 2-15 years
- Vehicles 6-7 years

Computers are included in the category of Furniture and equipment and have a useful life of 3 years.

Assets under construction are not depreciated until they are put into function (available for use). Likewise, land presents the separate category of property and equipment that are not depreciated. The useful life is reviewed and adjusted, if necessary, at each reporting date. The assets subject to depreciation are reviewed for depreciation whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is immediately reduced to recoverable amount if the carrying amount of the asset is greater than the estimated recoverable amount.

Gains and losses on the sale of property, plant and equipment are reported by reference to their carrying amount when reflected in the income statement at the reporting date.

3.10 Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. The Bank applies the requirements of IFRS 16 for all leasing contracts.

At the beginning of the operation, the Bank as a lessee recognizes an asset related to the right-of-use and a liability arising from the lease.

Exceptions from the requirements of this standard may be short-term contracts of up to 12 months or for contracts with a low value. The Bank considered the threshold for low value leased assets that are less than five thousand euros or the equivalent of five thousand euros at the date of recognition.

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

Bank acting as a lessee:
At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.10 Leases (continued)

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Bank's incremental borrowing rate. Generally, the Bank uses the average rate of corporate deposits that have a comparable currency and maturity with the lease contract at the origination date as the discount rate.

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.
When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets and lease liabilities as separate lines in the statement of financial position.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of non-financial assets

The Bank assesses, at each reporting date , whether there is an indication that a non-financial assets may be impaired. Intangible assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized in profit or loss statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.12 Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprise balances with less than three months initial maturity of the assets from acquisition dates, including: cash, non-restricted balances with National Bank of Moldova, treasury bills, NBM certificates and amounts due from other banks.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

3.13 Loans and advances

Loans and advances include loans to banks and customers measured at amortized cost. They are initially measured at fair value plus incremental direct transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. Please refer to note 3.2 for more details.

The Bank does not hold loans and advances at FVTPL at 31 December 2023 and 2022.

3.14 Investment securities

Investment securities include:

- debt investment securities measured at amortized cost. They are initially measured at fair value plus incremental direct transaction costs. They are subsequently measured at amortized cost using the effective interest method.
- debt investment securities measured at FVOCI. These are initially measured at fair value, the changes being recognized in the statement of other comprehensive income.

The Bank does not hold debt investment securities at FVTPL at 31 December 2023 and 2022.

For debt securities measured at FVOCI, gains and losses are recognized in OCI, except for the following, which are recognized in profit or loss in the same manner as for financial assets measured at amortized cost:

- interest revenue calculated using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

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3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15 Equity investment securities

The Bank initially measures the equity investment securities at fair value through other comprehensive income, the changes being recognized in the statement of other comprehensive income.

The Bank elects to present the changes in fair value of certain investments in equity instruments that are not held for trading in OCI. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss ("Net trading income"), unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI. Cumulative gains and losses recognized in OCI are transferred to retained earnings on disposal of an investment.

3.16 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 profit or loss, over the period of the borrowings using the effective interest method.

3.17 Customers' deposits and current accounts

Customers' current accounts and deposits are recognized at fair value and are subsequently carried at amortized cost using the effective interest rate.

3.18 Provisions

The provisions and legal obligations are recognized when the Bank has a current or implied obligation arising from a past event, the settlement of which is expected to result in an outflow of resources embodying the Bank's economic benefits, and the amount can be estimated reliably. When there are a number of similar obligations, the probability that an outflow of resources will be required in settlement is determined at the expected weighted value with associated probabilities taking into account all possible outcomes.

Provisions are measured at the output expenditures necessary to settle the obligation using the reasoning - based on experience with similar transactions and with the assistance of lawyers or other experts. The subsequent measurement of the provision due to the passage of time is recognized as an interest expense.

3.19 Financial guarantee contracts and loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized in the financial statements (within ***Provisions***) at fair value on the date the guarantee was given, being the premium received. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and an ECL allowance as set out in Note 39.1. The premium received is recognized in the income statement in ***Net fees and commission income*** on a straight-line basis over the life of the guarantee.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.19 Financial guarantee contracts and loan commitments (continued)

Undrawn loan commitments and letters of credit are commitments under which. Over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECL are disclosed in Note 39.1.I.

3.20 Employee Benefits

(i) Short term benefits
Short-term employee benefits include wages, salaries and social security contributions. Short-term employee benefits are recognized as expense as the services are rendered.

(ii) Defined contribution plan
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 the State pension plan.
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 other defined benefit plan or postretirement benefit plan. The Bank has no obligation to provide further services to current or former employees.

(iii) Other benefits
The variable remuneration for management is also granted share-based payments in the form of shadow shares.

Shadow share arrangements are a form of compensation where employees receive a bonus or benefit based on the performance of a company's stock without actually owning shares. These arrangements mimic the economic effects of share ownership without transferring legal ownership of shares.

The variable component of the total remuneration represents the remuneration that can be granted by the Bank in addition to the fixed remuneration, on condition that certain performance ratios are achieved. The variable remuneration may be granted either in cash or in shadow shares related to the stock price of Banca Transilvania shares (TLV on the Bucharest Stock Exchange). In the case of the identified staff, in the establishment of the annual variable remuneration, one shall aim at limiting excessive risk-taking. A substantial part of the variable component of the total remuneration, in all cases at least 40%, is deferred for a period of 3 years and is correlated with the activity nature, the risks and the responsibilities of the respective staff.

The Board of Administration of the Bank decides in respect of the number of shadow shares to be granted as variable remuneration..

The fair value of the shadow shares are determined at the grant date and re-measured at each reporting date until settlement. This expense should be recognized over the period in which the employees provide services in exchange for the benefits, based on the fair value of the benefits granted.

The expense recognized should be amortized over the vesting period, which is the period over which the employees become entitled to the benefits. The amount recognized as an expense is adjusted to reflect the value of awards for which the related services and non-market related performance conditions are expected to be fulfilled, so that the amount ultimately recognized as an expense is based on the actual compensation for the services and performance conditions which are not related to the market at the vesting date.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.21 Dividends

Dividends income is recognized in the result of the year to date when the right to receive such income is established and it is probable that the dividends will be collected . Dividends are reflected as a component of "Net trading income" in the statement of profit or loss.

Dividends payables and payment are treated as a distribution of profit for the period they are declared and approved by the General Meeting of Shareholders.

3.22 Repossessed collaterals

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value for financial assets, and fair value less cost to sell for non-financial assets at the repossession date.

In the normal course of the business, the Bank engages external agents to recover funds form repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the borrower.

At 31 December 2023 and 2022, repossessed collaterals includes repossessed assets - guaranties that completed the legal repossession process related to non-performing loans. All assets that did not complete the legal repossession process are not recorded on the balance sheet. .

At each reporting date repossessed collateral are tested for impairment as disclosed in Note 3.11.

3.23 Inventories

Inventories are measured at the lower of cost and net realizable value. The value of any decrease in the net book value of inventories to the net realizable value is charged as expense in the period it is incurred.

For each subsequent period, a new valuation is made of the net realizable value. When those conditions that in the past led to a reduction in the book value of inventories below cost have ceased to exist or when there is clear evidence of an increase in the net realizable value as a result of changes in the economic circumstances, the amount representing the reduction in the book value is reversed, so that the net book value of inventory equals the lower of cost and the revised net realizable value.

When inventories are sold, book value of those inventories should be recognized as expenses in the period when the corresponding income is recognized.

3.24 Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements, but they are disclosed in the financial statements unless there is a "low" probability of an outflow of resources.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.25 Earnings per share

The Bank presents basic and diluted earnings per share (“EPS”) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss, attributable to ordinary Bank shareholders, to the average outstanding ordinary shares.
Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders with the weighted average number of outstanding ordinary shares, affecting all potential ordinary shares, which comprise convertible securities and share options granted to employees.

3.26 Segment reporting

An operating segment is a component of the Bank:

- that engages in business activities from which it may earn revenues and incur expenses,
- for which discrete financial information is available;
- whose operating results are reviewed in order to make decisions about resources to be allocated to the segment and to assess its performance.

The Bank's segment reporting is presented in Note 36.

3.27 Implementation of new or reviewed standards and interpretations that are effective for the current year

New or reviewed standards and interpretations applied for periods beginning on 1 January 2023.
The following new standards, as well as updates to existing standards, are into force for annual periods beginning January 1, 2023. The Bank has analyzed these new or amended standards and concluded that their application did not result in a significant impact on the Bank's financial statements since their application.

- IFRS 17 “Insurance Contracts” issued by IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 “Insurance Contracts” and related interpretations while applied. Amendments to IFRS 17 “Insurance Contracts” issued by IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments issued on 25 June 2020 introduce simplifications and clarifications of some requirements in the Standard and provide additional reliefs when applying IFRS 17 for the first time.
- Amendments to IFRS 17 “Insurance contracts” - Initial Application of IFRS 17 and IFRS 9 – Comparative Information issued by IASB on 9 December 2021. It is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time.
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure of Accounting Policies issued by IASB on 12 February 2021. Amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.
- Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Accounting Estimates issued by IASB on 12 February 2021. Amendments focus on accounting estimates and provide guidance how to distinguish between accounting policies and accounting estimates.
- Amendments to IAS 12 “Income Taxes” - Deferred Tax related to Assets and Liabilities arising from a Single Transaction issued by IASB on 6 May 2021. According to amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.
- Amendments to IAS 12 “Income Taxes” - International Tax Reform — Pillar Two Model Rules issued by IASB on 23 May 2023. The amendments introduced a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules and disclosure requirements about company’s exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

The Bank concluded that the amendments, do not have a material impact on the financial statements for the year 2023.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.28 New or reviewed standards and interpretations that will apply for periods beginning on or after 1 January 2024

- Amendments to IFRS 16 "Leases" - Lease Liability in a Sale and Leaseback issued by IASB on 22 September 2022. Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The Bank does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current issued by IASB on 23 January 2020 and Amendments to IAS 1 "Presentation of Financial Statements" - Non-current Liabilities with Covenants issued by IASB on 31 October 2022. Amendments issued on January 2020 provide more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments issued on October 2022 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability and set the effective date for both amendments to annual periods beginning on or after 1 January 2024. The Bank does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

- Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" - Supplier Finance Arrangements issued by IASB on 25 May 2023. Amendments add disclosure requirements, and 'signposts' within existing disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements. The Bank does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

- Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" - Lack of Exchangeability issued by IASB on 15 August 2023. Amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The Bank does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

- Amendments to 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 issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The Bank expects that the new standard, when first applied, is unlikely to have a material impact on the financial statements.

4. CASH AND BALANCES WITH THE NATIONAL BANK OF MOLDOVA

In MDL thousand	31 December 2023	31 December 2022
Cash on hand and other values	1,049,675	1,354,394
Current account with National Bank of Moldova	566,196	40,560
Minimum reserve requirement in MDL	3,333,055	3,039,254
Minimum reserve requirement in foreign currency	2,368,444	2,622,580
Cash and balances with National Bank of Moldova	**7,317,370**	**7,056,788**
Balances with National Bank of Moldova, out of which:		
Gross value	6,273,994	5,708,065
Expected credit loss allowances	(6,299)	(5,671)
Total	**6,267,695**	**5,702,394**

Current account and mandatory reserve

The National Bank of Moldova (NBM) requires commercial banks to maintain for liquidity purposes minimum reserves calculated at a certain rate of the average funds borrowed by banks. The attracted funds in Moldovan Lei (MDL) and in non-convertible currencies (NCC) are reserved in MDL. The attracted funds in freely convertible currencies (FCC) are reserved in US Dollars (USD) and/or EURO (EUR). The required reserves' calculation base are determined for all dates of observance periods from 16th of the previous month – up to the 15th of the current month.

As at 31 December 2023 the reserving ratio from financial means attracted in MDL and NCC was 33.0%, and the reserving ratio from financial means attracted in FCC was 43.0% (31 December 2022: the reserving ratio from financial means attracted in MDL and NCC – 34%, attracted in FCC – 45.0%). The Bank keeps the amount of required reserves attracted in MDL and NCC on bank's "Nostro" account opened with the National Bank. Banks' required reserves in USD and EUR are maintained in the "Nostro" accounts of the National Bank in USD and in EUR opened in foreign currencies. The Bank records and managing the required reserves in USD and EUR in its analytical accounts, separately for each currencies.

Reserving in MDL is made by keeping financial means in MDL on Bank's "Loro" account opened with the NBM, in average balance, in period from the 16th of the current month to the 15th of the following month, taking into account the number of calendar days in that period. The required reserves in USD and EUR, in case of the reserves deficit, are transferred by the bank to the "Nostro" accounts of the National Bank opened in foreign banks, at the latest by the date of the 20th of the current month.

As at 31 December 2023, the balance of "Nostro" account at the NBM amounts to 3,896,599 MDL'000 (31 December 2022: 3,042,258 MDL'000), that included the amount of required reserves attracted in Moldovan lei and in non-convertible currencies. The balance of the required reserves' accounts in USD and EUR amount to 34,450 USD'000 and 91,286 EUR'000 respectively (31 December 2022: 33,674 USD'000 and 97,161 EUR'000).

The remuneration interest on mandatory reserves paid by the NBM during 2023 for reserves in MDL decreased from 18% to 2.75%. The interest rate applied to the remuneration of foreign currency reserves increased from 0.01% to 3.32% for USD and to 1.90% for EUR. (2022: the interest rate increased from 4.5% to 18% for reserves in MDL and was maintained at 0.01%, for reserves in foreign currency). At 31 December 2023 the accrued interest for reserves maintained in MDL was 6,570 MDL'000 and for those in convertible currencies: 4,120 MDL'000 (2022: 40,600 MDL'000 and 18.7 MDL'000).

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with the initial maturity less than three months:

In MDL thousand	Notes	31 December 2023	31 December 2022
Cash on hand and other values	4	1,049,675	1,354,394
Current account with the NBM	4	566,196	40,560
Current accounts with other banks and overnight placement	5	985,282	897,217
Term placements with banks with maturity up to 3 months	5	371,385	-
Certificates issued by the NBM	6	2,195,283	944,373
State Securities, initial maturity less than 3 months	6	-	8,180
Cash and cash equivalents in the cash flow statement		**5,167,821**	**3,244,724**

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5. CURRENT ACCOUNTS AND PLACEMENTS WITH BANKS

In MDL thousand	31 December 2023	31 December 2022
Current accounts with other banks and overnight placements, out of which:	**985,282**	**897,217**
Gross value	988,507	897,873
Expected credit loss allowances	(3,225)	(656)
Term deposits-guarantees in banks, out of which:	**120,726**	**107,015**
Gross value	120,769	107,052
Expected credit loss allowances	(43)	(37)
Term placements with banks with maturity below 3 months, out of which (Note 4):	**371,385**	**-**
Gross value	372,295	-
Expected credit loss allowances	(910)	-
Term placements with banks due after 3 months, out of which:	**291,931**	**97,051**
Gross value	292,642	97,142
Expected credit loss allowances	(711)	(91)
Total	**1,769,324**	**1,101,283**

As at 31 December 2023 placements with banks include „NOSTRO" accounts and overnight deposits, which are included in the cash flow statement (Note 4), amounting to 1,356,667 MDL'000 (2022: 897,217 MDL'000).

The amount of 1,601,898 MDL'000 (2022: 980,427 MDL'000) are placed in the banks from OECD member countries, the amount of 167,426 MDL'000 (2022: 120,856 MDL'000) are placed in non-OECD member countries.

The qualitative analysis regarding the placements with banks was based on the credit ratings issued by Standard & Poor's, Moody's and Fitch, if available. For placements with banks that are not rated by Standard & Poor's, Moody's or Fitch, the Standard & Poor's sovereign rating was used.

In MDL thousand

Placements with banks	31 December 2023	31 December 2022
Rating from A to AA-	696,470	963,683
Rating from BBB to BBB+	663,671	137,600
Rating BBB- and lower	409,183	-
Total	1,769,324	1,101,283

6. INVESTMENT SECURITIES – DEBT INSTRUMENTS

In MDL thousand	31 December 2023	31 December 2022
Investment securities measured at amortized cost	5,845,593	4,437,111
Investment securities measured at FVOCI	14,423	16,516
Total	**5,860,016**	**4,453,627**

Investment securities measured at amortized cost – debt instruments

In MDL thousand	31 December 2023	31 December 2022
Certificates issued by the National Bank of Moldova	2,195,283	944,373
State securities included in cash and cash equivalents (Note 4)	-	8,180
State securities with initial maturity greater than three months	3,306,726	3,270,662
State securities issued by Romanian Government	343,584	213,896
Total	**5,845,593**	**4,437,111**
Gross value	5,890,957	4,479,836
Expected credit loss allowances	(45,364)	(42,725)

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6. INVESTMENT SECURITIES – DEBT INSTRUMENTS (CONTINUED)

Investment securities measured at FVOCI – debt instruments

In MDL thousand	31 December 2023	31 December 2022
State securities	14,086	16,922
Changes in the fair value	337	(406)
Total	**14,423**	**16,516**

As at 31 December 2023, in the caption investment securities, the Bank holds debt instruments measured at amortized cost as treasury bills issued by the Government of Republic of Moldova, certificates issued by the National Bank of Moldova and state securities issued by Romanian Government. The amount invested in these debt instruments at 31 December 2023 has an amortized cost of 5,845,593 MDL'000 (2022: 4,437,111 MDL'000).

As at 31 December 2023 the Bank holds a portfolio of debt instruments issued by the Government of Republic of Moldova classified as "Financial assets at fair value through other comprehensive income" with a fair value amounting to 14,423 MDL'000 (2022: 16,516 MDL'000).

The state securities in the Bank's portfolio as at 31 December 2023 represent treasury bills issued by the Ministry of Finance of the Republic of Moldova in MDL with discount and redeemed at face value at maturity, with maturity between 182 and 364 days, the interest rate ranging between 5.76% and 14.43% (2022: 9.88% and 22.01%) and bonds issued by the Ministry of Finance of the Republic of Moldova in MDL nominal value or with a premium, for a period of 730-2557 days fixed or floating rate ranging between 5.85% and 16.00% (2022: 5.65% and 24.39%).

Certificates issued by the National Bank in the Bank's portfolio as at 31 December 2023 have an original maturity of 14 days at a rate of 4.75% (2022: 20.0%).

