OTP BANK S.A.

Financial Statements
31 December 2023

Prepared in accordance with International Financial Reporting Standards

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of OTP Bank S.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of OTP Bank S.A. (the Bank), which comprise the statement of financial position as at December 31, 2023, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Basis for opinion

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

Key audit matters

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.

For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter

Impairment of loans and advances to customers

The net carrying values of loans and advances to customers of 7,183,306 thousand MDL represents a significant part (33.56%) of the total assets of the Bank as at 31 December 2023.

Management's assessment of impairment indications and determination of Expected Credit Loss (ECL) for loans and advances to customers is a complex process and involves significant judgement. Such an assessment is inherently uncertain, involving forecasting of future macroeconomic conditions in a number of scenarios, assessing the likelihood of such scenarios and their impact on ECL. It also involves assessment of Risk of Default, Loss Given Default and Exposure at Default by employing models based on series of historical data and quantitative techniques.

The uncertainties in the environment in the context of economic conditions and geopolitical tensions and related governments actions, including elevated inflation, energy crisis and other disturbances have affected certain industries, increasing the uncertainty around macro-economic scenarios and weights. These have resulted also in certain limitations on the relevance of historical data in forecasting defaults and recovery rates and limits the ability of the statistical techniques to differentiate the impact between sectors. Such uncertainties and limitations, led to an increased complexity of the expected loss estimation and requires post model adjustment/ overlays.

The potential effect of the above items is that it has a high degree of estimation uncertainty, with a potential range of reasonable outcomes, significantly different than estimated impairment allowance. Notes 2.5.9, 2.7.5 and 15 to the financial statements present more information on the estimation of impairment allowance for loans and advances to customers.

Due to the significance of loans and advances to customers, the uncertainties involved and related complexity of estimation techniques we consider the Impairment of loans and advances to customers a key audit matter.

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How our audit addressed the key audit matter

Our audit procedures included, among others, the assessment of the Bank's methodology regarding the identification of impairment and determination of expected credit losses, including determination of macroeconomic scenarios and their weight, staging criteria and the credit risk parameters models like Probability of Default, Loss Given Default and Exposure at Default.

We assessed the design and evaluated the operating effectiveness of internal controls over the monitoring the quality of loans and advances to customers, parameters' models, macroeconomic scenarios and related weights, post model adjustments/ overlays, expected credit loss calculation as well as controls over the quality of underlying data and relevant systems.

We also assessed the macroeconomic scenarios and related weights and examined the approach used in determination of post-model adjustments/ overlay.

For the loss allowance of impaired loans assessed on an individual basis (stage 3), our evaluation was focused on the loans with the most significant potential impact on the financial statements and considered the key assumptions underlying the impairment identification and quantification such as estimated future cash flows, including the realizable value of collaterals and estimates of recovery on default. Our internal valuation experts were involved, as appropriate, in performing our audit procedures.

For expected credit losses for loans assessed in stage 1 or stage 2 we tested key risk parameters' models by involving our credit risk specialists to reperform the modeling for a sample of models re-performed staging and re-calculated expected credit losses.

We further assessed the adequacy of the Bank's disclosures in the financial statements regarding exposure to credit risk.

Key audit matter

Information Technology (IT) systems relevant for financial reporting

A significant part of the Bank's operations and financial reporting process is reliant on IT systems involving automated processes and related general and application controls over the capture, storage and processing of data. An important component of this internal control system involves the existence of and adherence to appropriate user access and change management processes and controls. These controls are particularly important because they ensure that the access and changes to IT systems and data are made by authorized persons in an appropriate manner.

The IT environment of the Bank is complex with a significant number of interconnected systems and databases. Besides, the new way of working adopted in all areas of the Bank brings changes and further complexity.

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Given the level of automation of the processes relevant for financial reporting and given the complexity of the IT environment of the Bank, the stabilization process after migration to a new core system and the outsourcing of cards processing, a high proportion of the overall audit procedures was concentrated in this area.

We therefore consider that this area represents a key audit matter.

How our audit addressed the key audit matter

We focused our audit procedures on those IT systems and related controls that are significant for the financial reporting process. As the audit procedures over the IT systems require specific expertise, we involved our IT specialists to assist us in performing the audit procedures.

Our audit included, among others, the following procedures:

- Understanding and assessing the overall IT control environment and the controls in place, including the ones over access to systems and data, and considering the context of work from home, as well as IT system changes. We tailored our audit approach based on the importance of the system for the financial reporting;
- We tested the operating effectiveness of controls over granting access rights to determine if only appropriate users had the ability to create, modify or delete user accounts for the relevant applications;
- We tested the operating effectiveness of controls around the development and changes of applications to determine whether these are appropriately authorized, tested and implemented;
- We assessed and tested the design and operating effectiveness of the application and IT-dependent controls in the processes relevant to our audit.

Other information

The other information comprises the Annual Report of the Bank's Council and Management which includes the Non-Financial declaration but does not include the financial statements and our auditors' report thereon. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The English version of the audit report represents a translation of the original audit report issued in Romanian language.

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

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

In preparing the financial statements, management is responsible for assessing the 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

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

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

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- 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 auditors' 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 auditors' 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.

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.

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.

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.

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Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Annual Report of the Bank's Council and Management (Annual Report), we have read the Annual Report and report that:

a) in the Annual Report we have not identified information, which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2023;
b) the Annual Report identified above includes, in all material respects, the required information according to the provisions of the Law on accounting and financial reporting nr. 287 dated 15.12.2017 article 23;
c) based on our knowledge and understanding concerning the Bank and its environment gained during our audit of the financial statements as at December 31, 2023, we have not identified information included in the Annual Report that contains a material misstatement of fact.

On behalf of

ICS Ernst & Young SRL
51 Alexandru cel Bun street, Chisinau, Republic of Moldova
Registered in the Public register of audit entities with no. 1903059

Partener: Alina Dimitriu Alina Dimitriu

Auditor's name: Galina Gherman
Registered in the Public register of certified auditors with no. 1606103

Chisinau, Republic of Moldova
22 March 2024

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Statement of Comprehensive Income for the year ended 31 December 2023

	Note	2023	2022
(in thousands MDL)			
Interest income	4	1,555,649	1,327,044
Interest expense	4	(738,086)	(377,728)
Net interest income		**817,563**	**949,316**
Fee and commission income	5	222,878	222,506
Fee and commission expense	5	(97,265)	(86,968)
Net fee and commission income		**125,613**	**135,538**
Net trading income	6	334,449	305,220
Credit loss expense on financial assets	7	177,387	(341,526)
Other operating income	8	18,777	10,822
Net operating income		**1,473,789**	**1,059,370**
Personnel expenses	9	(363,717)	(334,632)
Depreciation of property, equipment and right-of-use assets	18	(47,557)	(54,461)
Amortization of intangible assets	19	(24,735)	(18,517)
Other operating expenses	10	(169,344)	(188,615)
Profit before tax		**868,436**	**463,145**
Income tax expense	11	(105,321)	(60,038)
Profit for the year		**763,115**	**403,107**
Basic and diluted earnings per share (in MDL)	12	**76.35**	**40.33**

The accounting policies and Notes on pages 8 to 124 form part of, and should be read in conjunction with, these financial statements.

The financial statements and related notes were authorised for issue by the Supervisory Board on 22 March 2024.

Daniel-Bogdan SPUZĂ
President of the Executive Committee
OTP BANK S.A.

Ion VEVERIȚĂ
Chief Financial Officer
OTP BANK S.A.

22 March 2024

REPUBLICA MOLDOVA mun. CHIȘINĂU OTP Bank S.A. otpbank IDNO 1002600006089

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Statement of Financial Position as at 31 December 2023

(in thousands MDL)	Note	31 December 2023	31 December 2022
Assets			
Cash and balances with Central Bank	13	6,968,119	6,807,269
Due from banks	14	2,367,467	898,300
Derivative financial instruments		-	1,629
Financial assets at fair value through profit or loss	17	2,675	2,583
Loans and advances to customers	15	7,183,306	8,165,102
Debt instruments at amortized cost	16	4,376,648	2,162,209
Other assets	20	66,524	75,457
Property and equipment	18	296,374	290,329
Deferred tax assets	11	4,852	4,886
Intangible assets	19	138,670	119,779
Total assets		**21,404,635**	**18,527,543**
Liabilities			
Due to banks	21	3,448	410,522
Derivative financial instruments		424	41
Due to customers	22	16,683,780	13,493,021
Borrowed funds from IFIs	23	1,377,673	1,730,929
Other liabilities	24	191,847	218,298
Provisions	25	73,422	69,604
Total liabilities		**18,330,594**	**15,922,415**
Equity			
Issued capital	26	100,000	100,000
Treasury shares	26	(56)	(56)
Share premium		151,410	151,410
General reserve		10,674	10,674
Prudential reserve		154,466	0
Retained earnings		2,657,547	2,343,100
Total equity		**3,074,041**	**2,605,128**
Total liabilities and equity		**21,404,635**	**18,527,543**

The accounting policies and Notes on pages 8 to 124 form part of, and should be read in conjunction with, these financial statements.

The financial statements and related notes were authorised for issue by the Supervisory Board on 22 March 2024.

Daniel-Bogdan SPUZĂ
President of the Executive Committee
OTP BANK S.A.

Ion VEVERIȚĂ
Chief Financial Officer
OTP BANK S.A.

22 March 2024

Statement of Changes in Equity for the year ended 31 December 2023

(in thousands MDL)	Issued capital	Treasury shares	Share premium	General reserve	Prudential reserve	Retained earnings	Total
At 31 December 2021	**100,000**	**(56)**	**151,410**	**10,674**	**134,684**	**1,805,309**	**2,202,021**
Profit	-	-	-	-	-	403,107	**403,107**
Prudential reserves allocation	-	-	-	-	(134,684)	134,684	-
Dividend	-	-	-	-	-	-	-
At 31 December 2022	**100,000**	**(56)**	**151,410**	**10,674**	**-**	**2,343,100**	**2,605,128**
Profit	-	-	-	-	-	763,115	**763,115**
Prudential reserves allocation	-	-	-	-	154,466	(154,466)	-
Dividend	-	-	-	-	-	(294,200)	(294,200)
At 31 December 2023	**100,000**	**(56)**	**151,410**	**10,674**	**154,466**	**2,657,547**	**3,074,041**

General reserve represents a statutory non-distributable reserve that according to the legislation consists of 10% of the share capital.

Prudential reserve represent general reserves for covering the bank risks related to the differences between the allowance for asset losses and commitments, according to the IFRS, and the amount calculated but not created of allowances for asset losses and commitments, according to the prudential regulations. This reserve is created since 2012 according to the chart of accounts approved by the National Bank of Moldova and may not be distributable.

The accompanying notes on pages 8 to 124 form an integral part of the financial statements.

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Statement of Cash Flows for the year ended 31 December 2023

(in thousands MDL)	Note	2023	2022
Cash flows from operating activities			
Profit before tax		868,436	463,145
Adjustments for:			
Depreciation and amortization	18,19	72,292	72,978
Loss on disposal of property and equipment	9	226	47
Net impairment gain on financial assets	7	178,020	(341,526)
Foreign exchange loss/(gain)		(5,016)	(292,507)
Interest income		(1,555,649)	(1,327,044)
Interest expenses		738,086	377,728
Tax expense	11	(105,321)	(60,038)
Changes in:			
Mandatory reserves		(509,110)	(2,583,639)
Due from Banks		(1,301)	(4,195)
Loans and advances to customers		822,068	959,331
Other assets		12,598	2,104
Deposits from banks		(421,719)	414,118
Deposits from customers		3,189,870	(25,905)
Other liabilities		(7,986)	75,997
Cash received/(used) in operating activities before interest		**3,275,494**	**(2,269,406)**
Interest paid		(751,494)	(346,842)
Interest received		1,555,649	1,271,960
Income tax paid		6,334	5,816
Cash received in operating activities		**4,085,983**	**(1,338,472)**
Investing activities			
Purchase of property and equipment		(53,510)	(64,855)
Purchase of intangible assets		(43,626)	(30,040)
Proceeds from sale of property and equipment		(31)	(90)
Purchase of securities		(2,145,296)	(7,947,747)
Proceeds from securities		441,521	7,649,061
Cash received/(used) from investing activities		**(1,800,942)**	**(393,671)**
Financing activities			
Proceeds from loans from banks and IFI's		543,278	1,449,805
Repayment of loans from banks and IFI's		(877,222)	(298,345)
Lease liabilities payments		(24,307)	(28,644)
Dividends paid		(294,200)	
Cash received/(used) from financing activities		**(652,451)**	**1,122,816**
Increase in cash and cash equivalents		**1,632,590**	**(609,327)**
Cash and cash equivalents at 1 January	30	**2,574,607**	**3,183,934**
Cash and cash equivalents at 31 December	30	**4,207,197**	**2,574,607**

The accounting policies and Notes on pages 8 to 124 form part of, and should be read in conjunction with, these financial statements.

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Notes to the Financial Statements

1 Corporate information

OTP BANK S.A. ("the Bank") was founded in the Republic of Moldova on 4th of July as an independent commercial bank, under the legal form of a limited liability company oriented towards serving the SME sector. During June 2002 the Bank was registered as an open joint stock commercial bank and its shares became listed on the Moldova Stock Exchange. Holder of a NBM issued banking license, the Bank offers a complete set of banking operations and services to enterprises and private customers.

The Bank's head office is located on Boulevard Stefan cel Mare si Sfant, 81A, Chisinau, Republic of Moldova.

In 2007, the international financial group Société Générale acquired a 67.85% stake. In 2008 the capital increase and the appointment of new strategic shareholders (Groupe Société Générale) and the EBRD (European Bank for Reconstruction and Development) spurred the development of a universal banking model. At the same time, the official name was changed to BC „Mobiasbanca - Groupe Société Générale" S.A.

The year 2019 was a milestone year for the bank in the field of Corporate Governance. Significant changes have taken place involving the change of the majority shareholder and the launch of the integration process within the OTP Group.

On July 22, 2019, the majority shares of the bank were sold in favour of the Hungarian Bank - OTP Bank Nyrt (Hungary), which represents the ultimate parent of *OTP BANK S.A.* As a result of this transaction, OTP Bank Nyrt became the majority shareholder with 96.69% of the bank's capital. Its head office is located on Nádor Street 16, Budapest, Hungary H-1051.

In order to comply with the requirements of the national legislation in October 2019, the majority shareholder announced the Offer to take over the shares issued by *OTP BANK S.A.* Follow-up of the transaction carried out by OTP Bank Nyrt. It became the holder of 98.26% of the total shares issued by the Bank.

In 2020 the Bank has opened the Leasing Centre. During 2021, the Bank went through a rebranding process and it changed the name to "OTP BANK S.A." and the ATM fleet has been modernised. Going forward to 2022, the Bank has successfully migrated to a new core banking system and card processing centre.

As at 31 December 2023 the bank has 51 points of sale, out of which 49 universal points of sale, 1 VIP branch and 1 specialized (2022: 51 points of sale, out of which 49 universal points of sale, 1 VIP branch and 1 specialized).

2 Accounting policies

2.1 Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value: derivative financial instruments, financial assets at fair value through profit and loss (FVPL). The financial statement is presented in MDL and all values are rounded to the nearest thousand lei, except when otherwise indicated.

2.2 Statement of compliance

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

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Notes to the Financial Statements

2 Accounting policies (continued)

2.3 Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 31.

Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

2.4 Changes in accounting policies and disclosures

2.4.1 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the bank as of 1 January 2023:

- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments),
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments),
- IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments),
- IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)

The newly adopted IFRS and amendments to IFRS did not have a material impact on the Group's/Company's accounting policies.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**
  The Amendments are effective for annual periods beginning on or after January 1, 2023. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Bank is currently revisiting its accounting policy information disclosures to ensure consistency with the amended requirements going forward. The amendments will not have impact on the financial position or performance of the Bank.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**
  The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error.

Notes to the Financial Statements

2 Accounting policies (continued)

2.4 Changes in accounting policies and disclosures

2.4.2 New and amended standards and interpretations

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments) (continued)**
  Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendments will not have impact on the financial position or performance of the Bank.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**
  The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. . The amendments will not have impact on the financial position or performance of the Bank.

- **IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)**
  The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023. The amendments will not have impact on the financial position or performance of the Bank

Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies

2.5.1 Foreign Currency translation

(i) Functional and presentation currency

The financial statements are presented in Moldovan Lei ("MDL"), rounded to the nearest thousand, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date. All differences arising on non–trading activities are taken to Net trading income in the income statement.

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non–monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

The official exchange rates for major foreign currencies at year-end were as follows:

	31 December 2023	31 December 2022
(in Moldovan Lei per unit of foreign currency)		
US dollar	17.4062	19.1579
EUR	19.3574	20.3792
Russian Rouble	0.1927	0.2667

2.5.2 Recognition of interest income

(i) Presentation of net interest income

The Bank considers its net interest margin to be a key performance indicator; the measure includes both interest calculated using the effective interest method and interest recognized on a contractual basis on its financial assets measured at FVPL other than those held for trading.

The existent portfolio of debt instrument financial assets classified at FVPL is not significant amounting MDL 1,644 thousand as at 31 December 2023. The Bank has therefore concluded that including an additional line item entitled, "Other interest income" in order to show all interest income resulted from FVPL financial assets would not add additional value to its stakeholders and decided to keep one single line item entitled "Interest income" for showing interest income calculated using the EIR and on a contractual basis on its financial assets measured at FVPL. The Bank has also elected to present its interest expense in a manner consistent and symmetrical with interest income.

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Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.2 Recognition of interest income (continued)

(ii) Interest and similar income/expenses

Net interest income comprises interest income and interest expense calculated using the effective interest method. In its Interest income/expense calculated using the effective interest method, the Bank only includes interest on those financial instruments.

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired (as set out in Note 2.5.9 and is therefore regarded as 'Stage 3', the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures (as outlined in Note 2.5.9) and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

2.5.3 Fees and commission income

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations. When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

2.5.4 Net trading income

Net trading income includes all gains and losses from changes in fair value and the related gains and losses from foreign currency transactions, interest income or expense and dividends, for financial assets and financial liabilities held for trading. This includes any ineffectiveness recorded on hedging transactions.

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Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.5 Financial instruments – initial recognition

(i) Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

(ii) 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 Notes 2.5.6.1 (i) and Note 2.5.6.1 (ii). Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price.

(iii) Measurement categories of financial assets and liabilities

According to IFRS 9, the Bank classifies all of its financial assets that are debt instruments based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost, as explained in Note 2.5.9.1
- FVPL, as explained in Note 27

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 27. Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied, as described per Note 2.5.6.4.

2.5.6 Financial assets and liabilities

2.5.6.1 Due from banks, Loans and advances to customers, Financial investments at amortized cost

According to IFRS 9, the Bank only measures *Due from banks*, *Loans and advances to customers* and *other financial investments* at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.6 Financial assets and liabilities (continued)

2.5.6.2 Due to customers, due to banks and borrowed funds

After initial measurement, due to customers, due to banks and borrowed funds are subsequently measured at amortized cost.

2.5.6.3 Financial assets and liabilities at fair value through profit or loss

➢ **Financial assets and liabilities**

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earnt on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

➢ **Derivative Financial Instruments**

- Foreign exchange swaps and interest rate swaps

The Bank enters into foreign-exchange swap and interest rate swap ("IRS") transactions. The swap transaction is a complex agreement concerning the swap of certain financial instruments, which usually consists of a spot and one or more forward contracts. Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps. Such notional principal amounts are often used to express the volume of these transactions but are not actually exchanged between the counterparties. The Bank's interest rate swap contracts can be hedging or held for trading contracts.

- Foreign exchange options

A foreign exchange option is a derivative financial instrument that gives the owner the right to exchange money denominated in one currency into another currency at a pre-agreed exchange rate at a specified future date. The transaction, for a fee, guarantees a worst case exchange rate for the futures purchase of one currency for another. These options protect against unfavourable currency movements while preserving the ability to participate in favourable movements.

2.5.6.4 Financial guarantees, letters of credit and undrawn loan commitments

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

Financial guarantees are initially recognized in the financial statements at fair value, being the premium received.

Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and – under IFRS 9 – and an ECL provision as set out in Note 25.1.1.

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Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.6.5 Financial guarantees, letters of credit and undrawn loan commitments (continued)

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.

Undrawn loan commitments and letters of credits 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. Based on IFRS 9, 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 on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 25.1.

2.5.7 Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

2.5.8 Derecognition of financial assets and liabilities

2.5.8.1 Derecognition due to substantial modification of terms and conditions

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan;
- Introduction of an equity feature;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.8 Derecognition of financial assets and liabilities (continued)

2.5.8.2 Derecognition other than for substantial modification

(i) Financial assets

The Bank shall derecognise a financial asset when, and only when:

(a) the contractual rights to the cash flows from the financial asset expire, or

(b) it transfers the financial asset and the transfer meets the following two conditions:

i. transfers the contractual rights to receive the cash flows of the financial asset, or
ii. retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions:
The Bank has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.
The Bank is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows
The Bank has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

Also, according to IFRS 9, paragraph B5.5.25, in some circumstances renegotiation or modification of the contractual cash flows of a financial asset may lead to the derecognition of the existing financial asset. Thus, when a change in a financial asset results in a derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a "new" financial asset in accordance with IFRS 9.

In order to determine derecognition, changes to the contractual clauses must be significant in terms of quantity and / or qualitative.If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.9 Impairment of financial assets

2.5.9.1 Financial assets carried at amortized cost

This category includes due from banks, loans and advances to customers as well as debt instruments carried at amortized cost.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past–due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The Bank has developed a methodology for assessing impairment on loans and advances that is based on three years historical information on the timing and the amounts of the expected future cash flows. The Bank regularly reviews the methodology and assumptions used for estimating future cash flows in order to reduce any differences between loss estimates and actual loss.

(i) Overview of expected credit loss (ECL) principle

The Bank records allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in referred to as "financial instruments".

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss 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 loss (12mECL). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 28.2.

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

PDs, both for LTECLs and for 12mECLs are calculated on a collective basis (the description of criteria determining the calculation of ECL on collective or individual basis are set out in Note 28), depending on the nature of the underlying portfolio of financial instruments.

The LGD collectively evaluated for impairment is estimated based on historical loss or recovery experience observed.

The collective ECL calculation parameters take into account the current situation and the impact of the forward-looking information (considering the expectation related to the evolution of macro-economic indicators), as described in Note 28.2.

Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.9 Impairment of financial assets (continued)

2.5.9.1 Financial assets carried at amortized cost (continued)

(i) Overview of expected credit loss (ECL) principle (continued)

For the purpose of specific provisions calculated for individually assessed counterparties that are declared "in default", the Bank assesses the cash flow that is expected to recover from client's operation (if there is an activity that generates cash flows) or by exercising the guaranties and collaterals. The expected cash flows are spread over the time so that their value is discounted at the time of provisioning closing. The uncovered part of exposure by estimated recoveries is provisioned.