State securities issued by the Romanian Government in the Bank's portfolio are issued by the Romanian Ministry of Public Finances, are denominated in EUR, have an initial maturity between 1 and 3 years, and pay a fixed interest rate between 1.6% and 4.9%.

The qualitative analysis regarding the investment securities was based on the credit ratings issued by Standard & Poor's, Moody's and Fitch, if available. For investments securities that are not rated by Standard & Poor's, Moody's or Fitch, the Standard & Poor's sovereign rating was used.

In MDL thousand Investment securities measured at amortized cost – debt instruments	31 December 2023	31 December 2022
Rating BBB-	343,584	213,896
Rating B-	5,502,009	4,223,215
Total	**5,845,593**	**4,437,111**

As of 31 December 2023, state securities with an amortized cost in amount of 1,850,283 MDL'000 (31 December 2022: 1,850,283 MDL'000) are under seizure of Moldovan Authorities (please see Note 34).

This seizure does not affect the Bank's activity, liquidity management and interest income, as securities which mature are replaced by new ones, keeping constant the amount of seized securities at 1,850,283 MDL'000.

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7. LOANS TO CUSTOMERS

Bank lending activity focuses on providing loans to individuals and legal entities.

	31 December 2023			31 December 2022		
In MDL thousand	Gross value	Expected credit loss allowances	Carrying Amount	Gross value	Expected credit loss allowances	Carrying Amount
Corporate customers	3,387,597	(237,204)	3,150,393	2,858,326	(329,368)	2,528,958
Mortgage loans	1,281,649	(15,053)	1,266,596	1,377,552	(13,384)	1,364,168
Consumer loans	1,767,038	(202,440)	1,564,598	1,408,266	(196,633)	1,211,633
Total	6,436,284	(454,697)	5,981,587	5,644,144	(539,385)	5,104,759

Analysis of loan portfolio of corporate customers by economic sector as at 31 December 2023 and 31 December 2022 is presented below:

Corporate customers *In MDL thousand*	31 December 2023	31 December 2022
Production and trade	1,306,251	806,352
Real estate	62,156	173,665
Farming and food industry	703,175	692,627
Consumer loans	63,313	42,564
Transport and road construction	134,650	35,297
Energy sector	80,252	27,379
Government	48,760	92,023
Others	989,040	988,419
Total	3,387,597	2,858,326

Effect of expected credit loss allowances on loans to customers during 2023 and 2022 is presented in Note 39.1.

8. EQUITY INVESTMENT SECURITIES DESIGNATED AT FVOCI

The movement in the investment portfolio is presented below:

In MDL thousand	2023	2022
Balance as at 1 January	3,366	3,207
Changes in the fair value	58	147
Additions	-	-
Disposals	-	-
Exchange rate movements	(46)	12
Balance as at 31 December	3,378	3,366

As of 31 December 2023, within its portfolio, the Bank holds equity securities valued at fair value through other comprehensive income in local and foreign companies that are not listed.
Below is presented the analysis of equity securities at fair value through other comprehensive income as of 31 December 2023 and 31 December 2022:

In MDL thousand	Scope of business	Owned share 2023, %	31 December 2023	Owned share 2022, %	31 December 2022
Biroul de Credit SRL	Data processing	18.19	2,038	18.19	2,038
S.W.I.F.T SCRL	International transfer	0.01	901	0.01	889
Bursa de Valori	Stock exchange	6.16	439	7.69	439
Total			3,378		3,366

As of 31 December 2023 and 31 December 2022, the Bank's investment securities in Biroul de Credit SRL in the amount of 2,038 MDL'000 are under seizure of Moldovan Authorities (please see Note 34).

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9. PROPERTY AND EQUIPMENT

In MDL thousand	Land and buildings	Furniture and equipment	Vehicles	Improvements of leased assets	Fixed assets under construction	Total
Cost						
Balance at 1 January 2022	144,329	226,323	24,502	34,644	27,005	456,803
Additions	-	2,216	-	-	122,322	124,538
Transfers	1,568	102,913	-	11,612	(116,093)	-
Disposals (write-offs)	-	(35,398)	-	(326)	(3,568)	(39,291)
Balance at 31 December 2022	145,897	296,054	24,502	45,930	29,666	542,049
Balance at 1 January 2023	145,897	296,054	24,502	45,930	29,666	542,049
Additions	-	6,395	-		115,114	121,509
Transfers	-	78,596	-	22,144	(100,740)	-
Disposals (write-offs)	-	(38,354)	-	(364)	(11,833)	(50,551)
Balance at 31 December 2023	145,897	342,691	24,502	67,710	32,207	613,007
Accumulated depreciation and impairment losses						
Balance at 1 January 2022	56,740	142,209	13,884	15,803	-	228,637
Depreciation for the year	4,075	32,732	2,530	5,914	-	45,250
Reclassified as held for sale	-	-	-	-	-	-
Disposals	-	(34,843)	-	(326)	-	(35,169)
Balance at 31 December 2022	60,815	140,098	16,414	21,391	-	238,718
Balance at 1 January 2023	60,815	140,098	16,414	21,391	-	238,718
Depreciation for the year	4,081	49,830	2,227	8,146		64,284
Impairment losses	-	-	6	-	-	6
Disposals	-	(38,113)	-	(353)		(38,466)
Balance at 31 December 2023	64,896	151,815	18,647	29,184	-	264,542
Carrying amounts						
Balance at 1 January 2022	87,589	84,114	10,617	18,841	27,005	228,166
Balance at 31 December 2022	85,082	155,956	8,088	24,539	29,666	303,331
Balance at 31 December 2023	81,001	190,876	5,855	38,526	32,207	348,465

As at 31 December 2023, the costs of property and equipment fully amortized and still used by the Bank amounted to 59,547 MDL'000 (31 December 2022: 79,732 MDL'000). As at 31 December 2023 tangible assets in amount of 49,178 MDL'000 (31 December 2022 in amount of 53,721 MDL'000) are under seizure of Moldovan Authorities (please see Note 34).

10. INTANGIBLE ASSETS

In MDL thousand	Software	Intangible assets in execution	Total
Cost			
Balance at 1 January 2022	166,397	7,412	173,809
Additions	-	10,202	10,202
Transfers	17,296	(17,296)	-
Disposals	-	(318)	(318)
Balance at 31 December 2022	183,693	-	183,693
Balance at 1 January 2023	183,693	-	183,693
Additions	4,967	25,011	29,978
Transfers	7,948	(7,948)	-
Disposals	(348)	(787)	-1,135
Balance at 31 December 2023	196,260	16,276	212,536
Accumulated depreciation			
Balance at 1 January 2022	94,364	-	94,364
Depreciation for the year	15,017	-	15,017
Disposals	-	-	-
Balance at 31 December 2022	109,381	-	109,381
Balance at 1 January 2023	109,381	-	109,381
Depreciation for the year	17,177	-	17,177
Disposals	(334)	-	(334)
Balance at 31 December 2023	126,224	-	126,224
Carrying amounts			
Balance at 1 January 2022	72,033	7,412	79,445
Balance at 31 December 2022	74,312	-	74,312
Balance at 31 December 2023	70,036	16,276	86,312

As at 31 December 2023, the cost of intangible assets fully amortized but still used by the Bank amounted to 28,775 MDL'000 (31 December 2022: 27,416 MDL'000). As at 31 December 2023 intangible assets have not been pledged as collateral.

11. LEASES

The Bank leases a number of vehicles and offices for the bank's branches. The leases typically run for a period of 1 - 7 years. The leases were classified as leases under IFRS 16. The information about leases for which the Bank is a lessee is presented below.

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11. LEASES (CONTINUED)

I. Right-of-use assets

In MDL thousand	Vehicles	Leased spaces	Total
Balance at 1 January 2022	-	122,965	122,965
Additions	729	44,192	44,921
Disposals	-	(42,950)	(42,950)
Balance at 31 December2022	729	124,207	124,936
Additions	1,999	50,614	52,613
Disposals	(61)	(38,863)	(38,924)
Balance at 31 December2023	2,667	135,958	138,625
Accumulated depreciation			
Balance at 1 January 2022	-	57,718	57,718
Depreciation charge for the year	12	33,229	33,241
Disposals	-	(38,702)	(38,702)
Balance at 31 December 2022	12	52,245	52,257
Depreciation charge for the year	383	34,839	35,222
Disposals	(3)	(30,239)	(30,242)
Balance at 31 December 2023	392	56,845	57,237
Carrying amounts			
Balance at 1 January 2022	-	65,247	65,247
Balance at 31 December 2022	717	71,962	72,679
Balance at 31 December 2023	2,275	79,113	81,388

Maturity analysis – Contractual undiscounted cash flows

In MDL thousand	2023	2022
Less than one year	32,179	4,816
Between one and three years	39,017	40,309
Between three and five years	10,141	28,070
More than five years	319	654
Total undiscounted lease liabilities at 31 December	81,656	73,849

II. Amounts recognized in profit or loss

In MDL thousand *Leases under IFRS 16*	Note	2023	2022
Interest expense on lease liabilities (included in interest expenses)	23	932	654
Expense relating to leases of low-value assets (included in other operating expenses)	30	3,083	2,158

III. Amounts recognized in statement of cash flow

In MDL thousand	2023	2022
Lease liabilities	79,583	72,860
Total cash outflow for leases	35,238	33,075

12. OTHER FINANCIAL ASSETS

In MDL thousand	31 December 2023	31 December 2022
Receivables from international payment systems	22,587	19,837
Receivables from Visa and Mastercard	178,370	128,329
Other financial assets	50,423	55,973
Expected credit loss allowance for other financial assets	(24,084)	(29,428)
Total financial assets	**227,296**	**174,711**

Other financial assets of the Bank consist of receivables related to calculated commissions not related to interest, contracts for sale of collaterals in installments and settlements with individuals and legal entities.

The evolution of allowances for expected credit losses of other financial assets during 2023 and 2022 financial years, is presented in Note 39.1.

13. OTHER ASSETS

In MDL thousand	31 December 2023	31 December 2022
Repossessed collaterals	10,968	32,930
Inventories	22,681	7,339
Advances to suppliers	14,180	27,106
Prepaid expenses	20,696	14,415
Impairment allowance for other non-financial assets	(10,968)	(32,014)
Total other assets	**57,557**	**49,776**

The other assets (non-financial) of the Bank include mainly the assets repossessed in exchange for the reimbursement of loans. The Bank takes measures in respect of the sale of the assets held for sale, quarterly sales plans are prepared for each asset, which include the management, promotion and identification of potential buyers.

Movement in allowance for impairment of the collaterals repossessed is presented below:

In MDL thousand	2023	2022
Balance as at 1 January	**32,014**	**101,508**
Impairment charges / (release) (Note 28)	(8,577)	(57,247)
Disposals due to sales	(12,469)	(12,247)
Balance as at 31 December	**10,968**	**32,014**

14. CURRENT INCOME TAX ASSETS AND LIABILITIES

Below is an analysis of current income tax assets/liabilities presented in the financial statement:

In MDL thousand	31 December 2023	31 December 2022
Current income tax assets	-	-
Current income tax liability	(9,826)	(14,812)
Current income tax assets / (liabilities), net	**(9,826)**	**(14,812)**

15. OTHER BORROWINGS

In MDL thousand	31 December 2023	31 December 2022
Loans from the Ministry of Finance	128,590	105,908
Loans from international finance organizations	383,892	90,930
Total	512,482	196,838

Reconciliation of movements of other borrowings to cash flows arising from financing activities:

In MDL thousand	2023	2022
Balance as at 1 January	196,838	144,372
Proceeds received	386,570	114,316
Payments	(66,646)	(65,907)
Liability-related:		
Interest expense (Note 23)	16,679	7,102
Interest paid	(10,328)	(6,258)
The effect of changes in foreign exchange rates	(10,631)	3,213
Balance as at 31 December	512,482	196,838

The loans received by the Bank for the purpose of re-crediting are from the European Bank for Reconstruction and Development (EBRD), the European Fund for Southeast Europe (EFSE), from the Ministry of Finance of the Republic of Moldova through the Office of Management of Foreign Assistance Programs (OGPAE).

The purpose is to finance certain investment projects and to supplement the current means (EU4Business project - in improving the quality of products and modernizing services, IFAD projects - mainly in the agricultural field, RISP projects - in rural business development, the Moldova Orchard project (Livada Moldovei) – investments in the horticultural sector and related sectors, the Covid19 project - support for SMEs affected by the pandemic crisis).

In 2023, 8 investment loans were granted from EBRD resources, within the EU4BUSINESS-EBRD CREDIT LINE project, in the amount of 1.9 million EUR.

In 2023, the interest rate experienced a significant fluctuation, thus the interest related to the loans received from OGPAE varied between 6.6% - 5.35% for MDL, 3.83% - 4.54% for EUR. For the loan from EBRD, the interest rate in EUR varied between 6.442% - 7.341% and for the loan from EFSE, the rate is 7.125% in EUR and 7.46% in MDL.

The loans financed from the mentioned borrowings were granted for a period of up to 7 years for investment projects and up to 4 years for supplementing the current assets depending on the project.

On 31 December 2023, the Bank complied with historical covenants within the project granted under the Polish Credit sub-project.

16. DEPOSITS FROM BANKS

In MDL thousand	31 December 2023	31 December 2022
"Loro" accounts from banks	35,605	69,455
Overnight deposits	-	400
Total	35,605	69,855

* 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.

17. DEPOSITS FROM CUSTOMERS

Deposits from customers can be analyzed as follows:

In MDL thousand

Legal entities	31 December 2023	31 December 2022
Current accounts	6,306,859	5,106,839
Term deposits	629,088	407,476
Total	**6,935,947**	**5,514,315**

Individuals	31 December 2023	31 December 2022
Current accounts	4,976,218	4,155,008
Term deposits	3,813,129	3,981,844
Total	**8,789,347**	**8,136,852**
Deposits from customers	**15,725,294**	**13,651,167**

Analysis of the deposits from customers by economic sector as at 31 December 2023 and 31 December 2022 is presented below:

Legal entities, *MDL thousand*	31 December 2023	31 December 2022
Production and trade	2,049,555	1,871,884
Services	2,169,833	788,834
Manufacturing and processing	3,310	417,716
Constructions	286,954	313,889
Real estate	293,733	351,877
Transportation	588,127	365,284
Financial services	316,141	272,603
Health	250,720	277,663
Agriculture	35,867	69,200
Government/Public Administrations	12,785	9,538
Energy sector	506,362	1,875
Others	422,560	773,952
Total	**6,935,947**	**5,514,315**

18. PROVISIONS FOR OTHER RISKS AND LOAN COMMITMENTS

In MDL thousand	31 December 2023	31 December 2022
Provisions for loan commitments, financial guarantees	39,216	34,861
Litigation provisions	-	2,314
Total	**39,216**	**37,175**

The table below shows reconciliation from the opening to the closing balance of the litigations provisions:

	2023	2022
Balance at 1 January	**2,314**	**2,314**
Provisions reversed during the year	(2,314)	-
Balance at 31 December	**-**	**2,314**

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19. DEFERRED TAX BALANCES

An analysis of deferred income tax assets / (liabilities) presented in statement` of financial position is presented below:

In MDL thousand	31 December 2023	31 December 2022
Deferred income tax assets	8,062	5,369
Deferred income tax liabilities	(4,060)	(4,627)
Deferred tax assets / (liabilities), net	**4,002**	**742**

Movement in deferred tax balances is presented below:

In MDL thousand	31 December 2022	Recognized in profit and loss	Recognized in other items of comprehensive income	31 December 2023
Property and equipment	(4,570)	611	-	(3,959)
Provisions for litigations	278	(278)	-	-
Accrual for untaken holidays	1,482	333	-	1,815
Accrual for other employee benefits	3,561	2,686	-	6,247
Debt securities measured at FVOCI	48	-	(89)	(41)
Equity investment securities measured at FVOCI	(56)	-	(4)	(60)
Deferred tax assets / (liabilities)	**742**	**3,352**	**(93)**	**4,002**

In MDL thousand	31 December 2021	Recognized in profit and loss	Recognized in other items of comprehensive income	31 December 2022
Property and equipment	(3,445)	(1,125)	-	(4,570)
Provisions for litigations	278	-	-	278
Accrual for untaken holidays	1,264	218	-	1,482
Accrual for other employee benefits	2,368	1,192	-	3,561
Debt securities measured at FVOCI	5	-	43	48
Equity investment securities measured at FVOCI	(38)	-	(18)	(56)
Deferred tax assets / (liabilities)	**432**	**285**	**25**	**742**

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20. OTHER FINANCIAL LIABILITIES

In MDL thousand	31 December 2023	31 December 2022
Amounts pending for customers instructions	244,762	182,988
Approved and issued treaties	129,988	11,394
Bank cards operations	36,803	22,264
Non-interest-bearing calculated expenses	47,531	44,209
Payments collected for transfer according to the destination	21,640	14,468
Suspense amounts	927	1,071
Settlements with the brokers	5,169	2,892
Accruals for untaken holidays	15,127	12,349
Accruals for other employee benefits	52,058	29,672
Creditors regarding documentary transactions	-	989
Settlements related to intangible assets	865	210
Other financial liabilities	225,790	150,493
Total	780,660	472,999

Other financial liabilities include transfers to cards, salary projects, merchant advance payments (internet-stores).

21. OTHER LIABILITIES

In MDL thousand	31 December 2023	31 December 2022
Other settlements with the state budget	12,013	11,947
Other non-financial liabilities	7,877	6,253
Total	19,890	18,200

22. CAPITAL AND RESERVES

a. Share capital

During the year 2023, there were no changes to the Bank's share capital amounting to MDL 250,000,910 as at 31 December 2023 and 31 December 2022, consisting of 25,000,091 ordinary nominative shares of class I, code ISIN MD14VCTB1004, with a nominal value MDL 10, with voting right, the right to receive dividends, issued in non-material form.