The Bank has established a methodology to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: when loans are first recognized, the Bank recognizes an allowance based on 12mECLs and keeps the loans in this stage if no significant increase in credit risk since origination is identified. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from other stages.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered in "default" or credit-impaired. The bank records an allowance for the LTECLs.
- POCI: This category would be used for 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 EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

The bank records an allowance for the 12mECLs and LTECLs.

The methodology applied for the calculation of provisions for off-balance sheet items (loan commitments, financial guarantees, letters of credit) is similar to the one used for financial assets carried out at amortized cost (loans and advances, including leasing). Exposure at default for off-balance sheet items is calculated taking into account the CCF (credit conversion factor).

This is explained in Notes 28.2 and 25.

Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.9 Impairment of financial assets (continued)

2.5.9.1 Financial assets carried at amortized cost (continued)

(ii) The calculation of ECLs

The Bank calculates ECLs based on a 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.

The mechanics of the ECL calculations are outlined below 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;
- EAD: the Exposure at Default is the basis for provisioning;
- 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 historic recoveries;
- FL: the Forward Looking coefficient is a coefficient used at the calibration of PD which takes into account the expectation related to the evolution of macro-economic indicators;
- CCF: the Cash Conversion Factor used to estimate the EAD for off-balance commitments and contingencies, subject to ECL calculation.

The key elements for ECL calculation are explained in Notes 28.2.

The concept of PD is further explained in Note 28.2.

The mechanics of the ECL method are summarized below:

Stage 1:

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities adjusted with FL are applied to EAD and multiplied by LGD.

Stage 2:

When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs are estimated over the lifetime of the instrument.

Stage 3:

For loans considered credit-impaired (as defined in Note 28.2), the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

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Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.9 Impairment of financial assets (continued)

2.5.9.1 Financial assets carried at amortized cost (continued)

(iii) Credit Cards and other revolving facility

The Bank's product offering includes a variety retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with a notification period as specified in lending agreement. The Bank does not limit its exposure to credit losses to the contractual notice period and calculates ECL over a period of the validity of the facility agreement under rules disclosed in Note 28.2.7 below.

(iv) Forward looking information

In order to assess the FL coefficient, the Bank has determined the correlation between the dynamic of main macroeconomic indicators and evolution of internal probability of default (PD), subsequently estimating the PD for 2023-2025 time horizon.

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- Gross Domestic Product (GDP), y-o-y growth (real prices);
- Inflation (e-o-y data);
- EUR/MDL exchange rate (e-o-y data);
- Unemployment rate (e-o-y data).

The historical data for these indicators has been collected from official sources; the forecasted figures have been taken from IMF report, from data included in Medium-term budgetary framework of the country (2023-2025) and from internal budgetary estimations (exchange rate for EUR/USD).

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 28.2.

2.5.9.2 Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the front-office unit or Risk Management Division. Forborne may involve extending the payment arrangements and the agreement of new loan conditions.

It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. The forborne status defines the transaction's risk status which indicator should be examined at a transactional level. If a restructuring measure is applied, the transaction acquires Non-Performing Forborne or Performing Forborne status, except commercial renegotiation.

Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.9.2 Forborne and modified loans (continued)

The exposure acquires Non-Performing Forborne status when the exposure is defaulted or impaired upon the restructuring. For the Enterprise segment clients - if after the restructuring a material NPV loss (higher than 1%) can be expected from changed exposure compared to the original cash flow. It is determined in an individual decision whether a material NPV loss exists. Non-Performing Forborne status is assigned if a performing forborne status exposure becomes defaulted or impaired. A non-performing forborne status exposure once again acquires non-performing status after acquiring performing forborne status, if during the probation period it falls past due over 30 days or it is repeatedly restructured.

The exposure acquires Performing Forborne status when the conditions of the non-performing forborne do not exist and the exposure fulfils the conditions after restructuring there was no delay of more than 30 days in the past year and in the past year no factors indicative of default exist and the institution does not find it probable, due to other reasons, that the obligor will not fulfil his loan obligations in full, in accordance with the valid repayment schedule stipulated in the restructuring contract, without realising the collateral.

The Non-Performing Forborne loans are classified in Stage 3 for at least 12 months. After that, it will have a minimum 24-month probation period during which any delay more than 30 days will lead to classification in S3. The Performing Forborne loans are classified in Stage 2 for a minimum 24-month probation period during which the conditions of the Non-Performing Forborne do not exist.

In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing;
- The probation period of two years has passed from the date the forborne contract was considered performing;
- During 1 year from probation period a significant repayment has been made;
- The customer does not have any contract that is more than 30 days past due.

The loans for which was made a commercial renegotiation (necessary for developing the business relation with the client) are not considered forborne and are treated as performing. Commercial renegotiation is referring to the modification of interest rate, the substitution of pledge, or any other event, in which the Bank has the opportunity to refuse this renegotiation (meaning that it is voluntarily agreed by the Bank) with any impact on the activity of the client. The modification of any initial condition of the loans is considered as commercial renegotiation only if the client is treated as performing, no delay more than 30 days was registered during the last 3 months and the counterparty meets all criteria of the bank to be credited. All other modifications are considered forborne.

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Management constantly reviews restructured loans to ensure that there are no other unlikely to pay criteria and future payments will occur with a high degree of probability. The renegotiated loans remain to be assessed for impairment, individually or collectively

Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.9 Impairment of financial assets (continued)

2.5.9.3 Credit enhancements: collateral valuation and financial guarantees

The Bank seeks to use collateral, where required by internal normative bank, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and periodically according to internal rules, however, some collateral, for example, cash, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as evaluation companies and other independent sources.

2.5.9.4 Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. For initial recognition, repossessed assets are measured and accounted for in accordance with the policies applicable for the relevant assets categories Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

Repossessed assets are evaluated at the lower value between carrying amount and fair value minus selling costs. They are reflected in the balance sheet in accordance with the Chart of Accounts of the accounting record in banks and other financial institutions from the Republic of Moldova.

In its normal course of business, the Bank does not physically repossess properties or other assets in its portfolio. During 2023, the Bank did not repossessed assets from its customers.

2.5.9.5 Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery and the asset is fully covered by provisions. Any subsequent recoveries are credited to credit loss expense. Details regarding write off policy are presented in Note 25.

2.5.9.6 Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash in transit and cash bank's automated teller machines (ATM)..

For the purposes of the statement of cash flows, cash and cash equivalents comprise: cash balances on hand, cash deposited with National Bank of Moldova, Nostro accounts with banks, placements with NBM and with other banks with less than 90 days original maturity and short-term treasury investments with a maturity of less than 90 days.

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Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.9.7 Property, plant and equipment

Property and equipment is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Right-of-use assets are presented together with property and equipment in the statement of financial position. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings: 40-56 years
- Vehicles: 5-7 years
- Computers: 4-5 years
- Equipment 5-15 years
- Furniture and office equipment: 2.5-15 years

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in *Other operating income* in the income statement in the year the asset is derecognized.

2.5.9.8 IFRS 16: Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

➢ **Bank as a lessee**

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within Note 18 Property, equipment and right-of-use assets and are subject to impairment in line with the Bank's policy as described in Note 2.5.9.11 Impairment of non-financial assets.

Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.9.8 IFRS 16: Leases (continued)

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

- **Bank as a lessor**

A lease is classified as a finance lease when the terms and conditions of the lease agreement substantially transfer all the risks and rewards of ownership to the lessee. Amounts owed by tenants under a finance lease agreement are recognised as receivables.

The recognition of a lease agreement is made at its commencement date. Commencement date is the date when the asset is made available for use to the lessee. Gross investment in the lease is the sum of all minimum lease payments plus any unsecured residual value. Finance lease income is allocated over the accounting periods to reflect a constant periodic return on the net investment remaining to the Bank.

The investment in the lease is subject to the impairment and derecognition rules of IFRS 9 "Financial Instruments" as described in notes 2.5.8 and 2.5.9 above.

2.5.9.9 Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives up to 5 years. Costs associated with maintaining computer software programs are recognized as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives over 5 years.
Licenses are capitalized on the basis of the costs incurred to acquire the specific license. These costs are amortized on the basis of the license period (5-20 years). Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.
An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.9.10 Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements (within Other liabilities) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the income statement in Net impairment loss on financial assets. 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.

2.5.9.11 Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

2.5.9.12 Employee benefits

The Bank's short-term employment benefits includes wages, bonuses, holiday pay and social security contributions and they are recognized as an expense as incurred.

Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

The Bank, in the normal course of business makes payments to the National House of Social Insurance and to the National House of Medical Insurance on behalf of its Moldovan employees for pension, health care and unemployment benefit. All employees of the Bank are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Moldovan State pension plan (a State defined contribution plan). All relevant contributions to the Moldovan State pension plan are recognized as an expense in the income statement as incurred. The Bank does not have any further obligations.

The Bank does not operate any independent pension scheme and, consequently, has no 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.

Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.9.13 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.5.9.14 Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred tax

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

- Where the deferred tax liability arises an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Since 1 January 2012 the corporate income tax rate is 12%.

Notes to the Financial Statements

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.9.15 Treasury shares

Ordinary shares acquired by the Bank are deducted from equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

2.5.9.16 Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2.5.9.17 Equity reserves

The reserves recorded in equity on the Bank's statement of financial position include general and prudential reserves that are required by the legislation.

2.5.9.18 Earnings per share

The Bank presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated based by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares.

Notes to the Financial Statements

2 Accounting policies (continued)

2.6 Standards issued but not yet effective and not early adopted

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments will not have impact on the financial position or performance of the Bank.

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments will not have impact on the financial position or performance of the Bank.

- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The amendments will not have impact on the financial position or performance of the Bank.

Notes to the Financial Statements

2 Accounting policies (continued)

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

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. The amendments have not yet been endorsed by the EU. The amendments will not have impact on the financial position or performance of the Bank.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The amendments will not have impact on the financial position or performance of the Bank.

2.7 Significant accounting judgements, estimates and assumptions

2.7.1 Impact of climate risk on accounting judgments and estimates. Current macroeconomic and geopolitical uncertainty

In the absence of the trigger for migration between stages based on the customer rating, in order to ensure the identification of the significant increase in credit risk and, respectively, for the allocation in stage 2, additional criteria should be set so that other events are also caught than those existing at the moment (payment delay over 30 days, classification as performing forborne, LTV>125% for Mortgage type products, WL2 allocation etc.).

It is considered appropriate to assign WL2 to the MSE clients, whose main activity is Cultivation of cereals (CAEN 01.11 Growing of cereals (excluding rice), leguminous plants and oil seed crops), the quality of the harvest being seriously affected by the climatic conditions and the macro-economic circumstances induced by the conflict in Ukraine resulted in a very low price.

The application of the above-mentioned criteria, carried out in December 2023, resulted in an additional provision for this clients of approximatively MDL 5.4 million compared to 30.11.2023.

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Notes to the Financial Statements

2 Accounting policies (continued)

2.7 Significant accounting judgements, estimates and assumptions

2.7.2 Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.7.3 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are disclosed for PD, LGD in Note 28.2.8.

2.7.4 Fair value of financial instruments

The fair value of the financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under the current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer–dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more detail in Note 27.1.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date. Where a fair value cannot be reliably be estimated, unquoted equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

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Notes to the Financial Statements

2 Accounting policies (continued)

2.7 Significant accounting judgements, estimates and assumptions (continued)

2.7.5 Impairment losses on financial instruments

The measurement of impairment losses under IFRS across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining 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. For more details refer to Note 15.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit rating model;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs; Selection of forward-looking macroeconomic scenarios. For more details refer Note 28.2.8.

2.7.6 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of financial position.

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

2.7.7 Provisions and other contingent liabilities

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings in local jurisdictions, arising in the ordinary course of the Bank's business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

For further details on provisions and other contingencies see Note 25.

Notes to the Financial Statements

3 Segment information

During 2023 and 2022 respectively, the bank has been organised into two operating segments based on products and services, as follows:

- Retail banking - Individual customers 'deposits and consumer loans, overdrafts, credit card facilities;
- Corporate banking - Loans and other credit facilities and deposits and currents accounts for corporate and institutional customers.

The Executive Management Committee 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 statement.

Interest income is reported net as managements primarily relies on net interest revenue as a performance measure, along with the gross income and expenses.

Transfer prices between operating segments are based on the bank's internal pricing framework.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2023 or 2022.

Profit segments

An analysis of the bank's income, for 2023 and 2022 is presented, as follows:

	Total	Retail	Non-Retail
(in thousands MDL)			
2023			
Interest income	**1,555,649**	507,114	1,048,535
Interest expense	**(738,086)**	(497,860)	(240,226)
Fee and commission income	**222,878**	135,516	87,362
2022			
Interest income	**1,327,044**	582,296	744,748
Interest expense	**(377,728)**	(225,163)	(152,565)
Fee and commission income	**222,506**	142,007	80,499

An analysis of the bank's assets and liabilities for 2023 and 2022 is presented, as follows:

	Total	Retail	Non-Retail
(in thousands MDL)			
31 December 2023			
Loans and advances to customers	**7,183,306**	3,393,606	3,789,700
Due to customers	**16,683,780**	10,286,240	6,397,540
31 December 2022			
Loans and advances to customers	**8,165,102**	4,089,264	4,075,838
Due to customers	**13,493,021**	9,043,599	4,449,422

Notes to the Financial Statements

4 Net interest income

Interest and similar income calculated using the effective interest rate

(in thousands MDL)	2023	2022
Cash and balances with Central Bank	209,360	295,481
Due from banks	35,754	7,657
Debt instruments at amortized cost	434,755	119,889
Loans and advances to customers	875,780	904,017
	1,555,649	**1,327,044**

The interest income accrued on impaired (Stage 3) Loans and advances to customers during 2023 amounted to MDL'000 25,210 (2022: MDL'000 16,083).

Interest and similar expense calculated using the effective interest rate

(in thousands MDL)	2023	2022
Due to customers	605,815	278,958
Borrowed funds from IFI's	128,644	68,500
Due to banks	469	11,951
Interest-related expenses on operating lease from customers	3,158	2,351
REPO with NBM	-	15,968
	738,086	**377,728**

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Notes to the Financial Statements

5 Net fee and commission income

Net fee and commission income includes fees and commission income from various banking services, including income from banking services regarding domestic and international payments, less fees and commission expenses paid for similar services received by the Bank.

5.1 Fee and commission income

	Total	31 December 2023	
		Fee income earned from services that are provided over time:	Fee income from providing financial services at a point in time:
(in thousands MDL)			
Payment processing	70,009	-	70,009
Transactions with cards	68,675	-	68,675
Cash transactions	22,922	-	22,922
Guarantee fee income	13,448	-	13,448
Current accounts administration	13,238	13,238	-
Early repayment fees	5,901	-	5,901
SMS banking	3,717	-	3,717
Cash collection fee	3,426	-	3,426
Remote banking	3,246	3,246	-
Cash transactions in foreign currency-interbank	2,990	-	2,990
Distribution of social payments	2,767	-	2,767
Transfers through international payment systems	2,628	-	2,628
loans commitment fees	2,584	-	2,584
loans upfront fees	1,632	-	1,632
Broker fees	1,061	-	1,061
insurance fees	781	-	781
loans renewal fees	579	-	579
Consulting service	552	-	552
Letters of credit	307	-	307
Other	2,415	-	2,415
	222,878	**16,484**	**203,979**