As at 31 December 2023 the Bank has a total of 184 shareholders - individuals and legal entities (31 December 2023: 183 shareholders), among which:

	31 December 2023	31 December 2022
Shareholders with a share equal to or above 1%, among which:	5 persons	5 persons
Legal entities	1	1
Individuals	4	4
Other shareholders, of which:	179 persons	178 persons
Legal entities	11	11
Individuals	168	167

22. CAPITAL AND RESERVES (CONTINUED)

a. Share capital (continued)

	31 December 2023, %	31 December 2022, %
Shareholders with a share equal to or above 1%, among which:		
VB Investment Holding B.V.	72.19	72.19
Ţurcan Victor	10.76	10.76
Ţurcan Valentina	8.07	8.07
Artemenco Elena	4.95	4.95
Proidisvet Galina	1.58	1.58
Other shareholders	2.45	2.45
TOTAL	100	100

The holders of ordinary shares are entitled to receive dividends as declared by the general shareholders meeting, and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

b. Other reserves

The balance represents the general reserve for bank risks and relates to the difference between the assets impairment losses and provisions for conditional commitments, according to IFRS, and the amount calculated but unformed of allowances for losses on assets and conditional commitments, according to prudential regulations of the National Bank of Moldova.

Starting with 2012, general reserves for bank risks were made up of the reported result.
On 31 December 2023, the above-mentioned difference decreased from the balance reflected in the general reserve account for bank risks of 31 December 2022. Thus, the amount of 43,165 MDL'000 was returned in the retained earnings.

c. Statutory reserves

In accordance with the local legislation, 5% of the net profit of the Bank is required to be transferred to a non-distributable statutory reserve until such time as this reserve represents at least 10% of the share capital of the Bank. This reserve is non-distributable. According to the Bank's statute these can be used to absorb losses.

d. Fair value reserve

The fair value reserve comprises:

- the cumulative net change in the fair value of equity securities measured at FVOCI (see Note 3.15) and
- the cumulative net change in fair value of debt securities measured at FVOCI until the assets are derecognized or reclassified. This amount is increased by the amount of loss allowance (see Note 3.14).

23. NET INTEREST INCOME

In MDL thousand	2023	2022
Interest income calculated using the effective interest method		
Loans to customers*	673,150	543,217
Current accounts and placements held with NBM, other banks	320,257	325,105
Investment securities at amortized cost	832,193	437,403
Investment securities at FVOCI	1,720	1,852
Total interest income	1,827,320	1,307,577

*The interest income on impaired loans for the year ended 31 December 2023 amounted to 35,757 MDL'000 (2022: 41,693 MDL'000).

In MDL thousand	2023	2022
Interest expense		
Deposits from customers	(548,069)	(239,325)
Current accounts with banks	-	(3,160)
Deposits from banks	(780)	(485)
Other borrowings	(16,679)	(7,102)
Operational leasing	(810)	(650)
Financial leasing	(122)	(4)
Total interest expense	(566,460)	(250,726)
Net interest income	1,260,860	1,056,851

The amounts reported above include interest income and expense, calculated using the effective interest method, that relate to the following financial assets and financial liabilities:

In MDL thousand	2023	2022
Financial assets measured at amortized cost	1,825,600	1,305,725
Financial assets measured at FVOCI	1,720	1,852
Total	1,827,320	1,307,577
Financial liabilities measured at amortized cost	(566,460)	(250,726)

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24. NET FEE AND COMMISSION INCOME

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services:

In MDL thousand	2023	2022
Fee and commissions income		
Bank cards operation	407,796	359,081
Transactions with customers	169,982	181,160
Clearing operations	20,950	24,919
Currency exchange operations	970	2,120
Commission for release of guarantees	2,109	2,540
Brokerage fees	1,097	956
Lending activity	224	434
Other commissions income	14,803	15,042
Total fee and commissions income	**617,931**	**586,252**

24. NET FEE AND COMMISSION INCOME (CONTINUED)

Fee and commissions expenses	2023	2022
Commissions for card services	(371,222)	(303,632)
Payment transactions	(17,940)	(15,635)
Commissions upon cash withdrawal and depositing	(20,330)	(26,640)
Other commissions related to borrowings	(57)	(155)
Total fee and commissions expenses	**(409,549)**	**(346,062)**
Net fee and commission income	**208,382**	**240,190**

Other commissions income represents the commissions charged for other bank operations (i.e. utilities payments), cash collection services and bancassurance fees.

25. NET TRADING INCOME

In MDL thousand	2023	2022
Net income from foreign exchange transactions	255,991	234,781
Losses from the revaluation of foreign currency assets and liabilities	9,102	16,500
Dividends on equity investments measured at FVOCI	694	472
Other financial income	51	435
Total	**265,838**	**252,188**

26. OTHER OPERATING INCOME

In MDL thousand	2023	2022
Other operating income	5,658	11,178
Fines and penalties received	3,584	2,582
Other income	3,085	9,074
Total	**12,327**	**22,834**

Other operating income includes the refund of amounts paid by Visa Inc. and MasterCard Incorporated to cover expenses related to promotional services.

27. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND PROVISIONS FOR OFF-BALANCE SHEET COMMITMENTS

Additional information on impairment of financial assets during the financial years 2023 and 2022 are presented in Note 39.1. (I. Amounts arising from ECL).

The following table provides reconciliation position "net impairment (losses) / releases on financial assets" in statement of profit or loss:

In MDL thousand	2023	2022
Cash and balances with the National Bank of Moldova	(793)	(2,422)
Current accounts and placements with banks	(4,137)	1,455
Debt securities at amortized cost	(2,717)	3,740
Debt securities at FVOCI	25	19
Loans to customers at amortized cost	(102,340)	(185,017)
Receivables from sales of collaterals	1,224	(904)
Other financial assets	(2,051)	(3,964)
Loan commitments and financial guarantee contracts	(4,848)	(19,010)
Total	(115,637)	(206,103)

28. NET IMPAIRMENT (LOSSES) / RELEASE ON NON-FINANCIAL ASSETS

In MDL thousand	2023	2022
Repossessed collaterals	8,577	57,247
Tangible assets	(5)	-
Intangible assets	-	(318)
Total	8,572	56,929

29. PERSONNEL EXPENSES

In MDL thousand	2023	2022
Salaries and bonuses	(333,790)	(258,910)
Social insurance and contributions	(85,561)	(66,581)
Net expenses with accruals for untaken holidays and other accruals	(24,338)	(12,010)
Other staff expenses (other payments, meal vouchers)	(29,412)	(24,276)
Total	(473,101)	(361,777)

The average monthly number of employees active in the Bank during 2023 was 1,119 people (in 2022 was 1,063).

The Bank's expenses related to the share-based payments are included in the salaries and bonuses and amounted to MDL 2,197 thousand in 2023 (2022: MDL 2,084 thousand). The related contributions were MDL 527 thousand in 2023 and MDL 484 thousand in 2022.

The Bank established a Shadow Shares Plan ("SSP"), by which members of the executive committee may exercise the right and option to receive a number of shadow shares, as part of their variable remuneration.

29. PERSONNEL EXPENSES (CONTINUED)

Vesting conditions for 2023 related to SSP 2022:

- Achievement of performance and prudential indicators during 2022;
- Compliance with certain individual eligibility and/or performance criteria, in accordance with the applicable remuneration policy and standard, related to the year for which shares are granted;
- Being an employee upon the granting of the SSP right and when exercising such right (starting from June 2023);

Contractual vesting period for the shares granted for the year 2023 through SSP:

- Release after 1 June 2023;
- Deferral period for the identified personnel – 3 - 5 years, subject to applicable restrictions, pursuant to internal regulations in force.

As at 31 December 2023 the Bank accrued MDL 2,041 thousand for SSP expected to vest in 2024 and MDL 490 thousand of related taxes and contributions (as 31 December 2022 MDL 1,744 thousand for SSP expected to vest in 2023 and MDL 418 thousand of related taxes and contributions).

The total deferred variable remuneration as 31 December 2023, for SSP expected to vest after 31 December 2024 is estimated at MDL 3,924 thousand and MDL 942 thousand of related contributions.

30. OTHER OPERATING EXPENSES

In MDL thousand	2023	2022
Utilities and rent	(16,108)	(12,480)
Repairs and maintenance expenses	(20,229)	(15,499)
Contribution to the Bank Deposit Guarantee Fund and Resolution Fund	(26,829)	(32,001)
Security and protection	(6,012)	(5,617)
Advertising, marketing, entertainment and sponsorship expenses	(21,453)	(20,719)
Expenses for maintaining intangible assets	(49,008)	(44,968)
Mail, telecommunication and SMS traffic expenses	(12,727)	(11,890)
Stationery and supplies	(3,592)	(3,034)
Audit, advisory and legal expenses	(24,210)	(16,622)
Training	(4,249)	(1,878)
Travel and transportation	(2,991)	(2,785)
Expenses related to the disposal of other assets	(19,355)	(5,780)
Taxes and penalties	(1,556)	(625)
Success fees for insolvency administrators	-	(2,873)
Other operating expenses	(77,037)	(57,196)
Total	**(285,356)**	**(233,967)**

Other operating expenses include expenses related to the seconded employees, insurance of Bank's property and other non-deductible expenses.

31. DEPRECIATION

In MDL thousand	2023	2022
Property and equipment (Note 9)	(64,285)	(45,250)
Right-of-use assets (Note 11)	(35,222)	(33,241)
Intangible assets (Note 10)	(17,177)	(15,017)
Total	**(116,684)**	**(93,508)**

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32. NET INCOME TAX RELEASE/ (EXPENSES)

Income tax expenses consist of current tax and deferred tax are presented as follows:

Income tax recognized in profit and loss account

In MDL thousand	31 December 2023	31 December 2022
Current tax		
Current tax expenses	(98,853)	(92,145)
Deferred tax		
Deferred tax (expenses) / release	3,352	285
Total income tax expenses recognized during the year	**(95,500)**	**(91,860)**

Income tax expenses reconciles to profit before tax as follows:

In MDL thousand		2023		2022
Profit before tax		**767,515**		**733,636**
Tax using the Bank's domestic tax rate	12.00%	92,102	12.00%	88,036
Tax effect of non-deductible expenses	0.47%	3,620	0.54%	3,944
Tax-exempt income	(0.03%)	(222)	(0.02%)	(120)
Income tax expense recognized in profit and loss account	12.44%	**95,500**	12.52%	**91,860**

Non-deductible expenses are related to some expenses related to detached employees, insurance premiums and other non-deductible expenses according to provisions of Tax Code of Republic of Moldova.

32. NET INCOME TAX RELEASE/ (EXPENSES) (CONTINUED)

Income tax recognized in other comprehensive income

In MDL thousand	31 December 2023	31 December 2022
Current income tax		
Current tax	-	-
Deferred income tax		
Change in fair value of debt investment securities designated at FVOCI	(89)	43
Change in fair value of equity investments securities designated at FVOCI	(4)	(18)
Total income tax recognized in other comprehensive income	**(93)**	**25**

33. OFF BALANCE SHEET GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The cumulated amounts of guarantees in balance and other off balance sheet elements as at 31 December 2023 and 2022:

In MDL thousand	31 December 2023	31 December 2022
Letters of credit	-	988
Issued guarantees	130,962	84,687
Commitments to issue guarantees	49,821	81,183
Loan commitments	691,694	724,922
Total	**872,477**	**891,780**

The Bank issues guarantees and letters of credit on behalf of its customers. The credit risk on guarantees is similar to that arising from granting of loans. Financing commitments represent the Bank's commitments to grant loans to customers and do not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

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34. CONTINGENT LIABILITIES AND LITIGATIONS

The Bank was notified on 6 July 2020 that it is being investigated in a case instrumented by the Prosecutor's Office of the Republic of Moldova and on 6 August 2020, a precautionary seizure was placed on some of the Bank's assets, in order to cover the claims in the file - amounting to approximately MDL 2.2 billion.

As at 31 December 2023, the amount of the Bank's assets that were seized by the criminal investigation body was MDL 1.9 billion (31 December 2022: MDL 1.9 billion).

Considering the nature of the case, current status of the investigation, legal limitations related to the investigation, the lawyers' analysis of the content of investigators case files, corroborated with the lawyers' legal opinion on the background facts and evidence provided by the prosecutors, the management of the Bank concluded that the disclosure of a contingent liability in the financial statements satisfies the requirements of IAS 37.

Based on consultations with its lawyers and understanding the risks associated with the case, the Bank did not recognize any provision related to this dispute as of 31 December 2023 and as of 31 December 2022. The Bank will monitor the evolution of the topic at each reporting date, in accordance with the relevant provisions of the accounting standards and regulations.

The Bank is also involved as defendant in a number of other litigations as at 31 December 2023 and 31 December 2022, emerged from normal banking activities.

35. BASIC EARNINGS PER SHARE

MDL thousand	31 December 2023	31 December 2022
Profit for the year	672,015	641,777
The number of ordinary shares	25,000,091	25,000,091
Basic earnings per share	**26.88**	**25.67**

The basic earnings per share are calculated by dividing the net profit for the year attributable to the holders of ordinary equity by the weighted average number of ordinary shares outstanding during the year. The calculation of the basic earnings per share as at 31 December 2023 and as at 31 December 2022 was based on the number of outstanding shares during the period, this number being unmodified – 25,000,091 – since 2011.

The diluted earnings per share for 2023 took into consideration the adjusted net profit attributable to the ordinary shareholders of the Bank and the weighted average number of outstanding diluted ordinary shares.

For 2022-2023, the amount of convertible bonds was 0, in this case the diluted net profit attributable to the shareholders is equal with the net profit of the Bank and the earning per diluted share is the same as the earning per ordinary share.

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36. SEGMENT REPORTING

The Bank's segment reporting is presented in accordance with the internal requirements of the Management. The operational segments correspond to the internal reports to the Executive Management and the Board of Administration. The reporting format is based on the internal management reporting format. All assets and liabilities, income and expenses presented are allocated to operating segments either directly or on the basis of criteria established by Management.

A business segment is a component of the Bank:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity);
- The operating results of which are reviewed regularly by the entity's decision maker in order to make decisions about resources to be allocated to the segment and to assess its performance;
- For which distinct financial information is available.

The Bank has the following four strategic divisions, which are operating and reportable segments. These divisions offer different products and services, and are managed separately based on the Bank's management and internal reporting structure:

Corporate Clients: In this category, the Bank mainly manages loans and other credit facilities and deposit and current accounts for legal entities with an annual turnover of more than MDL 50 million. This category includes Public administration, national public institutions, the City Hall and the council of Chisinau and Balti municipalities and insurance companies.

SME customers: In this category, the Bank mainly manages loans and other credit facilities and deposit and current accounts for legal entities with an annual turnover (sales revenue) up to MDL 50 million according to the financial statements presented, Non-compliant entities in the criteria of Corporate Client, including the entities for which it is not possible to identify the turnover.

Individuals: The Bank provides individuals with a wide range of financial products and services, including lending (mortgages, consumer and vehicle loans), current and deposit accounts, and payment services.

Treasury: The Bank includes in this category the services provided by the treasury activity: interbank operations, securities transactions and equity instruments. Also, the bank incorporates in this category the services offered by the treasury activity in foreign exchange transactions.

Others: The Bank includes in this category elements that do not fall into the existing categories and result from financial and strategic decisions taken centrally such as tangible and intangible assets, assets related to the right of use and other assets that cannot be directly identified.

In terms of geographical distribution, the Bank covers mainly the Republic of Moldova territory.

As of December 31, 2023 and December 31, 2022, no customer generated more than 10% of total revenue for the Bank.

The Management of the Bank monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses and is measured consistently with operating profits or losses in the financial statements. However, income taxes and net expenses for expected losses from impairment of loans and advances to customers, provisions for loan commitments and litigations are managed on a consolidated basis and are not allocated to operating segments.

We present below segmented financial information on the statement of financial position and operating profit before income tax expenses, net expenses for expected losses from impairment of loans and advances to customers and provisions for loan commitments and litigations as of December 31, 2023 and comparative data for December 31, 2022:

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36. SEGMENT REPORTING (CONTINUED)

Reportable segments as of December 31, 2023

MDL thousand	Corporate	SME	Individuals	Treasury	Others	Total
Loans to customers	1,963,825	1,423,772	3,048,688	-	-	6,436,285
Expected credit loss allowances	*(149,924)*	*(87,280)*	*(217,493)*	-	-	*(454,697)*
Current accounts and placements with NBM and banks	-	-	-	8,037,020	-	8,037,020
Debt and equity instruments	-	-	-	5,863,394	-	5,863,394
Other assets	8,763	4,104	6,812	-	1,835,014	1,854,693
Total assets	1,822,664	1,340,596	2,838,007	13,900,414	1,835,014	21,736,695
Deposits from banks	-	-	-	35,605	-	35,605
Deposits from customers	4,006,063	2,929,884	8,789,347	-	-	15,725,294
Other borrowings	383,892	128,590	-	-	-	512,482
Provisions for other risks and loan commitments	17,849	10,607	10,760	-	-	39,216
Other liabilities	-	-	-	-	889,959	889,959
Total liabilities	4,407,804	3,069,081	8,800,107	35,605	889,959	17,202,556
Equity					4,534,139	4,534,139
Total liabilities and equity	4,407,804	3,069,081	8,800,107	35,605	5,424,098	21,736,695

Reportable segments as of December 31, 2022

MDL thousand	Corporate	SME	Individuals	Treasury	Others	Total
Loans to customers	1,926,203	932,123	2,785,818	-	-	5,644,144
Expected credit loss allowances	*(269,791)*	*(59,577)*	*(210,017)*	-	-	*(539,385)*
Current accounts and placements with NBM and banks	-	-	-	6,803,677	-	6,803,677
Debt and equity instruments	-	-	-	4,456,993	-	4,456,993
Other assets	8,654	2,438	786	-	2,018,066	2,029,945
Total assets	1,665,066	874,984	2,576,587	11,260,670	2,018,066	18,395,373
Deposits from banks	-	-	-	69,855	-	69,855
Deposits from customers	3,015,411	2,498,904	8,136,852	-	-	13,651,167
Other borrowings	90,930	105,908	-	-	-	196,838
Provisions for other risks and loan commitments	20,494	7,814	6,553	-	2,314	37,175
Other liabilities	-	-	-	-	578,872	578,872
Total liabilities	3,126,835	2,612,626	8,143,405	69,855	581,186	14,533,907
Equity	-	-	-	-	3,861,466	3,861,466
Total liabilities and equity	3,126,835	2,612,626	8,143,405	69,855	4,442,652	18,395,373

* 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.