Notes to the Financial Statements

5 Net fee and commission income (continued)

5.1 Fee and commission income (continued)

	Total	31 December 2022	
		Fee income earned from services that are provided over time:	Fee income from providing financial services at a point in time:
(in thousands MDL)			
Payment processing	66,042	-	66,042
Transactions with cards	65,542	-	65,542
Cash transactions	30,795	-	30,795
Current accounts administration	12,325	12,325	-
Guarantee fee income	9,936	-	9,936
Early repayment fees	6,869	-	6,869
Remote banking	3,957	3,957	-
Cash collection fee	3,508	-	3,508
SMS banking	3,378	-	3,378
Transfers through international payment systems	3,310	-	3,310
Cash transactions in foreign currency-interbank	3,025	-	3,025
Distribution of social payments	2,726	-	2,726
Loans commitment fees	2,689	-	2,689
Loans renewal fees	1,622	-	1,622
Broker fees	738	-	738
Insurance fees	664	-	664
Letters of credit	580	-	580
Loans upfront fees	376	-	376
Other	4,424	-	4,424
	222,506	**16,282**	**206,224**

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Notes to the Financial Statements

5 Net fee and commission income (continued)

5.2 Fee and commission expense (continued)

(in thousands MDL)	2023	2022
Transactions with cards	63,212	53,295
Commissions on interbank transfers	17,422	18,326
Cash transactions in foreign currency - interbank	4,975	7,458
Contributions to deposit guarantee fund (1)	7,538	5,953
Other	4,118	1,936
	97,265	**86,968**

(1) In accordance with the Law No. 575-XV "On Guaranteeing of Deposits Placed in the Banks" of 26 December 2003 and its modification LP227 from 01.11.18, MO441-447/30.11.18 art. 703 in force from 01.01.20, subsequent "Regulation on Methodology on Calculation and Payment of Contribution in Deposit Guarantee Fund of the Republic of Moldova" of 20 August 2004 and it's modification HFGDSB03/2 from 18.02.19, MO111-118/29.03.19 art.576 in force 01.01.20, the Bank has to transfer to the Deposit Guarantee Fund a contribution equal to 0.08% of total deposits outstanding at the end of each quarter (only for qualified deposits, as stipulated in the law). In 2023 Parliament partially transposes into national law Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on Deposit Guarantee Schemes (Review) and adopted a new Law No. 160 from 22.06.2023. Under the newly adopted Law the target level of the Bank Deposit Cover Fund is 4% of total guaranteed deposits registered in the banking system. At the Bank level, the annual rate of the ordinary contribution is 0.3%.The Bank prepares the basis for the calculation of contribution based on its database of client deposits on a monthly basis and the ordinary contribution is paid quarterly as one-fourth of the annual ordinary contribution rate to the arithmetic average of the guaranteed deposit amounts, recorded in the member institution on the last day of each month of the management quarter. The expenditure with contribution to deposits guarantee fund is accrued monthly i.e. 15th day of the next month from the reported quarter.

6 Net trading income

(in thousands MDL)	2023	2022
Foreign exchange result on transactions with:		
Corporate clients	276,353	227,045
Individuals	44,952	52,446
Banks	25,825	34,237
Result from revaluation	(12,681)	(8,508)
	334,449	**305,220**

7 Credit loss expense on financial assets

(in thousands MDL)	2023	2022
Loans and advance to customers	(159,728)	307,040
Financial guarantee contracts	751	118
Other assets	(1,537)	4,246
Due from banks	(14,645)	6,167
Debt instruments at amortized cost	(2,228)	23,955
	(177,387)	**341,526**

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Notes to the Financial Statements

7 Credit loss expense on financial assets (continued)

The table below shows the ECL charges on financial instruments for 31 December 2023 recorded in the income statement under IFRS 9:

	Note	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)						
Due from banks	14	(14,645)	-	-	-	**(14,645)**
Loans and advances to customers	15	(142,672)	(36,311)	14,665	4,590	**(159,728)**
Debt instruments measured at amortized cost	16	(2,228)	-	-	-	**(2,228)**
Other assets	20	(1,849)	-	312	-	**(1,537)**
Financial guarantees	25	(631)	3,857	(185)	-	**3,041**
Loan commitments	25	(2,890)	(159)	759	-	**(2,290)**
Letters of credit	25	-	-	-	-	**-**
Total impairment loss		**(164,915)**	**(32,613)**	**15,551**	**4,590**	**(177,387)**

The table below shows the impairment charges recorded in the income statement during 2022:

	Note	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)						
Due from banks	14	5,859	308	-	-	**6,167**
Loans and advances to customers	15	46,024	251,207	12,573	(2,764)	**307,040**
Debt instruments measured at amortized cost	16	23,955	-	-	-	**23,955**
Other assets	20	2,940	-	1,306	-	**4,246**
Financial guarantees	25	1,338	4,049	659	-	**6,046**
Loan commitments	25	(4,555)	(1,713)	(262)	-	**(6,530)**
Letters of credit	25	225	377	-	-	**602**
Total impairment loss		**75,786**	**254,228**	**14,276**	**(2,764)**	**341,526**

8 Other operating income

	2023	2022
(in thousands MDL)		
Gain from disposal of fixed assets	31	90
Fines, penalties and other sanctions	114	123
Other income from dormant accounts	530	1,324
Other operating income	640	1,222
Income from recoveries of credits and payments thereof	17,462	8,063
Total other operating income	**18,777**	**10,822**

9 Personnel expenses

	2023	2022
(in thousands MDL)		
Wages and salaries	211,429	190,963
Bonuses	41,865	39,458
Social security costs	64,005	57,931
Accrual for employee benefits and related contribution	30,694	33,449
Meal tickets	13,767	10,903
Other payments	1,957	1,928
	363,717	**334,632**

The average number of staff employed by the Bank in 2023 was 872 (2022: 875).

Notes to the Financial Statements

10 Other operating expenses

	2023	2022
(in thousands MDL)		
Maintenance of intangibles	33,818	43,898
Repair and maintenance of fixed assets	25,472	24,793
Rent and utilities	15,718	13,978
Contribution to resolution fund	14,782	19,319
Advertising and publishing	10,460	12,947
Consulting and auditing (1)	9,201	12,973
Telecommunication	8,025	10,290
Training	7,759	4,948
Insurance	7,006	7,508
Security costs	5,556	5,436
Consumables and LVA	5,273	3,343
Information cost	5,198	4,945
Travel and transportation	3,522	1,975
Taxes and duties	3,251	3,229
OK Foundation contribution	1,500	1,600
Other provision for operational risk	1,135	475
Charity	1,126	2,533
Representation expenses	854	280
Result of disposal of fixed assets	226	45
Other	9,462	14,100
	169,344	**188,615**

(1) The line "Consulting and auditing" includes the expense related to the audit of financial statements in amount of MDL '000 2,732 (2022: MDL '000 2,116).

11 Income tax expense

	2023	2022
(in thousands MDL)		
Current tax		
Current income tax	105,287	59,247
Deferred tax		
Relating to origination and reversal of temporary differences	34	791
Income tax expense	**105,321**	**60,038**

During 2023 the corporate income tax rate was 12% (2022: 12%).

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Notes to the Financial Statements

11 Income tax expense (continued)

11.1 Reconciliation of the total tax charge

Reconciliation between the tax expense and the accounting profit multiplied by the tax rate enforced in the Republic of Moldova for the years ended 31 December 2023 and 2022 is, as follows:

	2023	2022
(in thousands MDL)		
Accounting profit before tax	868,436	463,145
At statutory income tax rate of 12% (2022: 12%)	104,212	55,577
Adjustment in respect of current income tax of prior years	(503)	(901)
Income not subject to tax	429	(331)
Non–deductible expenses	1,183	5,693
Income tax expense reported in the income statement	**105,321**	**60,038**

The effective income tax rate for 2023 is 12.13% (2022: 11.13%).

Effective 2023 Impairment losses on loans and advances to customers are deductible based on IFRS rules, resulting in release of related deferred tax liabilities.