36. SEGMENT REPORTING (CONTINUED)

Reportable segments as of December 31, 2023

MDL thousand	Corporate	SME	Individuals	Treasury	Total
Net interest income	206,002	154,325	375,034	525,498	**1,260,859**
Net commission income	14,686	44,056	143,936	5,703	**208,381**
Net trading income	36,332	41,968	42,894	144,644	**265,838**
Other operating income	4,902	2,844	2,683	1,899	**12,328**
Total income	261,922	243,193	564,547	677,744	1,747,406
Personnel expenses	58,133	78,248	246,159	90,561	**473,101**
Other operating expenses	58,525	55,749	149,737	138,029	**402,040**
Total expenses	116,658	133,997	395,896	228,590	875,141
Operating income before net impairment expenses, provisions for contingent liabilities / litigations and income tax	145,264	109,196	168,651	449,154	872,265

Reportable segments as of December 31, 2022

MDL thousand	Corporate	SME	Individuals	Treasury	Total
Net interest income	144,913	140,615	313,387	457,936	**1,056,851**
Net commission income	16,704	41,479	175,248	6,759	**240,190**
Net trading income	41,604	32,470	36,824	141,290	**252,188**
Other operating income	2,590	3,747	14,052	2,445	**22,834**
Total income	205,811	218,311	539,511	608,430	1,572,063
Personnel expenses	49,077	60,757	186,795	65,149	**361,778**
Other operating expenses	45,564	54,163	175,439	52,309	**327,475**
Total expenses	94,641	114,920	362,234	117,458	689,253
Operating income before net impairment expenses, provisions for contingent liabilities/litigation and income tax	111,170	103,391	177,277	490,972	882,810

* 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.

37. FAIR VALUE OF THE FINANCIAL INSTRUMENTS

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

Level 1 in the fair value hierarchy

The fair value of financial assets and liabilities allocated to Level 1 in the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets or liabilities. The price quotations used are regularly and immediately available on active markets / exchange indices and the prices that represent current and regular market transactions according to the arm's length basis.

Level 2 in the fair value hierarchy

The fair value of financial assets and liabilities included in Level 2 in the fair value hierarchy is determined by using evaluation methods which contain observable market data when market prices are not available. Observable interest rates and yield curves at commonly quoted intervals, credit spreads and implied volatilities are typically used as observable market parameters for Level 2 valuations.

Level 3 in the fair value hierarchy

The fair value of financial assets and liabilities included in Level 3 in the fair value hierarchy is determined by using input data that are not based on observable market information (unobservable data inputs shall reflect the assumptions made by the market participants to establish the price of an asset or a liability, including risk assumptions).

The objective of valuation techniques is to derive the fair value that reflects a price for the financial instrument at the reporting date, price that would be obtained by the market participants acting at arm's length.

The availability of observable market data and models reduces the need for the Management to operate judgements and estimations and also reduces the uncertainty associated with the determination of the fair value. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Fair value hierarchy analysis of financial instruments carried at fair value

To establish the hierarchy of the fair value of debt instruments, the Bank uses classification criteria in one of the three levels mentioned by the International Financial Reporting Standard 13. For the purpose of classification, the methodology takes into account the aggregation of results from two sources of observations:

- direct observations of transactions, indicative or executable prices of the respective instrument;
- observations of transactions, indicative and executable prices of comparable instruments, with the aim of deriving a price for the respective instrument, when it is considered that direct observations support additions.

The list of evaluation techniques used may contain, but is not limited to, the following:

- prices/quotations extracted from evaluation platforms such as Bloomberg or quotes received upon request from third parties;
- models based on prices of instruments with similar characteristics;
- models based on interest/price curves considered representative;
- calculation of updated cash flows;
- generally accepted economic methodologies.

Their hierarchy will take into account the specifications of IFRS 13, the choice of the alternative technique to be substantiated and approved by the competent committees.

37. FAIR VALUE OF THE FINANCIAL INSTRUMENTS (CONTINUED)

The following table shows the fair value and fair value hierarchy for financial assets and liabilities as at 31 December 2023:

31 December 2023 *In MDL thousand*	Notes	Carrying amount	Fair value	Level 1	Fair value hierarchy Level 2	Level 3
Financial assets						
Current accounts and placements with banks	5	1,769,324	1,769,324	-	1,769,324	-
Financial assets measured at amortized cost – debt instruments	6	5,845,593	5,910,609	-	5,910,609	-
Debt securities at fair value through other comprehensive income	6	14,423	14,423	-	14,423	-
Equity securities at fair value through other comprehensive	8	3,378	3,378	-	-	3,378
Loans to customers	7	5,981,588	6,172,231	-	-	6,172,231
Other financial assets	12	227,296	227,296	-	-	227,296
Total		13,841,602	14,097,261	-	7,694,356	6,402,905
Financial liabilities						
Deposits from banks	16	35,605	35,605	-	35,605	-
Deposits from customers	17	15,725,294	15,728,455	-	11,188,941	4,539,514
Other borrowings	15	512,482	512,482	-	-	512,482
Other financial liabilities	20	780,660	780,660	-	-	780,660
Total		17,054,041	17,057,202	-	11,224,546	5,832,656

For the financial assets and liabilities classified at level 2 and 3 the Bank considered that the highest and best use of these asset does not differs from their current use.

At level 2 in the fair value hierarchy, the Bank has classified the current accounts and placements in banks, debt instruments at amortized cost, debt instruments at FVOCI, as well as deposits from banks.

The fair value of sight deposits represents their carrying amount and these liabilities have been classified in level 2 of the fair value hierarchy.

The equity securities in the Bank's portfolio do not have an active market, so their fair value was classified at level 3. At Level 3 in the fair value hierarchy, the Bank has also classified the following financial assets: loans to customers and other financial assets. The fair value of the loans represents the value of future cash flows discounted at the market rate (published by the NBM). The market rate is the weighted average rate for new loans granted to similar products, maturity and currency at December 2023.

At Level 3 in the fair value hierarchy, the Bank has classified as financial liabilities: deposits from customers, other borrowings and other financial liabilities. The fair value of interest-bearing term deposits represents the present value of future cash flows at the market rate (published by the NBM) for liabilities with similar maturities.

37. FAIR VALUE OF THE FINANCIAL INSTRUMENTS (CONTINUED)

The following table shows the fair value and fair value hierarchy for financial assets and liabilities as at 31 December 2022:

31 December 2022		Carrying			Fair value hierarchy	
In MDL thousand	Notes	amount	Fair value	Level 1	Level 2	Level 3
Financial assets						
Current accounts and placements with banks	5	1,101,283	1,101,283	-	1,101,283	-
Financial assets measured at amortized cost – debt instruments	6	4,437,111	4,454,469	-	4,454,469	-
Debt securities at fair value through other comprehensive income	6	16,516	16,516	-	16,516	-
Equity securities at fair value through other comprehensive	8	3,366	3,366	-	-	3,366
Loans to customers	7	5,104,759	5,002,252	-	-	5,002,252
Other financial assets	12	174,711	174,711	-	-	174,711
Total		10,837,746	10,752,597	-	5,572,268	5,180,329
Financial liabilities						
Deposits from banks	16	69,855	69,855	-	69,855	-
Deposits from customers	17	13,651,167	13,616,014	-	9,035,543	4,580,471
Other borrowings	15	196,838	196,838	-	-	196,838
Other financial liabilities	20	472,999	472,999	-	-	472,999
Total		14,390,859	14,355,706	-	9,105,398	5,250,308

No changes in valuation techniques used to determine fair value have been considered for 2023 and 2022 years.

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38. RELATED PARTIES

The main shareholders of the Bank, holding individually more than 1% of the share capital, are disclosed in Note 22.
The Bank engages in transactions with shareholders, key management personnel and other related parties.

During 2023 banking transactions with related parties were conducted in the normal course of business. These include lending, deposit taking and making transactions in national and foreign currency. All these transactions were carried out under similar conditions, including the interest rates and terms on similar transactions with customers.

Transactions with other related parties include transactions with shareholders that have < 1% in total shares and key personnel family members and companies where they are shareholders and pursuing a relationship with the Bank. Key personnel relate to members of Board of Directros of the Bank and Executive Committee and their direct family members.
The balances, income and expenses resulting from related party transactions carried out during the year are presented below:

					2023					2022
In MDL thousand	Parent Company	Shareholders > 1 %	Key-management personnel	Other related parties	Total	Parent Company	Shareholders > 1 %	Key-management personnel	Other related parties	Total
Balance										
Current accounts to banks	74,657	-	-	-	**74,657**	41,196	-	-	-	**41,196**
Loans to customers	-	-	281	218,740	**219,021**		-	188	233,663	**233,851**
Deposits from customers	572	17,716	5,529	32,127	**55,944**	4,677	10,812	7,291	35,903	**58,683**
Commitments										
Given loan commitments and financial guarantees	-	-	194	36,306	**36,500**		-	279	2,441	**2,720**
Income and expenses										
Interest income	3,083	-	23	13,713	**16,819**	383	-	42	6,704	**7,129**
Fee and commissions income	17	19	25	218	**279**	10	27	47	263	**347**
Interest expenses	(89)	(8,505)	(320)	(441)	**(9,355)**	(241)	(3,991)	(111)	(94)	**(4,437)**
Fee and commissions expenses	(636)	-	(1)	-	**(637)**	(418)	-	-	-	**(418)**

Remuneration of directors
The total amount of remuneration expenses for executive management was MDL'000 27,130 for the year 2023 (2022: MDL'000 26,986). The amount of expenses for the remuneration of the Board of Administration was MDL'000 10,343 for the year 2023 (2022: MDL'000 10,469).

39. FINANCIAL RISK MANAGEMENT

The objective of B.C. Victoriabank S.A. in terms of risk management, is the integration of the average risk appetite assumed in the bank's decision-making process by promoting an appropriate alignment of assumed risks, available capital and performance targets, while taking into account tolerance to both financial and non-financial risks. In determining the risk appetite and tolerance, the Bank takes into account all the significant risks to which it is exposed, due to the specifics of its activity and the strategic and operational objectives, being mainly influenced by credit risk.

The risk management framework includes internal regulations, risk limits and control mechanisms that ensure the identification, assessment, monitoring, mitigation and reporting of risks related to the Bank's activities as a whole and, where appropriate, at the level of business lines (corporate customers, small and medium-sized enterprises, individuals and treasury activity).

The main risk categories to which the Bank is exposed are:

- credit and concentration risk,
- market risk,
- liquidity risk,
- the interest rate risk from activities other than those of the trading book,
- operational risk,
- compliance risk,
- risk associated with excessive use of leverage effect,
- reputational risk,
- strategic risk.

Risk management is an integral part of all decision-making and business processes within the Bank. The Board of Administration is responsible for defining and monitoring the general risk management framework for the Bank.

Victoriabank's risk management is carried out at 2 levels: (1) strategic level represented by the Board of Administration / Risk Management Committee and the Executive Management and (2) operational level represented by: Assets and Liabilities Management Committee (ALCO), Credit Commissions and Committees, the Bank's risk management structures which are responsible for defining and/or monitoring the risk management policies in their area of expertise. The Board of Administration shall periodically review the work of these committees.

The Board of Administration monitors compliance with the Bank's risk policies and the adequacy of the general risk management framework in relation to the risks to which the Bank is exposed.

The Risk Management Committee advises the Board of Administration on the risk appetite and the overall strategy for managing current and future risks and assists the Board of Administration in overseeing the implementation of the strategy by the Executive Management.

Risk management policies and systems are reviewed regularly (mainly annually) with the participation of management bodies and managers from the various departments involved, to reflect changes in market conditions, products and services provided.

The crisis simulation program is an integral part of the Bank's risk management framework and internal capital adequacy assessment process.

The Bank's Audit Committee reports to the Board of Administration and is responsible for monitoring the effectiveness of the internal controls systems, internal audit and the Bank's risk management procedures. The Audit Committee is assisted in these functions by the Internal Audit Department. The responsibility of the Internal Audit Department is to evaluate the efficiency and effectiveness of the process of developing the general risk management framework (Risk Appetite Framework), the internal coherence of the established model and to verify that the activities carried out correspond to the general risk management framework.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Credit Risk

Credit risk is the risk of financial loss to the bank if a customer or counterparty fails to fulfill its contractual obligations to a financial instrument. The Bank is exposed to credit risk both in lending, holdings in current accounts (correspondent) and investment in banks, investment activities and the issuance of bank guarantees.

Credit risk associated with investment activities is reduced by selecting those counterparty's good credit ratings and monitoring their activities by using exposure limits.

The highest exposure to credit risk of the Bank derives its loans to customers by financing commitments and issue guarantees.

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

Both in the case of securities and bank guarantees for investments, PD parameter is determined based on studies of Moody's rating companies, taking into account the estimated PD sites for both corporate and sovereign level estimates. Exposure to correspondent banks are restricted by the limits covering balance sheet or off-balance sheet exposures and daily delivery risk limits on trade items such as foreign exchange contracts. To determine the limits on counterparty valuations and rating agencies use Moody's, Standard & Poor's and IBCA assigned Fitch- counterparty or country resident financial situation, AML policies, transparency and competence shareholders Executive Board. The Bank monitors compliance with the limits daily balances on correspondent accounts registered.

39.1.1 Amounts arising from expected credit losses (ECL)

The references below show where the Bank's impairment assessment and measurement approach is set out in this report.

- The bank's definition and assessment of default and cure (Note 39.1.1.(a))
- The bank's definition, calculation and monitoring of probability of default, exposure at default and loss given default (Note 39.1.1.(b) and (d))
- When the bank considers there has been a significant increase in credit risk of an exposure (Note 39.1.1.(c))
- The details of the ECL calculations for Stage 1, Stage 2 and Stage 3 (Note 39.1.1.(e) and (f))

(a) Definition of default, impaired and cure

The Bank considers a financial instrument defaulted for ECL calculation in all cases when the borrowed becomes 91 days past due on its contractual payments. The Bank has aligned the definition of default for accounting purposes, to the European Banking Authority (EBA) definition (CRR Article 178).

* 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.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.1 Credit Risk (continued)
39.1.1. Amounts arising from expected credit losses (ECL) (continued)

As part of a qualitative assessment of whether an exposure is credit-impaired, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculation of whether Stage 2 is appropriate. Such events include:

- an exposure is forborne or modified due to financial difficulties of the borrower (Forbearance non-performing);
- internal rating of the borrower indicating default or near-default;
- the bank has not received sufficient updated information on the Borrower's financial situation, of the person making a personal guarantee (surety),on the debt repayment sources, the justification for the use of credit according to the purpose specified in the credit contract, as well as other documents related to borrower's activity;
- the original guarantee is insufficient, getting worse or missing;
- a material decrease in the underlying collateral value, where the recovery of the loan is expected from the sale of collateral;
- a covenant breach not waived by the Bank;
- the exposure was subject to credit fraud.

Assessing whether a borrower is facing financial difficulties would consider the following events:

- a delay to pay the debt services of more than 30 days in the past three months;
- the client's financial situation is deteriorated or may deteriorate, and the restructuring operation is required to place the client's payment effort with his current repayment capacity;
- the borrower (or any legal entity within the borrower's group) is filling for bankruptcy application / insolvency;
- the borrower is under the management of the Bank's Assets Recovery Directorate.

Once a financial instrument held by a borrower is classified in Stage 3/in Default, all financial instruments of this borrower will be classified in Stage 3.

It is the Bank's policy to consider a financial instrument as "cured" and therefore reclassified out of Stage 3 when none of the default criteria have been present for a certain period of time as presented below:

There is a specific treatment for Default loans, as it follows:

a) In case of exposures to which no restructuring operations have been applied, they will remain for a period of at least 6 months - the "quarantine period" in the Default loans group. The "quarantine period" (6 months) will be counted from the moment when none of Default criteria are present.

   At the end of the "quarantine period", if the customer service debt has not exceeded 30 days in the last 3 consecutive months, the loan will be included in the group to which it normally belongs, otherwise the "quarantine period" will be extended until the mentioned conditions are met.

b) In the case of Forbearance non-performing restructured exposures (Forbearance non-performing), they will remain for a period of at least 1 year (12 months) - the "quarantine period" from the date of the restructuring operation in the Default credit group. If the debtor has benefited from the grace period for principal and / or interest, the period of 1 year (12 months) is counted from the end of the grace period.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.1 Credit Risk (continued)
39.1.1. Amounts arising from expected credit losses (ECL) (continued)

After the “quarantine period”, for the transfer of exposures from the category of non-performing restructured exposures (stage 3) to the category of performing restructured exposures (stage 2), none of the conditions set out in the “Restructured loans exposure management Procedure under B.C. Victoriabank S.A.” as presented below must be met:

- the debt service per client has exceeded 30 days in the last 12 consecutive months,
- a new restructuring has been made to the Borrower for any of its financial instruments;
- the debtor failed to pay at least 75% of the debt services due for the past 6 months;
- the debtor failed to pay at least 50% of the principal amount over a period of 12 months according to the repayments schedule prior to latest restructuring.

(b) The Bank’s internal rating and PD estimation process

The Bank’s internal rating is based on grouping the financial assets in key categories of financial instruments subject to impairment assessment.

Rating for treasury, trading and interbank relationships

The Bank’s treasury, trading, interbank relationships and counterparties comprise financial services institutions, commercial banks, National Bank of Moldova. For these relationships, the Bank’s credit risk department analysis publicly available information such as financial information and other external data, such as Moody’s, and assigns the internal rating as shown in the table below:

Rating description	Moody's
Raw	Aaa
High grade	Aa1; Aa2, Aa3
Upper medium grade	A1; A2; A3
Lower medium grade	Baa1; Baa2' Baa3
Non-investment speculative grade	Ba1; Ba2; Ba3
Highly speculative	B1; B2; B3
Substantial risks	Caa1; Caa2; Caa3
Extremely speculative	Ca
Imminent default	Ca
In default	C

Corporate and SME lending

For corporate and small and medium loans, the borrowers are assessed by specialized credit risk employees of the Bank. The credit risk assessment of significant increase in credit risk is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realized and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client’s financial performance. For benchmark analysis the borrowers are assessed at the level of six industries (Agriculture, Services, Trade, construction, Manufacturing and Transport and Logistics) and three specific industries (Finance and Insurance sectors, Real Estate, Government and Public administration).
- Any publicly available information on the clients from external parties. Any other objectively supportable information on the quality and abilities of the client’s management relevant for the company’s performance, for exposures greater than 5 million MDL.
- The dynamics of days past due at the level of each loan granted by the Bank, including any available information regarding days past due history provided by the Credit Bureau Moldova.
- Specific credit rating indicators on basis of prudential requirements of the National Bank of Moldova.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.1 Credit Risk (continued)
39.1.1. Amounts arising from expected credit losses (ECL) (continued)

Consumer lending and retail mortgages
Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due.

For reporting purposes the Bank is disclosing the information about the classification of financial assets according to internal credit risk ratings, developed on basis of prudential requirements of the National Bank of Moldova. See note 39.1.2.

(c) Significant increase of the credit risk
Each financial asset is monthly evaluated in order to determine whether the bank is experiencing a significant increase in credit risk (probability of default risk) relative to the original recognition date or whether that credit is impaired. The ultimate goal is to determine the applicable provisioning method (12 month ECL or Lifetime ECL).

In general, there will be a significant increase in credit risk before the financial asset is impaired as a result of credit risk or the occurrence of the non-fulfillment of the obligations.

For irrevocable credit commitments the Bank considers changes in the risk of non-compliance with the borrowing obligations associated with the lending commitment. In determining the expected credit loss, the Bank sets the expected percentage for the undrawn part to be used over the lifetime of the credit commitment when lifetime losses are estimated. Regarding contractual period, for credit commitments and financial guarantee contracts, the Bank will use the maximum contractual period during which the bank has the contractual obligation to grant the loan.

This model is based exclusively on credit risk assessment. Therefore, the aggregation of financial assets for impairment purposes takes into account the relevant indicators used by the bank in the current credit risk management system.

Classification of financial assets is done case-by-case. This means that a loan may be included in stage I and another loan held by the same client may be included in stage II, all depending on the outcome of the analysis between the risk elements existing at the initial recognition date and the situation at the reporting date. However, for stage III, the Bank applies the contamination principle, which means that all financial assets of the same customer will be included in this stage if impairment evidence is found for at least one of their assets.

Criteria for selecting the increase in the degree of risk
In Stage 1 there are placed credit assets which have not decreased significantly the loan quality since the initial recognition or which have a low credit risk since the reporting date. The contracts which have not been qualified in any of the stages and have less than 31 days past due will be classified in Stage 1.

In Stage 2 will be placed the credit assets which have recorded a significant risk increase from the initial recognition but which don’t bring an objective impairment evidence. Therefore, the selection criteria are:
- delays to the planned payments which exceed 30 days but are less than 91 days;
- forbearance performing exposures in the probationary period of at least 2 (two) years will be included in stage 2 until the transfer conditions in the “High-performing exposures” category are met;
- the loan was classified according to National Bank of Moldova regulation in the “C” prudential category;

Several financial indicators are recorded, corresponding to the latest available financial statements, which indicate objective evidence of impairment.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.1 Credit Risk (continued)
39.1.1. Amounts arising from expected credit losses (ECL) (continued)

Stage 3 (default): In order to update the Bank's procedures to the international standards requirements and the equalization of the "default" concept to the "non-performing exposures" is considered that a credit is determined as default when:

- has 91 days or more past due, being applied the process of contamination of all the exposures of a client if at least one of them becomes default;
- has 91 days or more past due, calculated based on the significant DPD counter;
- the Bank has started the recovery procedure by enforced execution;
- forbearance non-performing exposures will be classified in Stage 3;
- according to the NBM Regulation, the exposure was classified as "D" prudential category or lower;
- the sale-purchase contracts concluded with the debtor/ the pledge debtor of the pledged object connected to the exposures extinguished from the execution of this guarantee will be automatically classifies in Stage 3;
- stopping the calculation of interest - interest on credit obligations is no longer recognized in the profit or loss account of the Bank as a result of the decrease in the quality of the credit obligation;
- in the absence of guarantee (collateral) execution measures, the borrower is assessed as unlikely to fully honor his credit obligations to the Bank;
- the rating of the issuer/counterparty is set in the rating categories associated to the default;
- there was submitted a request for starting the insolvency/bankruptcy procedure against the debtor or applying other similar methods;
- the bank sells the loan obligation with a significant economic loss.
  The sale action is associated with the worsening of the credit quality, not being due to the change of the type of business of the Bank or the liquidity needs. The economic loss is defined as significant when
  $L = (E-P)/E > 5\%$, where:
  L - is the economic loss related to the sale of credit obligations;
  E - is the total remaining amount to be repaid of the obligations subject to the sale, including interest and commissions;
  P - is the agreed price for the loans sold.
- the exposure was subject to credit fraud.

Once a borrower's loan is registered in stage 3, all the debtor's loans will be classified in stage 3. If the risk signal(s) that included the asset in stage 3 is no longer found, then it will be re-classified in stage 1 or stage 2, as appropriate.
Loans classified in stage 3 will be reported as "impaired".

During 2023, the payments for 4 credits were restructured, the exposure of which, as of December 31, 2023 was worth MDL 4,149 thousand: Stage 1 – MDL 2,562 thousand, Stage 2 - MDL 1,437 thousand and Stage 3 - MDL 145 thousand.
During 2022, the payments for 5 credits were restructured, whose exposure as of December 31, 2022 was the total amount of MDL 2,414 thousand, all of which are exposures in Stage 3.

(d) Incorporating forward-looking information

IFRS 9 requires an estimation of expected impairment losses, which means that PD ratios should consider not only the current realities of the economy, but also the future development of economic conditions.

To achieve this level of anticipation, the Bank has performed historical analysis and identified the key economic variables which have impact on credit risk and expected credit losses for each portfolio. The expert opinion was also considered in this process. Key variables were forecasted for the next three years.

After three years, to project the economic variables out for the full remaining lifetime of each instrument, a median regression approach has been applied. The impact of these economic variables has been determined by performing statistical regression analysis.

In 2023, the Bank reviewed the forward-looking calculation model used in determining the PD rates, updating the relevant indicators used in estimating the forecasted default rates.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.1 Credit Risk (continued)
39.1.1. Amounts arising from expected credit losses (ECL) (continued)

The table below lists the macroeconomic assumptions over the three-year period, used as an input into expected credit losses as at 31 December 2023:

	Q4 2023	2024	2025	2026
Baseline scenario				
Gross domestic product, %	8.51	10.24	7.51	6.55
Inflation, %	6.62	4.81	3.48	3.48
Unemployment rate, %	4.46	4.57	4.76	4.94
Price of construction assembly works (%)	10.43	8.01	11.09	10.32
Gross salary, nominal, %	16.52	15.86	12.07	12.07
Average monthly consumption expenditure per person (%, YoY)	10.20	11.12	10.27	11.00
Base rate, %	5.25	4.75	4.75	5.00
Interest rate on treasury bills, 1Y	5.47	5.30	4.67	5.30
Interest rate on new loans granted, national currency, %	10.94	8.68	7.48	7.04
Interest rate on new loans granted, foreign currency, %	6.86	6.88	6.50	6.28
Interest rate on newly attracted deposits, national currency, %	4.84	3.72	3.04	2.83
Interest rate on newly attracted deposits, foreign currency, %	1.89	1.81	1.93	1.89
Exchange rate USD/MDL	18.15	17.37	16.64	16.63
Exchange rate EUR/MDL	19.42	19.14	19.14	19.29
Optimistic scenario				
Gross domestic product, %	8.51	16.66	13.93	12.98
Inflation, %	6.62	3.44	2.10	2.10
Unemployment rate, %	4.46	2.95	3.13	3.31
Price of construction assembly works (%)	10.43	2.77	5.85	5.07
Gross salary, nominal, %	16.52	19.19	15.40	15.40
Average monthly consumption expenditure per person (%, YoY)	10.20	18.50	17.66	18.39
Base rate, %	5.25	2.64	2.64	2.89
Interest rate on treasury bills, 1Y	5.47	3.85	3.21	3.84
Interest rate on new loans granted, national currency, %	10.94	8.04	6.83	6.39
Interest rate on new loans granted, foreign currency, %	6.86	6.67	6.29	6.07
Interest rate on newly attracted deposits, national currency, %	4.84	2.97	2.29	2.08
Interest rate on newly attracted deposits, foreign currency, %	1.89	1.63	1.75	1.71
Exchange rate USD/MDL	18.15	14.59	13.86	13.85
Exchange rate EUR/MDL	19.42	17.20	17.19	17.34
Pessimistic scenario				
Gross domestic product, %	8.51	3.81	1.08	0.13
Inflation, %	6.62	7.57	6.23	6.23
Unemployment rate, %	4.46	6.20	6.38	6.56
Price of construction assembly works (%)	10.43	13.25	16.34	15.56
Gross salary, nominal, %	16.52	12.53	8.73	8.73
Average monthly consumption expenditure per person (%, YoY)	10.20	3.73	2.89	3.61
Base rate, %	5.25	8.97	8.97	9.22
Interest rate on treasury bills, 1Y	5.47	11.13	10.49	11.13
Interest rate on new loans granted, national currency, %	10.94	11.27	10.07	9.63
Interest rate on new loans granted, foreign currency, %	6.86	7.31	6.93	6.71
Interest rate on newly attracted deposits, national currency, %	4.84	6.72	6.04	5.83
Interest rate on newly attracted deposits, foreign currency, %	1.89	2.17	2.29	2.25
Exchange rate USD/MDL	18.15	20.15	19.42	19.41
Exchange rate EUR/MDL	19.42	21.09	21.09	21.24

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Credit Risk (continued)

39.1.1 Amounts arising from expected credit losses (ECL) (continued)

The table below lists the macroeconomic assumptions over the three-year period, used as an input into expected credit losses as at 31 December 2022:

	Q4 2022	2023	2024	2025
Baseline				
Gross domestic product, %	10.49	13.58	13.18	13.35
Average monthly consumption expenditure per person (%, YoY)	7.39	8.30	8.87	8.76
Gross salary, nominal, %	15.77	14.97	14.25	13.82
Unemployment rate, %	2.54	2.61	2.62	2.58
Inflation, %	32.09	15.86	10.84	9.87
Price of construction assembly works (%)	25.62	22.42	18.40	18.16
Interest rate on new loans granted, national currency, %	14.20	10.90	9.55	8.61
Interest rate on new loans granted, foreign currency, %	4.69	4.76	4.82	4.80
Interest rate on newly attracted deposits, national currency, %	13.06	8.68	6.79	5.61
Interest rate on newly attracted deposits, foreign currency, %	1.79	1.67	1.41	1.49
Base rate, %	21.06	14.38	11.25	9.25
Exchange rate USD/MDL	19.36	18.79	17.76	17.72
Exchange rate EUR/MDL	19.71	19.63	19.53	19.49
Interest rate on treasury bills, 1Y	21.54	15.34	11.88	9.71
Optimistic scenario				
Gross domestic product, %	17.05	20.15	19.75	19.92
Average monthly consumption expenditure per person (%, YoY)	13.77	14.68	15.25	15.14
Gross salary, nominal, %	18.65	17.85	17.13	16.70
Unemployment rate, %	0.87	0.94	0.95	0.92
Inflation, %	25.91	9.69	4.67	3.70
Price of construction assembly works (%)	21.07	17.87	13.86	13.61
Interest rate on new loans granted, national currency, %	12.89	9.59	8.25	7.30
Interest rate on new loans granted, foreign currency, %	4.47	4.54	4.60	4.57
Interest rate on newly attracted deposits, national currency, %	11.62	7.24	5.35	4.17
Interest rate on newly attracted deposits, foreign currency, %	1.60	1.48	1.22	1.30
Base rate, %	16.07	9.38	6.26	4.26
Exchange rate USD/MDL	16.54	15.97	14.94	14.90
Exchange rate EUR/MDL	17.69	17.61	17.51	17.47
Interest rate on treasury bills, 1Y	18.67	12.47	9.01	6.84
Pessimistic scenario				
Gross domestic product, %	3.92	7.01	6.61	6.78
Average monthly consumption expenditure per person (%, YoY)	1.01	1.92	2.49	2.38
Gross salary, nominal, %	12.89	12.10	11.38	10.95
Unemployment rate, %	4.20	4.28	4.29	4.25
Inflation, %	38.26	22.03	17.01	16.04
Price of construction assembly works (%)	30.17	26.97	22.95	22.71
Interest rate on new loans granted, national currency, %	16.81	13.51	12.16	11.22
Interest rate on new loans granted, foreign currency, %	5.13	5.20	5.27	5.24
Interest rate on newly attracted deposits, national currency, %	15.93	11.55	9.66	8.48
Interest rate on newly attracted deposits, foreign currency, %	2.16	2.04	1.78	1.86
Base rate, %	26.05	19.37	16.24	14.24
Exchange rate USD/MDL	22.18	21.61	20.58	20.54
Exchange rate EUR/MDL	21.73	21.65	21.55	21.51
Interest rate on treasury bills, 1Y	27.28	21.08	17.62	15.45

39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.1 Credit Risk (continued)
39.1.1 Amounts arising from expected credit losses (ECL) (continued)

The Bank uses three scenarios: base scenario (which is the most probable scenario of the economic environment), optimistic and pessimistic scenario (for these two scenarios, the probabilities are lower than for the base scenario). The scenario weightings are determined by a combination of statistical analysis and expert judgement, considering the range of possible representative outcomes for each chosen scenario.

The weights of the scenarios were set at another level of concretization (optimistic 5.0%, baseline 60.0%, pessimistic 35.0%), in determining the adjustments for depreciation on 31 December 2023 compared to 31 December 2022 (optimistic 2.5%, baseline 50.0%, pessimistic 47.5%).

The most important macroeconomic indicators used in the ECL calculation are:

For loans granted to individuals:
- Annual inflation rate;
- Gross domestic product;
- Gross salary, nominal, %;
- Unemployment rate;
- Interest rate on newly attracted deposits, national currency, %;
- Interest rate on newly attracted deposits, foreign currency, %.

For loans granted to legal entities:
- Average monthly consumption expenditure per person (%, YoY);
- Base rate;
- Interest rate on newly attracted deposits, foreign currency, %.

The table below illustrates the impact of setting maximum weights for each scenario as at 31 December 2023 :

Weight of scenarios	100% pessimistic	100% baseline	100% optimistic
Change in ECL, *MDL thousand*	808	(373)	(1,178)

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

(e) The determination of the expected loss of credit (ECL)

The EAD assessment methods depends on the financial asset determined stage and the type of the product it represents:
- The CCF parameter shall be estimated for calculating the EAD for revolving products which are not in default;
- The EAD for non-default credits is calculated from the contractual repayment schedule;
- The EAD for instruments which are already in default are equal to the current value of the balance sheet exposure.

For other financial assets the EAD parameter will be determined depending on the asset type:
- In case of T-bills / NBM certificates, the EAD parameter will be determined according to the value of the amortized cost of the associated exposure as at the reporting date.
- In case of placements to other banks and NOSTRO accounts, the EAD parameter is calculated by summing the principal and receivables attached reflected at the date of calculation of the impairment losses expected from impairment.
- Issued guarantees by the Bank – EAD parameter is calculated based on the value of the guarantee obligations related to the guarantee, reflected at the date of the calculation of the reductions for expected impairment losses, adjusted with the CCF parameter which is set at a value of 100%.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Credit Risk (continued)
39.1.1 Amounts arising from expected credit losses (ECL) (continued)

LGD parameter stands for the loan exposure non-coverage degree by the estimated recovery value at each reporting period. LGD parameter does not vary according to the loan stage.

With a view to estimate the recovery value of the collateral, it will be determined as the minimum of the liquidation value of the collateral and the market value with discount (Haircut statistic), based on the valuation report held by the Bank. In case of undetermined liquidation value of some objects, it will be applied a discount (Haircut statistic) to the market value to obtain an estimated liquidation value.

For over-collateralized exposures, the recoverable amount of collateral will be limited to the minimum value between recoverable amount and 98% of the exposure.

Also, if the guarantees are established in the form of a lower rank pledge and / or are future pledges, they will participate in the calculation of the LGD with a liquidation value of "0".

LGD in the case of debt securities, investments in other banks are calculated based on studies conducted by Moody's, based on recovery rates for a representative sample of issuers, by averaging the 4 hypotheses proposed for the analysis of the recovery rate.

PD, LGD and EAD value, as well as the effect of discounting reflect the expected life or period of exposure. Each of these components is calculated on a facility basis on a pool level approach for a series of annual time intervals until maturity to derive the lifetime ECL.

(f) Credit quality analysis depending on the class of financial assets

				31 December 2023
In MDL thousand	Stage 1	Stage 2	Stage 3	Total
Cash and Balances with National Bank of Moldova	7,323,669	-	-	7,323,669
Current accounts and placements with banks	1,774,213	-	-	1,774,213
Investment securities measured at amortized cost	5,890,957	-	-	5,890,957
Investment securities measured at FVOCI	14,423	-	-	14,423
Loans to customers	5,820,756	327,296	288,233	6,436,285
Other financial assets	221,503	-	29,877	251,380
Expected credit loss allowance for financial assets	*(290,713)*	*(33,238)*	*(211,558)*	*(535,509)*
Carrying amount	20,754,808	294,058	106,552	21,155,418

				31 December 2022
In MDL thousand	Stage 1	Stage 2	Stage 3	Total
Cash and Balances with National Bank of Moldova	7,062,459	-	-	7,062,459
Current accounts and placements with banks	1,102,067	-	-	1,102,067
Investment securities measured at amortized cost	4,479,836	-	-	4,479,836
Investment securities measured at FVOCI	16,516	-	-	16,516
Loans to customers	4,668,954	472,584	502,606	5,644,144
Other financial assets	167,540	-	36,599	204,139
Expected credit loss allowance for financial assets	*(221,303)*	*(39,736)*	*(357,156)*	*(618,195)*
Carrying amount	17,276,069	432,848	182,049	17,890,966

* 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.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Credit Risk (continued)

39.1.1 Amounts arising from expected credit losses (ECL) (continued)

The following table presents information about the overdue status of financial assets in Stages 1, 2 and 3:

31 December 2023

In MDL thousand	Stage 1	Stage 2	Stage 3	Total
Cash and Balances with National Bank of Moldova				
Current	7,323,669	-	-	7,323,669
Overdue ≤ 30 days	-	-	-	-
Overdue > 30 days ≤ 90 days	-	-	-	-
Overdue > 90 days	-	-	-	-
Loss allowance	(6,299)			(6,299)
Carrying amount	**7,317,370**	-	-	**7,317,370**
Current accounts and placements with banks				
Current	1,774,213	-	-	1,774,213
Overdue ≤ 30 days	-	-	-	-
Overdue > 30 days ≤ 90 days	-	-	-	-
Overdue > 90 days	-	-	-	-
Loss allowance	(4,889)			(4,889)
Carrying amount	**1,769,324**	-	-	**1,769,324**
Investment securities measured at amortized cost				
Current	5,890,957	-	-	5,890,957
Overdue ≤ 30 days	-	-	-	-
Overdue > 30 days ≤ 90 days	-	-	-	-
Overdue > 90 days	-	-	-	-
Loss allowance	(45,364)			(45,364)
Carrying amount	**5,845,593**	-	-	**5,845,593**
Investment securities measured at FVOCI				
Current	14,423	-	-	14,423
Overdue ≤ 30 days	-	-	-	-
Overdue > 30 days ≤ 90 days	-	-	-	-
Overdue > 90 days	-	-	-	-
Loss allowance	(176)			(176)
Carrying amount	**14,247**	-	-	**14,247**

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.1 Credit Risk (continued)
39.1.1 Amounts arising from expected credit losses (ECL) (continued)

31 December 2023

In MDL thousand	Stage 1	Stage 2	Stage 3	Total
Loans to customers				
Current	5,669,877	286,306	22,875	5,979,058
Overdue ≤ 30 days	150,878	12,970	18,592	182,440
Overdue > 30 days ≤ 90 days	-	28,021	41,123	69,144
Overdue > 90 days	-	-	205,643	205,643
Loss allowance	(229,003)	(33,238)	(192,456)	(454,697)
Carrying amount	5,591,752	294,059	95,777	5,981,588
Other financial assets				
Current	221,503	-	12,077	233,580
Overdue ≤ 30 days	-	-	-	-
Overdue > 30 days ≤ 90 days	-	-	-	-
Overdue > 90 days	-	-	17,800	17,800
Loss allowance	(4,981)	-	(19,103)	(24,084)
Carrying amount	216,522	-	10,774	227,296

31 December 2022

In MDL thousand	Stage 1	Stage 2	Stage 3	Total
Cash and Balances with National Bank of Moldova				
Current	7,062,459	-	-	7,062,459
Overdue ≤ 30 days	-	-	-	-
Overdue > 30 days ≤ 90 days	-	-	-	-
Overdue > 90 days	-	-	-	-
Loss allowance	(5,671)	-	-	(5,671)
Carrying amount	7,056,788	-	-	7,056,788
Current accounts and placements with banks				
Current	1,102,067	-	-	1,102,067
Overdue ≤ 30 days	-	-	-	-
Overdue > 30 days ≤ 90 days	-	-	-	-
Overdue > 90 days	-	-	-	-
Loss allowance	(784)	-	-	(784)
Carrying amount	1,101,283	-	-	1,101,283

39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.1 Credit Risk (continued)
39.1.1 Amounts arising from expected credit losses (ECL) (continued)

31 December 2022

In MDL thousand	Stage 1	Stage 2	Stage 3	Total
Investment securities measured at amortized cost				
Current	4,479,836	-	-	4,479,836
Overdue ≤ 30 days	-	-	-	-
Overdue > 30 days ≤ 90 days	-	-	-	-
Overdue > 90 days	-	-	-	-
Loss allowance	(42,725)	-	-	(42,725)
Carrying amount	4,437,111	-	-	4,437,111
Investment securities measured at FVOCI				
Current	16,516	-	-	16,516
Overdue ≤ 30 days	-	-	-	-
Overdue > 30 days ≤ 90 days	-	-	-	-
Overdue > 90 days	-	-	-	-
Loss allowance	(201)	-	-	(201)
Carrying amount	16,315	-	-	16,315
Loans to customers				
Current	4,535,355	399,885	16,814	4,952,054
Overdue ≤ 30 days	133,599	36,353	22,286	192,238
Overdue > 30 days ≤ 90 days	-	36,345	27,418	63,763
Overdue > 90 days	-	-	436,089	436,089
Loss allowance	(167,214)	(39,735)	(332,436)	(539,385)
Carrying amount	4,501,740	432,848	170,171	5,104,759
Other financial assets				
Current	167,540	-	15,767	183,307
Overdue ≤ 30 days	-	-	-	-
Overdue > 30 days ≤ 90 days	-	-	-	-
Overdue > 90 days	-	-	20,832	20,832
Loss allowance	(4,707)	-	(24,721)	(29,428)
Carrying amount	162,833	-	11,878	174,711

The following table presents information about the classification of financial assets according to internal credit risk ratings, developed on basis of prudential requirements of the National Bank of Moldova:

31 December 2023

In MDL thousand	Stage 1	Stage 2	Stage 3	Total
Current accounts and placements with banks				
Standard	697,112	-	-	697,112
Supervised (Watch)	1,002,072	-	-	1,002,072
Substandard	74,657	-	-	74,657
Doubtful	372	-	-	372
Compromised (losses)	-	-	-	-
Loss allowance	(4,889)	-	-	(4,889)
Carrying amount	1,769,324	-	-	1,769,324

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Credit Risk (continued)

39.1.1 Amounts arising from expected credit losses (ECL) (continued)

31 December 2023

In MDL thousand	Stage 1	Stage 2	Stage 3	Total
Investment securities measured at amortized cost				
Standard	5,545,178	-	-	5,545,178
Supervised (Watch)	345,779	-	-	345,779
Substandard	-	-	-	-
Doubtful	-	-	-	-
Compromised (losses)	-	-	-	-
Loss allowance	(45,364)	-	-	(45,364)
Carrying amount	5,845,593	-	-	5,845,593
Loans to customers				
Standard	2,761,437	11,528	19,974	2,792,939
Supervised (Watch)	3,058,580	288,578	28,903	3,376,061
Substandard	738	27,190	12,812	40,740
Doubtful	-	-	61,680	61,680
Compromised (losses)	-	-	164,865	164,865
Loss allowance	(229,003)	(33,238)	(192,456)	(454,697)
Carrying amount	5,591,752	294,058	95,778	5,981,588
Other financial assets				
Standard	221,483	-	-	221,483
Supervised (Watch)	-	-	-	-
Substandard	20	-	-	20
Doubtful	-	-	-	-
Compromised (losses)	-	-	29,877	29,877
Loss allowance	(4,981)	-	(19,103)	(24,084)
Carrying amount	216,522	-	10,774	227,296

31 December 2022

In MDL thousand	Stage 1	Stage 2	Stage 3	Total
Current accounts and placements with banks				
Standard	964,125	-	-	964,125
Supervised (Watch)	96,746	-	-	96,746
Substandard	41,196	-	-	41,196
Doubtful	-	-	-	-
Compromised (losses)	-	-	-	-
Loss allowance	(784)			(784)
Carrying amount	1,101,283	-	-	1,101,283

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Credit Risk (continued)

39.1.1 Amounts arising from expected credit losses (ECL) (continued)

31 December 2022

In MDL thousand	Stage 1	Stage 2	Stage 3	Total
Investment securities measured at amortized cost				
Standard	4,264,573	-	-	4,264,573
Supervised (Watch)	215,263	-	-	215,263
Substandard	-	-	-	-
Doubtful	-	-	-	-
Compromised (losses)	-	-	-	-
Loss allowance	(42,725)	-	-	(42,725)
Carrying amount	4,437,111	-	-	4,437,111
Loans to customers				
Standard	3,317,726	164,214	16,733	3,498,673
Supervised (Watch)	1,350,592	284,269	13,145	1,648,006
Substandard	636	24,101	11,694	36,431
Doubtful	-	-	27,087	27,087
Compromised (losses)	-	-	433,947	433,947
Loss allowance	(167,214)	(39,736)	(332,435)	(539,385)
Carrying amount	4,501,740	433,087	170,171	5,104,759
Other financial assets				
Standard	167,518	-	-	167,518
Supervised (Watch)	-	-	-	-
Substandard	22	-	-	22
Doubtful	-	-	1	1
Compromised (losses)			36,598	36,598
Loss allowance	(4,707)	-	(24,721)	(29,428)
Carrying amount	162,833	-	11,878	174,711

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Credit Risk (continued)

39.1.1 Amounts arising from expected credit losses (ECL) (continued)

The following tables show the effect of changing the expected loss allowances at the level of financial asset groups and contingent liabilities.

In MDL thousand	2023	2022
Cash and Balances with National Bank of Moldova		
Balance at 1 January	5,671	3,189
Net remeasurement of loss allowance	793	2,422
Other adjustments (including exchange rate influence)	(166)	60
Balance at 31 December	6,298	5,671

In MDL thousand	2023	2022
Current accounts and placements with banks		
Balance at 1 January	784	1,887
Net change due to changes without recognition	139	2,631
Increases due to initiation and acquisition	25,183	1,157
Decreases due to derecognition	(21,185)	(5,243)
Other adjustments (including exchange rate influence)	(32)	352
Balance at 31 December	4,889	784

In MDL thousand	2023	2022
Investment securities measured at amortized cost		
Balance at 1 January	42,725	46,444
Net change due to changes without recognition	6,120	8,136
Increases due to initiation and acquisition	153,739	56,676
Decreases due to derecognition	(157,141)	(68,552)
Other adjustments (including exchange rate influence)	(78)	21
Balance at 31 December	45,364	42,725

In MDL thousand	2023	2022
Investment securities measured at FVOCI		
Balance at 1 January	201	220
Net change due to changes without recognition	15	106
Increases due to initiation and acquisition	111	180
Decreases due to derecognition	(151)	(305)
Other adjustments (including exchange rate influence)	-	-
Balance at 31 December	176	201

39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.1 Credit Risk (continued)
39.1.1 Amounts arising from expected credit losses (ECL) (continued)

	31 December 2023				31 December 2022			
In MDL thousand	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortized cost								
Balance at 1 January	167,214	39,736	332,435	539,385	83,352	50,151	316,135	449,638
Transfer to Stage 1	30,207	(23,069)	(7,138)	-	10,591	(7,369)	(3,222)	-
Transfer to Stage 2	(6,455)	7,395	(940)	-	(2,853)	3,724	(871)	-
Transfer to Stage 3	(7,074)	(8,981)	16,055	-	(3,997)	(5,279)	9,276	-
Net remeasurement of loss allowance	(65,809)	21,514	136,185	91,890	28,214	3,271	152,719	184,204
New financial assets originated or purchased	150,702	-	-	150,702	72,736	-	-	72,736
Financial assets that have been derecognized	(38,016)	(3,114)	(27,405)	(68,535)	(21,092)	(5,105)	(17,999)	(44,196)
Write-offs	-	-	(251,482)	(251,482)	-	-	(127,361)	(127,361)
Foreign exchange and other movements	(1,766)	(243)	(5,254)	(7,263)	263	343	3,758	4,364
Balance at 31 December	229,003	33,238	192,456	454,697	167,214	39,736	332,435	539,385

	31 December 2023				31 December 2022			
In MDL thousand	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans to retail customers								
Balance at 1 January	97,179	9,051	103,787	210,017	54,451	5,358	63,457	123,266
Transfer to Stage 1	9,292	(2,319)	(6,973)	-	4,311	(1,089)	(3,222)	-
Transfer to Stage 2	(1,100)	1,815	(715)	-	(643)	1,256	(613)	-
Transfer to Stage 3	(6,314)	(5,383)	11,697	-	(3,627)	(3,453)	7,080	-
Net remeasurement of loss allowance	(49,391)	6,255	51,494	8,358	22,177	7,704	68,061	97,942
New financial assets originated or purchased	84,761	-	-	84,761	34,218	-	-	34,218
Financial assets that have been derecognized	(28,185)	(1,229)	(9,638)	(39,052)	(13,708)	(725)	(6,693)	(21,126)
Write-offs	-	-	(46,591)	(46,591)	-	-	(24,283)	(24,283)
Foreign exchange and other movements	-	-	-	-	-	-	-	-
Balance at 31 December	106,242	8,190	103,061	217,493	97,179	9,051	103,787	210,017

39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.1 Credit Risk (continued)
39.1.1 Amounts arising from expected credit losses (ECL) (continued)

	31 December 2023				31 December 2022			
In MDL thousand	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans to corporate customers								
Balance at 1 January	70,036	30,685	228,648	329,368	28,901	44,793	252,678	326,372
Transfer to Stage 1	20,916	(20,751)	(165)	-	6,280	(6,280)	-	-
Transfer to Stage 2	(5,355)	5,580	(225)	-	(2,211)	2,468	(258)	-
Transfer to Stage 3	(761)	(3,597)	4,358	-	(370)	(1,827)	2,197	-
Net remeasurement of loss allowance	(16,418)	15,259	84,691	83,532	6,038	(4,432)	84,657	86,261
New financial assets originated or purchased	65,942	-	-	65,942	38,519	-	-	38,519
Financial assets that have been derecognized	(9,831)	(1,885)	(17,768)	(29,484)	(7,384)	(4,380)	(11,306)	(23,070)
Write-offs	-	-	(204,892)	(204,892)	-	-	(103,078)	(103,078)
Foreign exchange and other movements	(1,768)	(243)	(5,252)	(7,263)	263	343	3,758	4,364
Balance at 31 December	122,761	25,048	89,395	237,204	70,036	30,685	228,648	329,368

	31 December 2023				31 December 2022			
In MDL thousand	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Other financial assets - receivables from sales of collaterals								
Balance at 1 January	-	-	10,944	10,944	-	-	20,305	20,305
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	-	-	(1,214)	(1,214)	-	-	5,908	5,908
New financial assets originated or purchased	-	-	-	-	-	-	-	-
Financial assets that have been derecognized			(10)	(10)			(5,004)	(5,004)
Write-offs	-	-	(1,261)	(1,261)	-	-	(10,264)	(10,264)
Foreign exchange and other movements			(148)	(148)			(1)	(1)
Balance at 31 December	-	-	8,311	8,311	-	-	10,944	10,944

* 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.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Credit Risk (continued)

39.1.1 Amounts arising from expected credit losses (ECL) (continued)

In MDL thousand	31 December 2023	31 December 2022
Other financial assets – other receivables		
Balance at 1 January	18,484	16,773
Net remeasurement of loss allowance	2,094	4,276
New financial assets originated or purchased	1,511	986
Financial assets that have been derecognized	(1,263)	(1,267)
Write-offs	(4,925)	(2,344)
Foreign exchange and other movements	(128)	60
Balance at 31 December	15,773	18,484

				31 December 2023
In MDL thousand	Stage 1	Stage 2	Stage 3	Total
Loan commitments and financial guarantee contracts				
Balance at 1 January	27,796	6,031	1,034	34,861
Transfer to Stage 1	4,060	(3,862)	(198)	-
Transfer to Stage 2	(1,887)	1,888	(1)	-
Transfer to Stage 3	(72)	(16)	88	-
Net remeasurement of loss allowance	(14,020)	(976)	2,356	(12,640)
New financial assets originated or purchased	37,711	-	-	37,711
Financial assets that have been derecognized	(16,908)	(1,819)	(1,497)	(20,224)
Write-offs	-	-	-	-
Foreign exchange and other movements	(425)	(67)	-	(493)
Balance at 31 December	36,255	1,179	1,782	39,216

				31 December 2022
In MDL thousand	Stage 1	Stage 2	Stage 3	Total
Loan commitments and financial guarantee contracts				
Balance at 1 January	10,470	4,484	756	15,710
Transfer to Stage 1	740	(457)	(283)	-
Transfer to Stage 2	(317)	323	(6)	-
Transfer to Stage 3	(5)	(5)	10	-
Net remeasurement of loss allowance	(6,707)	4,416	1,276	(1,015)
New financial assets originated or purchased	35,923	-	-	35,923
Financial assets that have been derecognized	(12,477)	(2,702)	(719)	(15,898)
Write-offs	-	-	-	-
Foreign exchange and other movements	168	(27)	-	141
Balance at 31 December	27,796	6,031	1,034	34,861

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Credit Risk (continued)

39.1.1 Amounts arising from expected credit losses (ECL) (continued)

The following table presents a reconciliation between:

- amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instruments; and
- the "Net impairment (losses) / release on financial assets" line item in the statement of profit or loss and other comprehensive income.

	2023								
In MDL thousand	Cash and Balances with National Bank of Moldova	Current accounts and placements with banks	Investment securities at amortized cost	Investment securities measured at FVOCI	Loans to customers at amortized cost	Other financial assets - Receivables from sales of collateral	Other financial assets – other receivables	Loan commitments and financial guarantee contracts	Total
Net remeasurement of loss allowance/provision	793	(21,046)	(151,021)	(136)	22,197	(1,224)	832	(32,864)	(182,469)
New financial assets originated or purchased	-	25,183	153,738	111	150,703	-	1,511	37,712	368,958
Total	793	4,137	2,717	(25)	172,900	(1,224)	2,343	4,848	186,489
Recoveries of amounts previously written-off	-	-	-	-	(70,560)	-	(292)	-	(70,852)
Total	793	4,137	2,717	(25)	102,340	(1,224)	2,051	4,848	115,637

39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.1 Credit Risk (continued)
39.1.1 Amounts arising from expected credit losses (ECL) (continued)

	2022								
In MDL thousand	Cash and Balances with National Bank of Moldova	Current accounts and placements with banks	Investment securities at amortized cost	Investment securities measured at FVOCI	Loans to customers at amortized cost	Other financial assets - Receivables from sales of collateral	Other financial assets – other receivables	Loan commitments and financial guarantee contracts	Total
Net remeasurement of loss allowance/provision	2,422	(2,612)	(60,416)	(199)	140,009	904	3,009	(16,913)	66,204
New financial assets originated or purchased	-	1,157	56,676	180	72,736	-	986	35,923	167,658
Total	2,422	(1,455)	(3,740)	(19)	212,745	904	3,995	19,010	233,862
Recoveries of amounts previously written off	-	-	-	-	(27,728)	-	(31)	-	(27,759)
Total	2,422	(1,455)	(3,740)	(19)	185,017	904	3,964	19,010	206,103

39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.1 Credit Risk (continued)
39.1.1 Amounts arising from expected credit losses (ECL) (continued)

Collateral held

The Bank holds collateral against loans to customers in the form of mortgages over land and buildings, pledges on equipment and inventories and other guarantees. The estimates of fair value are based on the collateral value assessed on the loan granting date and periodically updated afterwards.

“Property” includes land, residential and commercial buildings, "Security interests in movable property" includes pledges on movable assets (cars, equipment, inventories etc.).

Retail customers

The analysis of the fair value by types of guarantees for loans granted to individuals is presented below:

In MDL thousand	31 December 2023	31 December 2022
Property	2,374,161	2,325,474
Security interests in movable property	-	805
Total	2,374,161	2,326,279

Mortgage lending

The following tables determine the credit exposures from mortgage loans to retail customers by ranges of loan-to-value (LTV) ratio. The LTV is calculated as the ratio between the gross value of the loan and the fair value of the collateral at the reporting date. The fair value of the collateral for residential mortgages is based on the fair value originally discounted based on changes in housing price indices.

In MDL thousand

LTV ratio	Note	31 December 2023	31 December 2022
Less than 50%		226,453	188,726
51-70%		207,807	211,553
71-90%		251,774	284,844
91-100%		35,092	27,974
More than 100%		560,522	664,455
Total	7	1,281,648	1,377,552

* The gross value of mortgage loans in the amount of MDL’000 558,758 with an LTV ratio higher than 100% (2022: MDL’000 663,650) represent loans granted under the state program "First House". The amount of collateral for these loans is considered to be only 50% of the value. The other 50% of the credit exposure are covered by state guarantees.

Corporate customers

In MDL thousand	Note	31 December 2023		31 December 2022	
		Gross value	Collateral amount	Gross value	Collateral amount
Stages 1 and 2		3,233,140	7,899,284	2,478,727	6,393,785
Stages 3		154,457	502,002	379,599	1,075,659
Total	7	3,387,597	8,401,286	2,858,326	7,469,444

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Credit Risk (continued)

39.1.2 Concentration of credit risk

The Bank monitors concentrations of credit risk by sector and by geographic location and industrial sectors.
The analysis of the exposure to credit risk related to financial assets by geographical regions and industrial sectors at 31 December 2023 and 31 December 2022 are presented below:

Concentration of credit risk by geographic location

31 December 2023

In MDL thousand	Moldova	OECD countries	Non-OECD countries	Total
Current accounts and placements with banks	356	1,601,898	167,070	1,769,324
Investment securities – debt instruments	5,516,433	-	343,583	5,860,016
Equity investment securities designated as at FVOCI	2,477	901	-	3,378
Loans to customers	5,981,588	-	-	5,981,588
Other financial assets	227,296	-	-	227,296
Total	11,728,150	1,602,799	510,653	13,841,602

31 December 2022

In MDL thousand	Moldova	OECD countries	Non-OECD countries	Total
Current accounts and placements with banks	-	980,427	120,856	1,101,283
Investment securities – debt instruments	4,239,731	-	213,896	4,453,627
Equity investment securities designated as at FVOCI	2,477	889	-	3,366
Loans to customers	5,104,759	-	-	5,104,759
Other financial assets	174,711	-	-	174,711
Total	9,521,678	981,316	334,752	10,837,746

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.1 Credit Risk (continued)
39.1.2 Concentration of credit risk (continued)

Concentration of credit risk by sector

31 December 2023 *In MDL thousand*	Financial institutions	Government/ Public Administration	Farming and food industry	Production and trade	Real estate	Transport and road construction	Energy sector	Mortgage loans	Consumer loans	Others	Total
Current accounts and placements with banks	1,769,324	-	-	-	-	-	-	-	-	-	1,769,324
Investment securities – debt instruments	-	5,860,016	-	-	-	-	-	-	-	-	5,860,016
Equity investment securities designated as at FVOCI	-	-	-	-	-	-	-	-	-	3,378	3,378
Loans to customers:											
Retail	-	-	-	-	-	-	-	1,266,595	1,564,600	-	2,831,195
Corporate	-	45,523	599,156	1,239,641	58,959	129,272	76,602	-	58,696	942,544	3,150,393
Other financial assets	-	-	-	-	-	-	-	-	-	227,296	227,296
Total	1,769,324	5,905,539	599,156	1,239,641	58,959	129,272	76,602	1,266,595	1,623,296	1,173,218	13,841,602

31 December 2022 *In MDL thousand*	Financial institutions	Government/ Public Administration	Farming and food industry	Production and trade	Real estate	Transport and road construction	Energy sector	Mortgage loans	Consumer loans	Others	Total
Current accounts and placements with banks	1,101,283	-	-	-	-	-	-	-	-	-	1,101,283
Investment securities – debt instruments	-	4,453,627	-	-	-	-	-	-	-	-	4,453,627
Equity investment securities designated as at FVOCI	-	-	-	-	-	-	-	-	-	3,366	3,366
Loans to customers:											
Retail	-	-	-	-	-	-	-	1,364,168	1,211,633	-	2,575,801
Corporate	-	87,229	536,922	768,361	134,004	33,451	22,999	-	38,407	907,585	2,528,958
Other financial assets	-	-	-	-	-	-	-	-	-	174,711	174,711
Total	1,101,283	4,453,627	536,922	768,361	134,004	33,451	22,999	1,364,168	1,250,040	1,085,662	10,837,746

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.2 Market risk

Market risk, the risk of loss related to balance sheet and off-balance sheet due to unfavorable fluctuations in the market price of the financial instrument held for trading equities, interest rates and exchange rate.

The main purpose of market risk management is to establish the main elements related to market risk management, in order to obtain the expected return of the trading book, under the conditions of proper management, consciously assumed and adapted to market and development conditions of the Bank, and not least in the context of the current regulatory framework.

In order to ensure proper management of interest rate risk as part of market risk, the following principles are applied:

- Establishing the types of instruments and activities permitted for the Bank to manage its position risk exposures, taking into account the types of investments, the quality and the acceptable quantity for each type of investment;
- Establishing a set of interest rate risk limits that correspond to the size and complexity of the Bank's business and the Bank's risk appetite;
- Ensuring information systems based on which issues related to the bank's market risk are reported in a timely manner to management bodies and specialized committees;
- Establishing methodologies used for crisis simulations based on information related to the Bank's operations and appetite for market risk to determine the influence of the hypothetical fluctuation of interest rates (change in yields) on the Bank's revenues and own funds.

For accounting purposes, the Bank measures its trading portfolio at fair value through other comprehensive income.
The Bank measures the fair value of financial instruments on the basis of the prices quoted on the active markets for identical financial assets, in accordance with the market-price principle (mark-to-market).
The objective of valuation techniques is to determine the fair value that reflects the price that would be obtained from a transaction under normal market conditions for the financial instrument at the date of preparation of the financial statements.

Monitoring and management of market risk indicators is performed on two levels, namely at Board of Administration / Executive Committee and at Assets and Liabilities Management Committee (ALCO).

For each type of market risk simulation exercises are conducted periodically (monthly stress testing).

39.2.1 Currency risk

The management of currency risk as a component of market risk is performed according to the following principles:

- Combining prudential requirements with profitability requirements in currency risk management;
- Establishing a set of limits for currency risk, corresponding to the size and complexity of the Bank's activity, operations performed and the Bank's risk appetite;
- Establishing the methodologies used for the purpose of crisis simulations based on information related to the Bank's operations and appetite for market risk to determine the influence of exchange rates (depreciation/appreciation) on the Bank's revenues and own funds.

Foreign currency exposure is limited by NBM and the Bank has set internal limits (falling within NBM) for the sum of ratios of open foreign exchange positions aiming to identify early risk of increasing rates.

The tables below shows the Bank's exposure to currency risk at 31 December 2023 and 31 December 2022. The Bank's financial assets and liabilities are stated at carrying amounts, categorized by currency.

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.2 Market risk (continued)
39.2.1 Currency risk (continued)

31 December 2023

In MDL thousand	Notes	MDL	EUR	USD	Other currencies*	Total
Financial assets						
Cash and Balances with National Bank of Moldova	4	4,440,379	2,116,981	730,463	29,547	7,317,370
Current accounts and placements with banks	5	-	1,024,372	727,502	17,450	1,769,324
Investment securities measured at amortized cost	6	5,502,009	343,584	-	-	5,845,593
Investment securities measured at FVOCI	6	14,423	-	-	-	14,423
Equity investment securities designated as at FVOCI	8	2,477	901	-	-	3,378
Loans to customers	7	4,684,928	1,137,487	159,173	-	5,981,588
Other financial assets	12	173,465	31,325	22,487	19	227,296
Total financial assets		14,817,681	4,654,650	1,639,625	47,016	21,158,972
Financial liabilities						
Deposits from banks	16	1,064	764	33,612	165	35,605
Deposits from customers	17	10,139,198	4,065,043	1,482,144	38,909	15,725,294
Other borrowings	15	120,553	391,929	-	-	512,482
Lease liabilities	11	5,621	73,962	-	-	79,583
Other financial liabilities	20	553,014	132,329	89,344	5,973	780,660
Total financial liabilities		10,819,450	4,664,027	1,605,100	45,047	17,133,624
Net currency position		3,998,231	(9,377)	34,525	1,969	4,025,348

* Other currencies mainly include the Ukrainian hryvnia, the Romanian leu and Russian ruble.

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.2 Market risk (continued)

39.2.1 Currency risk (continued)

31 December 2022

In MDL thousand	Notes	MDL	EUR	USD	Other currencies*	Total
Financial assets						
Cash and Balances with National Bank of Moldova	4	3,617,849	2,568,312	848,218	22,409	7,056,788
Current accounts and placements with banks	5	-	391,242	692,333	17,708	1,101,283
Investment securities measured at amortized cost	6	4,223,216	213,895	-	-	4,437,111
Investment securities measured at FVOCI	6	16,516	-	-	-	16,516
Equity investment securities designated as at FVOCI	8	2,476	890	-	-	3,366
Loans to customers	7	3,817,614	1,166,191	120,954	-	5,104,759
Other financial assets	12	122,946	24,901	26,854	9	174,711
Total financial assets		11,800,617	4,365,432	1,688,359	40,126	17,894,534
Financial liabilities						
Deposits from banks	16	1,237	6,306	62,263	49	69,855
Deposits from customers	17	8,054,771	4,040,746	1,521,252	34,398	13,651,167
Other Borrowings	15	25,747	170,787	304	-	196,838
Lease liabilities	11	6,374	66,356	130	-	72,860
Other financial liabilities	20	325,091	84,939	62,055	914	472,999
Total financial liabilities		8,413,220	4,369,134	1,646,004	35,361	14,463,719
Net currency position		3,387,397	(3,702)	42,355	4,765	3,430,815

* Other currencies mainly include the Ukrainian hryvnia, the Romanian leu and Russian ruble.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.2 Market risk (continued)
39.2.1 Currency risk (continued)

The table below presents the Profit or Loss sensitivity in the event of potential changes of the exchange rates applicable at 31st of December 2023 and 31st of December 2022 in relation to the functional currency of the Bank, considering that all the other variables remain constant:

	Impact on Profit or Loss	
In MDL thousand	2023	2022
EUR increase by up to 10%	(878)	(674)
EUR decrease by up to 10%	878	674
USD increase by up to 10%	3,051	3,826
USD decrease by up to 10%	(3,051)	(3,826)

39.2.2 Interest rate risk from the banking book (IRRBB)
Interest rate risk is the current or future risk of adverse outcome on Bank's earnings and capital due to adverse changes in interest rates.

The main source of interest rate risk are the mismatches between the maturity dates (for fixed rate instruments) or dates of re-pricing (for variable interest rates instruments) for interest-bearing assets and liabilities, adverse development of yield curve (non-parallel evolution of yield curves for interest-bearing assets and liabilities).

The management of interest-bearing asset and liabilities is performed in the context of the Bank's exposure to interest rate fluctuations. Interest rate risk is managed by monitoring of the interest rate GAP (mismatch), of the potential change in economic value as a result of changing interest rate levels and through a system of approved internal limits and indicators.

Interest rate risk is managed in a way that ensures a favorable and stable interest margin over time, and the profitability and value of the Bank's capital does not change significantly, as a result of unexpected changes in interest rates depending on the cash-flow characteristics generated by the Bank's assets and liabilities. In this regard, ALCO fulfills a number of assignments and responsibilities in the area of managing assets and liabilities, managing interest rate risk and other related risks and areas.

In the sensitivity analysis regarding interest rate variation, the Bank has calculated the impact of potential market interest rate changes on the interest margin for the future financial periods, by taking into consideration the interest rate resetting / re-fixing date with respect to the balance sheet assets and liabilities.

The potential change of the Bank's economic value due to changes:

In MDL thousand	31 December 2023	31 December 2022
Own funds	3,564,443	2,881,905
Potential decline in economic value +/- 200bp		
Absolute value	59,625	16,193
Impact on own funds	1.67%	0.56%

The tables on the next pages show the Bank's exposure to interest rate risk as at 31 December 2023 and 31 December 2022. The tables include financial assets and liabilities of the Bank at their carrying amounts, classified based on the earliest date between repricing and maturity dates.

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.2 Market risk (continued)
39.2.2 Interest rate risk from the banking book (continued)

31 December 2023

In MDL thousand	Notes	Carrying amount	Less than 6 months	6 months – 1 year	1 – 5 years	More than 5 years	Non-interest bearing
Financial assets							
Cash and Balances with National Bank of Moldova	4	7,317,370	4,941,292	-	-	-	2,376,078
Current accounts and placements with banks	5	1,769,324	1,648,598	-	-	-	120,726
Investment securities measured at amortized cost	6	5,845,593	4,251,738	1,035,153	555,839	2,863	-
Investment securities measured at FVOCI	6	14,423	6,309	3,112	4,890	112	-
Loans to customers	7	5,981,588	5,092,434	111,901	744,786	2,086	30,381
Other financial assets	12	227,296	2,120	-	-	-	225,176
Total financial assets		21,155,594	15,942,491	1,150,166	1,305,515	5,061	2,752,361
Financial liabilities							
Deposits from banks	16	35,605	35,605	-	-	-	-
Deposits from customers	17	15,725,294	14,511,407	1,013,874	123,008		77,005
Other Borrowings	15	512,482	512,482	-	-	-	-
Lease liabilities	11	79,583	-	-	-	-	79,583
Other financial liabilities	20	780,660	-	-	-	-	780,660
Total financial liabilities		17,133,624	15,059,494	1,013,874	123,008	-	937,248
Interest gap			882,997	136,292	1,182,507	5,061	1,815,113
Cumulative interest gap			882,997	1,019,289	2,201,796	2,206,857	4,021,970

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.2 Market risk (continued)

39.2.2 Interest rate risk from the banking book (continued)

31 December 2022

In MDL thousand	Notes	Carrying amount	Less than 6 months	6 months – 1 year	1 – 5 years	More than 5 years	Non-interest bearing
Financial assets							
Cash and Balances with National Bank of Moldova	4	7,056,788	4,888,761	-	-	-	2,168,027
Current accounts and placements with banks	5	1,101,283	994,269	-			107,014
Investment securities measured at amortized cost	6	4,437,111	3,049,929	1,125,597	258,722	2,863	-
Investment securities measured at FVOCI	6	16,516	8,749	3,058	4,608	101	-
Loans to customers	7	5,104,759	5,063,126	1,521	9,103	2,461	28,548
Other financial assets	12	174,711	2,258	-	-	-	172,453
Total financial assets		17,891,168	14,007,092	1,130,176	272,433	5,425	2,476,042
Financial liabilities							
Deposits from banks	16	69,855	69,855	-	-	-	-
Deposits from customers	17	13,651,167	12,259,521	1,323,005	2,526	-	66,115
Other borrowings	15	196,838	196,838	-	-	-	-
Lease liabilities	11	72,860	-	-	-	-	72,860
Other financial liabilities	20	472,999	-	-	-	-	472,999
Total financial liabilities		14,463,719	12,526,214	1,323,005	2,526	-	611,974
Interest gap			1,480,878	(192,829)	269,907	5,425	1,864,068
Cumulative interest gap			1,480,878	1,288,049	1,557,956	1,563,381	3,427,449

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.3 Liquidity risk

Liquidity risk is the current or future risk that the profit and capital may be negatively affected as a result of the Bank's inability to fulfill its obligations when they are due.

Liquidity risk has 2 main components: the difficulty in procuring funds at maturity in order to refinance current assets or the inability to convert an asset into liquidity at a value close to its fair value, within a reasonable period of time.

The purpose of liquidity risk management is to obtain the expected returns on assets through capitalization of temporary excess liquidity and the efficient allocation of resources attracted from clients, in the context of appropriate management, current legislative framework and established objectives.

The Bank has access to diversified funding sources. Funds are attracted through a range of instruments such as: deposits from customers or partner banks, loans on the interbank market (NBM, commercial banks), loans from financial institutions, etc. Access to various sources of funding improves the flexibility of fundraising, limits reliance on a single type of funding and one type of partner, and leads to a general decrease in the costs involved in raising funds. The Bank tries to maintain a balance between continuity and flexibility in raising funds, by contracting debts with different maturities and in different currencies.

The Assets and Liabilities Management Committee (ALCO) of the Bank is responsible for the periodic review of liquidity indicators and with the establishment of corrective measures regarding balance sheet figures, so as to eliminate unacceptable deviations in terms of liquidity risk.

In liquidity management, the Bank applies a series of principles regarding the quality, maturity, diversity and degree of asset risk, while establishing sets of carefully monitored limits to ensure compliance with the principles and the desired returns.

In order to soundly manage liquidity risk, the Bank constantly seeks to attract liquidity through treasury operations, external fundings, capital markets, etc., taking into account various factors such as the issuer's rating, maturity and size of the issue, the markets on which it is traded.

The operative management (intraday) of liquidity is carried out through all the operations performed by the involved components of the Bank, so as to ensure all settlements/payments assumed by the Bank on its own behalf or on behalf of customers, in national or foreign currency, on account or in cash within the internal, legal, mandatory limits.
The Bank also takes into account a liquidity reserve, with the aim of covering the additional need for liquidity that may arise over a short period of time, under stress conditions, periodically tested based on different crisis scenarios with different probabilities and severities.

The tables below present an analysis of maturities of assets, liabilities and contingent liabilities of the Bank into relevant maturity groups based on the remaining period at balance sheet date to the contractual maturity date, as of 31 December 2023 and 31 December 2022.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.3 Liquidity risk (continued)

31 December 2023

In MDL thousand	Notes	Carrying amount	Less than 3 months	3 months - 1 year	1 – 5 years	More than 5 years	No maturity
Financial assets							
Cash and Balances with National Bank of Moldova	4	7,317,370	7,317,370	-	-	-	-
Current accounts and placements with banks	5	1,769,324	1,453,962	196,570	-	118,792	-
Investment securities measured at amortized cost	6	5,845,593	3,099,018	2,175,451	568,261	2,863	-
Investment securities measured at FVOCI	6	14,423	2,366	6,542	5,402	113	-
Equity investment securities designated as at FVOCI	8	3,378	-	-	-	-	3,378
Loans to customers	7	5,981,588	592,900	1,296,421	3,006,578	1,085,689	-
Other financial assets	12	227,296	225,965	1,331	-	-	-
Total financial assets		21,158,972	12,691,581	3,676,315	3,580,241	1,207,457	3,378
Financial liabilities							
Deposits from banks	16	35,605	35,605	-	-	-	-
Deposits from customers	17	15,725,294	12,972,749	2,298,469	434,227	19,849	-
Other borrowings	15	512,482	28,199	86,438	382,764	15,081	-
Lease liabilities	11	79,583	8,469	23,070	47,738	306	-
Other financial liabilities	20	780,660	780,660	-	-	-	-
Total financial liabilities		17,133,624	13,825,682	2,407,977	864,729	35,236	-
Net balance sheet position		4,025,348	(1,134,101)	1,268,338	2,715,512	1,172,221	3,378
Loan commitments and financial guarantee contracts	33	822,656	822,656	-	-	-	-
Total off-balance sheet		822,656	822,656	-	-	-	-
Total net on- and off-balance sheet position		4,848,004	(311,445)*	1,268,338	2,715,512	1,172,221	3,378

* The evolution of current accounts and short-term deposits indicates a growing trend and a pattern of constant renewal. In addition, the liquidity gap for the band "1-3 months" is easily managed, if necessary, by using debt securities from other liquidity bands for REPO transactions.

* 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.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.3 Liquidity risk (continued)

31 December 2022

In MDL thousand	Notes	Carrying amount	1-3 months	3 months - 1 year	1 – 5 years	More than 5 years	No maturity
Financial assets							
Cash and Balances with National Bank of Moldova	4	7,056,788	7,056,788	-	-	-	-
Current accounts and placements with banks	5	1,101,283	897,217	97,051	-	107,015	-
Investment securities measured at amortized cost	6	4,437,111	1,814,722	2,328,357	291,169	2,863	-
Investment securities measured at FVOCI	6	16,516	3,562	6,751	6,103	100	-
Equity investment securities designated as at FVOCI	8	3,366	-	-	-	-	3,366
Loans to customers	7	5,104,759	574,832	891,294	2,438,376	1,200,257	-
Other financial assets	12	174,711	173,343	-	1,368	-	-
Total financial assets		17,894,534	10,520,464	3,323,453	2,737,016	1,310,235	3,366
Financial liabilities							
Deposits from banks	16	69,855	69,855	-	-	-	-
Deposits from customers	17	13,651,167	10,499,119	2,545,138	585,693	21,217	-
Other borrowings	15	196,838	18,301	55,365	110,009	13,163	-
Lease liabilities	11	72,860	346	4,432	68,082	-	-
Other financial liabilities	20	472,999	472,999	-	-	-	-
Total financial liabilities		14,463,719	11,060,620	2,604,935	763,784	34,380	-
Net balance sheet position		3,430,815	(540,156)	718,518	1,973,232	1,275,855	3,366
Loan commitments and financial guarantee contracts	33	809,609	809,609	-	-	-	-
Total off-balance sheet		809,609	809,609	-	-	-	-
Total net on- and off-balance sheet position		4,240,424	269,453	718,518	1,973,232	1,275,855	3,366

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)
39.3 Liquidity risk (continued)

The tables below set out the remaining contractual maturities of the Bank's financial liabilities as at 31 December 2023 and 31 December 2022:

31 December 2023

In MDL thousand	Note	Carrying amount	Gross value (outflow)	Less than 3 months	3 months - 1 year	1 - 5 years	More than 5 years
Financial liabilities							
Deposits from banks	16	35,605	(35,605)	(35,605)	-	-	-
Deposits from customers	17	15,725,294	(15,807,469)	(12,997,665)	(2,343,503)	(446,316)	(19,985)
Other borrowings	15	512,482	(592,604)	(32,179)	(106,982)	(437,512)	(15,931)
Lease liabilities	11	79,583	(81,656)	(8,630)	(23,549)	(49,158)	(319)
Other financial liabilities	20	780,660	(780,660)	(780,660)	-	-	-
Loan commitments and financial guarantee contracts	33	-	(822,656)	(822,656)	-	-	-
Total financial liabilities		17,133,624	(18,120,650)	(14,677,395)	(2,474,034)	(932,986)	(36,235)

31 December 2022

In MDL thousand	Note	Carrying amount	Gross value (outflow)	Less than 3 months	3 months- 1 year	1 - 5 years	More than 5 years
Financial liabilities							
Deposits from banks	16	69,855	(69,855)	(69,855)	-	-	-
Deposits from customers	17	13,651,167	(13,873,332)	(10,561,931)	(2,684,277)	(605,056)	(22,068)
Other borrowings	15	196,838	(212,791)	(18,792)	(61,410)	(118,957)	(13,632)
Lease liabilities	11	72,860	(72,860)	(346)	(4,432)	(68,082)	-
Other financial liabilities	20	472,999	(472,999)	(472,999)	-	-	-
Loan commitments and financial guarantee contracts	33	-	(809,609)	(809,609)	-	-	-
Total financial liabilities		14,463,719	(15,511,446)	(11,933,532)	(2,750,119)	(792,095)	(35,700)

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.4 Capital management

Capital management – compliance with capital requirements

National Bank monitors capital requirements and own funds are should be maintained at a minimum:

- 5.5 % for core tier 1 own funds;
- 7.5 % for tier 1 own funds;
- 10 % for total own funds.

Likewise, Bank maintains the capital buffers required by the National Bank of Moldova:

- a capital preservation buffer of 2.5% of the total value of the risk-weighted exposures;
- a systemic risk buffer of 1% of the total value of the risk-weighted exposures;
- other companies enhanced systemic level in buffer of 1% of the total weighted exposure.

The National Bank of Moldova, following the results examination of the supervision process ("SREP Methodology"), determined the capital requirement rates at a minimum level of:

- 7.01 % for the basic level 1 own funds rate;
- 9.56 % for the level 1 own funds rate;
- 12.74 % for the total own funds rate.

Own funds adequacy

To determine the own funds of regulatory requirements the Bank uses the following calculation methods:

- Credit risk: standardized method;
- Market risk: for calculating own funds requirements related to currency risk and trading - standard method is used;
- Operational risk: for the calculation of own funds requirements for operational risk, the Basic indicator method is used.

The Bank complied with the above regulations, the level of the risk capital adequacy indicator, exceeding the minimum limits imposed by legislation: at 31 December 2023 the level was 43.88% (at 31 December 2022 the level was 44.71%).

The level and the requirements of own funds as at 31 December 2023 and 31 December 2022 are as follow:

In MDL thousand	31 December 2023	31 December 2022
Tier 1 own funds	3,564,443	2,881,905
Tier 2 own funds	-	-
Total own funds	**3,564,443**	**2,881,905**
Credit risk exposure	6,034,484	4,841,363
Market risk, currency risk, delivery risk exposure	-	-
Operational risk exposure	2,089,193	1,604,911
Total risk exposure	**8,123,677**	**6,446,274**
Capital adequacy ratio (%)	**43.88**	**44.71**

The capital adequacy ratio (CAR) is calculated as a ratio between own funds and total risk-weighted assets.

The Board of Administration decides on the directions to be followed in the capital adequacy process, establishes the main projects in the field to be carried out as well as the main objectives to be met in order to better control the correlation of risks to which the Bank is exposed and necessary equity to cover them and the development of sound risk management systems.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.5 Operational risk

Operational risk is the current or future risk of impairment of profits and capital that results from inadequate or failed internal processes or systems and / or from the action of external persons or events.

The objective of B.C. Victoriabank S.A. concerning the operational risk management is to ensure the mitigation of effects of operational risk events that are encountered in the Bank's activity, to maintain at a low level the losses from incidents of operational risk and the share of these losses in the Bank's own funds, and to insure against such risks that are out of the Bank's control.

In order to identify, evaluate, monitor and reduce operational risk, the Bank:
- constantly assesses exposures to operational risk, based on historical data and on each event, managing the database of the operational risk events;
- evaluates new products, processes and services, as well as significant changes of the existing ones and performance of exceptional transactions, in order to determine the associated risk levels and the measures to eliminate/reduce them to accepted levels;
- regarding the information technology (ICT) risks, it has mechanisms and controls in place to ensure that all risks are identified, analyzed, measured, monitored, managed, reported and maintained within the limits of risk appetite.

To reduce the risks inherent to the operational activities of B.C. Victoriabank S.A., a general framework to manage these risks has been developed in accordance with the established business objectives, the assumed risk appetite, as well as the rules and regulations in force, at national and international level, a framework consisting of policies, procedures for operational risk management that are part of the corporate governance.

The strategy of B.C. Victoriabank S.A., which is consistent with the strategy of Banca Transilvania Group, to reduce its exposure to operational risk, is mainly based on:
- constant conformity of internal regulations with legal and regulatory acts and adequacy to market conditions;
- staff training;
- efficiency of internal control systems (organization and exercise);
- implementation of IT developments and consolidation of the security systems of the Bank;
- use of complementary means of risk mitigation: insurance against risks, outsourcing of activities;
- taking measures to limit, reduce the effects of identified operational risk incidents, such as: standardization of current activity, automation of as many processes as possible with constantly monitored control points;
- using recommendations and conclusions resulting from the operational risk controls;
- updating continuity plans, evaluating and testing them regularly, especially in case of systems that support critical operational processes for the Bank;
- evaluating products, processes and systems in order to determine the significant ones in terms of the inherent operational risk.

The Bank implements policies and processes to assess and manage the exposure to operational risk, including ICT risks, which include low-frequency events and potentially major negative impacts.

The Risk Management Department aims to implement the strategy and methodology for identifying, measuring, supervising, controlling and reducing operational risk and provides information to the Executive Management issues, significant changes of the nature of operational risks and proposes risk mitigation measures.

From time to time (annually) the Bank carries out crisis simulations by designing scenarios based on exceptional but plausible events in order to test the Bank's ability to cope with a crisis situation.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.6 Compliance risk management

The Bank ensured the creation and efficient functioning of the compliance function, for which it approved a framework for sustainable, constant and efficient compliance risk management.
Thus, the compliance function, synergistically included in the internal control system of the Bank, helped the governing bodies in identifying, assessing, monitoring and reporting the compliance risk, associated with the Bank's activities, regarding the compliance of the activity with the provisions of the regulatory framework, rules and its own standards and the Code of Conduct. Through the involvement and support of the compliance function, the possible impact of any amendments to the legal and regulatory framework on the Bank's activities was continuously assessed.
The Bank has adopted a unitary approach to compliance risk management as part of the Bank's overall risk management strategy.

The Bank applies the principle of a risk-based approach to compliance risk, in particular by ensuring constant monitoring of risk indicators, identification and analysis of causes that may lead to compliance risk events. Also, to prevent and/or mitigate the compliance risk related to the Bank's activities, it has identified and regulated continuous risk control measures.

The compliance function ensures that reports are submitted on the activities carried out both individually (for events with medium or high compliance risk) and cumulatively (in regular reporting of the activities of the function), in which it provides the results of the evaluation of the effectiveness of prevention/or risk mitigation measures.

39.7 Management of the risk associated with excessive use of leverage

The Bank's objective of the management of risk of excessive leverage is to balance the structure of the Bank's assets and liabilities so as to achieve the expected profitability indicators in controlled risk conditions, which ensure both continuity in the Bank's activity on a sound basis and protection of interests of shareholders and customers.
Quantitative methods of assessment and mitigation are used for the risk of excessive leverage.
The leverage risk management framework is based on the following principles:

- Protection of financial stability: the Bank controls the risk to limit the impact of potential adverse events on capital and income;
- Limiting excessive risk-taking: the Bank's risk appetite shall be consistent with its financial resources;
- Ensuring a solid and sustainable capital and financing base;
- Diversifying the portfolio to avoid concentration risks;
- Limiting the concentrations and volatility of income sources.

The concept of 'leverage' means the relative size of an institution's assets, off-balance sheet liabilities and contingent obligations to pay, to provide a benefit or a collateral, including obligations arising from financing received, commitments assumed, derivative financial instruments or repo agreements, except for obligations that can be fulfilled only during the liquidation of an institution, in relation to the own funds of that institution.

39.8 Reputational risk management

Reputational risk is the current or future risk of impairment of profits and capital or liquidity, determined by the unfavorable perception of the Bank's image by counterparties, shareholders, investors or supervisory authorities.
The purpose of monitoring and managing reputational risk is to minimize potential losses, maintain a positive business reputation for customers and third parties, and shareholders and financial market participants in order to ensure compliance with the Bank's strategy and values.

Reputational risk is managed by: taking steps to attract the best partners, in terms of both customers and suppliers; recruiting and retaining the best employees; minimizing litigations; strict regulation of the activity; prevention of crisis situations; respectively constant consolidation of the Bank's credibility and the shareholders' trust; constant and open communication with stakeholders (shareholders, media, customers, partners, employees, authorities, etc.).

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

39.9 Strategic risk management

Strategic risk is the current or future risk of impairment of profits and capital caused by changes in the business environment or unfavorable business decisions, inadequate implementation of decisions or lack of response to business environment changes.

The general principles applied to ensure sound strategic risk management are:

- regular reassessment of the Bank's strategy/business plan;
- drawing up plans for the introduction of new business lines, addition of new products and services, extension of existing services, as well as consolidation of infrastructure;
- performing a competitive analysis that reflects the highlighting of strategic risk factors;
- establishing solid internal control mechanisms at the strategic level of corporate governance, which covers all aspects and processes of strategic decision-making;
- establishing a set of limits for key strategic risk indicators, corresponding to the size and complexity of the activity and risk appetite of the Bank.

39.10 Climate Risk

Climate change can have a significant impact on the financial stability and profitability of companies in the financial and banking system, and hence on the economy as a whole. It can affect both economic activities and the natural environment through rising sea levels, severe storms, floods, droughts and other extreme weather events. These events can cause significant damage to businesses, customers and communities, with significant economic and social costs. In addition, climate change risks can affect revenue and expenditure flows and influence investment decisions.

The Bank is aware that assessing climate change risks and implementing appropriate mitigation measures are important elements in the risk management process. We are therefore in the process of implementing measures that will include assessing the loan and investment portfolio to identify climate change risks, developing risk management tools and promoting sustainable investments.

Climate change risks will be assessed from two perspectives:

a) at client level, as part of the environmental and social risk analysis, where the impact of climate change risks on the company's business and the extent to which its business affects the environment (emissions to water, air, soil) will be analyzed;
b) at portfolio level, based on a mapping reflecting the environmental, social and governance risks associated with the sectoral distribution of the loan portfolio, the exposure of the portfolio to these risks will be analyzed.

For the management of climate risks, the Bank implemented the Sustainability Policy, which includes a list of sectoral exclusions aligned with EBRD and Banca Transilvania Financial Group recommendations.

The Bank is in the process of implementing the analysis of environmental risk factors according to internal models, adapted to the transaction value and risk level of the sector.

Following the analysis of environmental and social risks (including climate risk), an E&S risk level will be associated to the exposure.

The Bank will undertake mapping of the entire financing and investment portfolio against environmental, social and governance risks for each business sector (such as agriculture, construction, transport, etc.) to identify the necessary measures to mitigate the potential negative impacts of climate change on outstanding loans. This mapping can contribute to the adoption of measures in the lending business so that the negative environmental impact is mitigated and the positive impact on the environment, but also on society and the communities we are part of, is enhanced.

40. SUBSEQUENT EVENTS

At the Annual Ordinary General Shareholders Meeting (GSM) on April 28, 2023, the new composition of the Bank's Board of Administration was re-elected. According to the GSM decision, the old composition of the Board of Administration (including the members of the Board of Administration who were not re-elected in the new composition) continued to exercise their mandate until the National Bank of Moldova (NBM) approved at least one new member of the Board of Administration.

Thus, following the approval by the NBM (Decision of the Executive Committee of the NBM no. 5 of 04.01.2024) of Mrs. Ludmila Costin as a member of the Bank's Board of Administration, the composition of the Board of Administration of BC "Victoriabank" S.A., starting from 04.01.2024 is the following:

- Thomas GRASSE, President of the Board of Administration
- Peter FRANKLIN, Member of the Board of Administration
- Maris MANCINSKIS, Member of the Board of Administration
- Murat Mehmet Sabaz, Member of the Board of Administration
- Tiberiu MOISA, Member of the Board of Administration
- Ludmila Costin, Member of the Board of Administration

On January 22, 2024, based on the Decision of the Executive Committee of the National Bank of Moldova, Mihai-Mircea Aursulesei was approved for the position of member of the Bank's Executive Management. The updated composition of the Bank's Executive Management:

- Levon Khanikyan, Member, President of the Executive Management, CEO
- Sorin Șerban, Member, Vice-president of the Executive Management, CRO
- Vitalie Corniciuc, Member, Vice-president of the Executive Management, CFO
- Elena-Ionela Maloș, Member, Vice-president of the Executive Management, COO
- Mihai-Mircea Aursulesei, Member, Vice-president of the Executive Management, Retail.

On January 15, 2024, the Bank acquired 100% of the shares in BCR Chisinau SA, after receiving all the necessary approvals from the National Bank of Moldova, as well as other responsible institutions. The agreement to sell the shares held by Banca Comercială Română to BCR Chisinau was announced at the end of March 2023.

Based on the decision of the Bank's Board of Administration (PV no. 181 of 12.01.2024), starting from January 15, 2024, the mandate of Vasile Donica, member of the Bank's Executive Management, who was appointed President of the Executive Management at BCR Chisinau SA, was suspended.

Except the above mentioned, no other significant subsequent events have been identified since the date of the statement of financial position.

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