Non–deductible expenses mainly include accruals and provisions, which do not meet the deductibility requirements based on tax rules.

11.2 Deferred tax

The following table shows deferred tax recorded on the statement of financial position in other assets and other liabilities and changes recorded in the Income tax expense:

31 December 2023	Deferred tax Assets	Deferred tax Liabilities	NET	Charge in Income statement
(in thousands MDL)				
Property and equipment	-	1,858	1,858	(297)
Other liabilities	(6,710)		(6,710)	331
	(6,710)	**1,858**	**(4,852)**	**34**

31 December 2022	Deferred tax Assets	Deferred tax Liabilities	NET	Charge in Income statement
(in thousands MDL)				
Property and equipment	-	2,154	2,154	1,127
Other liabilities	(7,040)		(7,040)	(336)
	(7,040)	**2,154**	**(4,886)**	**791**

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Notes to the Financial Statements

12 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of Bank by the weighted average number of ordinary shares outstanding during the year.

	2023	2022
(in thousands MDL)		
Net profit attributable to ordinary equity holders	763,115	403,107
Weighted average number of ordinary shares	9,994,394	9,994,394
Basic earnings per share (MDL/share)	76.35	40.33
Dividends per share (MDL/share)	29.44	-

The diluted earnings per share is equal to the basic earnings per share as there are no dilutive instruments as at the end of year.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements which would require the restatement of earnings per share.

13 Cash and balances with Central Bank

	31 December 2023	31 December 2022
(in thousands MDL)		
Cash on hand	580,887	574,254
Current account with Central bank	3,607,977	2,976,860
Mandatory reserve deposit held in foreign currency	2,783,592	3,274,878
Impairment on balances with Central bank (Stage 1)	(4,337)	(18,723)
	6,968,119	**6,807,269**

Current account and obligatory reserves

The National Bank of Moldova (NBM) requires commercial banks to maintain for liquidity purposes mandatory reserves calculated at a certain rate of the average funds borrowed by banks during the previous month (period between date 16 of the previous month and date 15 of the current month) including all customer deposits.

The Bank maintains its mandatory reserves in a current account opened with the NBM on funds attracted in Moldovan Lei and non-convertible currencies. Mandatory reserves on funds denominated in USD and EUR and other free-convertible currencies are held in a special obligatory reserves accounts with NBM.

The exposure to Central Bank is classified at Stage 1.

As of 31 December 2023 the rate for calculation of the obligatory reserve in local currency was 33% (31 December 2022: 37%) and in foreign currencies 43% (31 December 2022: 45%).

As of 31 December 2023 the Bank had to maintain as obligatory reserve in MDL an average of MDL'000 3,185,208 (2022: MDL'000 2,830,198), in USD of USD'000 50,431 (2022: USD'000 54,486) and in EUR of EUR'000 98,998 (2022: EUR'000 110,501). As of 31 December 2023 and 2022 the Bank is in line with the above mentioned limits.

Notes to the Financial Statements

14 Due from banks

(in thousands MDL)	31 December 2023	31 December 2022
Current accounts	1,472,862	231,004
Overnight deposits	792,312	580,600
Term deposits	105,413	91,117
Total, gross	**2,370,587**	**902,721**
Allowances for Impairment for Current accounts	(1,949)	(1,455)
Allowances for Impairment for Overnight deposits	(1,054)	(2,564)
Allowances for Impairment for Term deposits	(117)	(402)
Total Allowances for Impairment	**(3,120)**	**(4,421)**
Total, net	**2,367,467**	**898,300**

14.1 Impairment allowances for due from banks

The tables below show gross amount, credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification of due to banks:

Current accounts

(in thousands MDL)	31 December 2023	31 December 2022
Current accounts	1,472,862	231,004
Less: Allowance for impairment losses	(1,949)	(1,455)
	1,470,913	**229,549**

Overnight deposits

(in thousands MDL)	31 December 2023	31 December 2022
Overnight deposits	792,312	580,600
Less: Allowance for impairment losses	(1,054)	(2,564)
	791,258	**578,036**

Term deposits

(in thousands MDL)	31 December 2023	31 December 2022
Term deposits (1)	105,413	91,117
Less: Allowance for impairment losses (2)	(117)	(402)
	105,296	**90,715**

Notes to the Financial Statements

14 Due from banks (continued)

14.1 Impairment allowances for due from banks (continued)

(1) Term deposits include short-term and long-term placements in COMMERZBANK FRANKFURT/MAIN, GERMANIA, RAIFFEISEN BANK INTERNATIONAL AG and SOCIETE GENERALE, PARIS, including accrued interest.

(2) ECL for term deposits is classified according to accounting policy as Stage 1 collective. By internal credit rating system term deposits are neither past due nor impaired.

An analysis of gross carrying amount in relation to due from banks is for the year ended 31 December 2023, as follows:

Current accounts

(in thousands MDL)	Stage 1 collective
Gross carrying amount as at 1 January 2023	**231,004**
New assets originated or purchased	1,266,317
Assets derecognized or repaid (excluding write offs)	(9,486)
Changes to contractual cash flows due to modifications not resulting in de-recognition	
Amounts written off	
Foreign exchange adjustments	(14,973)
Gross carrying amount as at 31 December 2023	**1,472,862**

Overnight deposits

(in thousands MDL)	Stage 1 collective
Gross carrying amount as at 1 January 2023	**580,600**
New assets originated or purchased	792,312
Assets derecognized or repaid (excluding write offs)	(580,600)
Changes to contractual cash flows due to modifications not resulting in de-recognition	
Amounts written off	
Foreign exchange adjustments	-
Gross carrying amount as at 31 December 2023	**792,312**

Term deposits

(in thousands MDL)	Stage 1 collective
Gross carrying amount as at 1 January 2023	**91,117**
New assets originated or purchased	18,865
Assets derecognized or repaid (excluding write offs)	-
Changes to contractual cash flows due to modifications not resulting in de-recognition	(4,569)
Amounts written off	-
Foreign exchange adjustments	-
Gross carrying amount as at 31 December 2023	**105,413**

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Notes to the Financial Statements

14 Due from banks (continued)

14.1 Impairment allowances for due from banks (continued)

An analysis of charges in the gross carrying amount in relation to due from banks is for the year ended 31 December 2022, as follows:

Current accounts

(in thousands MDL)	Stage 1 collective
Gross carrying amount as at 1 January 2022	**1,678,265**
New assets originated or purchased	-
Assets derecognized or repaid (excluding write offs)	(1,477,770)
Changes to contractual cash flows due to modifications not resulting in de-recognition	-
Amounts written off	-
Foreign exchange adjustments	30,509
Gross carrying amount as at 31 December 2022	**231,004**

Overnight deposits

(in thousands MDL)	Stage 1 collective
Gross carrying amount as at 1 January 2022	**558,974**
New assets originated or purchased	-
Assets derecognized or repaid (excluding write offs)	(22,878)
Changes to contractual cash flows due to modifications not resulting in de-recognition	-
Amounts written off	-
Foreign exchange adjustments	44,504
Gross carrying amount as at 31 December 2022	**580,600**

Term deposits

(in thousands MDL)	Stage 1 collective
Gross carrying amount as at 1 January 2022	**90,028**
New assets originated or purchased	-
Assets derecognized or repaid (excluding write offs)	(247)
Changes to contractual cash flows due to modifications not resulting in de-recognition	-
Amounts written off	-
Foreign exchange adjustments	1,336
Gross carrying amount as at 31 December 2022	**91,117**

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Notes to the Financial Statements

14 Due from banks (continued)

14.1 Impairment allowances for due from banks (continued)

An analysis of charges in the corresponding ECL allowances in relation to due from banks is for the year ended 31 December 2023, as follows:

Current accounts

	Stage 1 collective
(in thousands MDL)	
ECL allowance as at 1 January 2023 under IFRS 9	1,455
New assets originated or purchased	1,036
Methodology changes, including risk parameters changes	(361)
Net ECL Charge	**675**
Foreign exchange adjustments	(181)
ECL allowance as at 31 December 2023	**1,949**

Overnight deposits

	Stage 1 collective
(in thousands MDL)	
ECL allowance as at 1 January 2023 under IFRS 9	2,564
New assets originated or purchased	1,054
Methodology changes, including risk parameters changes	(2,564)
Net ECL Charge	**(1,510)**
Foreign exchange adjustments	0
ECL allowance as at 31 December 2023	**1,054**

Term deposits

	Stage 1 collective
(in thousands MDL)	
ECL allowance as at 1 January 2023 under IFRS 9	402
New assets originated or purchased	(215)
Methodology changes, including risk parameters changes	(50)
Net ECL Charge	**(265)**
Foreign exchange adjustments	(20)
ECL allowance as at 31 December 2023	**117**

Notes to the Financial Statements

14 Due from banks (continued)

14.1 Impairment allowances for due from banks (continued)

An analysis of charges in the corresponding ECL allowances in relation to due from banks is for the year ended 31 December 2022, as follows:

Current accounts

(in thousands MDL)	Stage 1 collective
ECL allowance as at 1 January 2022 under IFRS 9	6,347
New assets originated or purchased	-
Methodology changes, including risk parameters changes	(5,003)
Net ECL Charge	**(5,003)**
Foreign exchange adjustments	111
ECL allowance as at 31 December 2022	**1,455**

Overnight deposits

(in thousands MDL)	Stage 1 collective
ECL allowance as at 1 January 2022 under IFRS 9	1,990
New assets originated or purchased	
Methodology changes, including risk parameters changes	416
Net ECL Charge	**416**
Foreign exchange adjustments	158
ECL allowance as at 31 December 2022	**2,564**

Term deposits

(in thousands MDL)	Stage 1 collective
ECL allowance as at 1 January 2022 under IFRS 9	**328**
New assets originated or purchased	
Methodology changes, including risk parameters changes	69
Net ECL Charge	**69**
Foreign exchange adjustments	5
ECL allowance as at 31 December 2022	**402**

Notes to the Financial Statements

15 Loans and advances to customers and Leasing

The Bank's commercial lending is concentrated on companies and individuals domiciled in Moldova.

(in thousands MDL)	31 December 2023	31 December 2022
Loans and advances to customers, gross	7,561,582	8,757,665
Less: Allowance for impairment losses	(378,276)	(592,563)
	7,183,306	**8,165,102**
out of which:		
Leasing, gross	230,502	256,113
Less: Allowance for impairment losses	(6,384)	(10,103)
	224,118	**246,010**

As of 31 December 2023 the outstanding of loans granted to related parties amounted at MDL'000 1,831 (2022: MDL'000 2,464) at an average interest rate of 11.50% per annum (2022: 13.04% per annum) (Note 32).

Segments of loans and advances to customers are described in the table below:

(in thousands MDL)	31 December 2023	31 December 2022
MLE	3,786,690	4,091,865
Consumer	1,088,096	1,484,879
Mortgage	1,923,158	2,261,590
MSE	533,136	663,218
Leasing	230,502	256,113
	7,561,582	**8,757,665**
Less: Allowance for ECL/impairment losses	(378,276)	(592,563)
	7,183,306	**8,165,102**

Notes to the Financial Statements

15 Loans and advances to customers and Leasing (continued)

15.1 Impairment allowance for loans and advances to customers and Leasing

15.1.1 MLE

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification for Medium and Large Enterprises (MLE). The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 28 the policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 28.

	31 December 2023				
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	Total
Probability of Default rates	**1.50%**	**18.50%**	**100.00%**	**100.00%**	
(in thousands MDL)					
Internal rating grade					
Neither past due nor impaired	3,274,005	65,146	-	-	3,339,151
Past due but not impaired	265,623	26,720	-	-	**292,343**
Non-performing	-	-	12,930	-	**12,930**
Individually impaired	-	-	-	142,266	**142,266**
Total	**3,539,628**	**91,866**	**12,930**	**142,266**	**3,786,690**

	31 December 2022				
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	Total
Probability of Default rates	**3.0%**	**26.2%**	**100%**	**100%**	
(in thousands MDL)					
Internal rating grade					
Neither past due nor impaired	3,659,715	213,612	-	-	**3,873,327**
Past due but not impaired	86,678	34,650	-	-	**121,328**
Non-performing	-	-	7,963	-	**7,963**
Individually impaired	-	-	-	89,247	**89,247**
Total	**3,746,393**	**248,262**	**7,963**	**89,247**	**4,091,865**

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Notes to the Financial Statements

15 Loans and advances to customers and Leasing (continued)

15.1 Impairment allowance for loans and advances to customers and Leasing (continued)

15.1.1 MLE (continued)

An analysis of charges in the gross carrying amount in relation to MLE lending is for the year ended 31 December 2023, as follows:

(in thousands MDL)	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
Gross carrying amount as at 1 January 2023	**3,746,393**	**248,262**	**7,963**	**89,247**	**4,091,865**
New assets originated or purchased	1,917,558	-	-	-	**1,917,558**
Assets derecognized or repaid (excluding write offs)	(2,090,451)	(134,868)	(2,757)	(126,017)	**(2,354,093)**
Transfers to S1	34,158	(34,158)	-	-	-
Transfers to S2	(43,992)	43,992	-	-	-
Transfers to S3	(95,726)	(5,616)	5,616	95,726	-
Movements of accrued interest	2,339	271	497	11,809	**14,916**
Change in segmentation	153,056	(23,164)	2,249	76,733	**208,874**
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	(83,707)	(2,853)	(638)	(5,232)	**(92,430)**
Gross carrying amount as at 31 December 2023	**3,539,628**	**91,866**	**12,930**	**142,266**	**3,786,690**

An analysis of charges in the gross carrying amount in relation to Corporate and SME lending is for the year ended 31 December 2022, as follows:

(in thousands MDL)	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
Gross carrying amount as at 1 January 2022	**3,647,668**	**124,060**	**9,690**	**69,785**	**3,851,203**
New assets originated or purchased	2,076,615	-	-	-	**2,076,615**
Assets derecognized or repaid (excluding write offs)	(1,898,784)	(89,701)	(8,331)	(23,180)	**(2,019,996)**
Transfers to S1	23,940	(23,940)	-	-	-
Transfers to S2	(228,428)	232,714	(4,286)	-	-
Transfers to S3	(12,960)	(4,521)	89	17,392	-
Movements of accrued interest	11,155	619	(31)	3,855	**15,598**
Change in segmentation	89,131	7,389	13,036	19,175	**128,731**
Amounts written off	-	-	(2,416)	-	(2,416)
Foreign exchange adjustments	38,055	1,642	212	2,221	**42,130**
Gross carrying amount as at 31 December 2022	**3,746,392**	**248,262**	**7,963**	**89,248**	**4,091,865**

Notes to the Financial Statements

15 Loans and advances to customers and Leasing (continued)

15.1 Impairment allowance for loans and advances to customers and Leasing (continued)

15.1.1 MLE (continued)

An analysis of charges in the corresponding ECL allowances in relation to Corporate and SME lending is for the year ended 31 December 2023, as follows:

(in thousands MDL)	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
ECL allowance as at 1 January 2023 under IFRS 9	**95,265**	**51,253**	**6,659**	**64,446**	**217,623**
New assets originated or purchased	38,845	-	-	-	**38,845**
Assets derecognized or repaid (excluding write offs)	(52,177)	(24,146)	(706)	(26,790)	**(103,819)**
Transfers to S1	11,497	(11,497)	-	-	-
Transfers to S2	(3,496)	3,496	-	-	-
Transfers to S3	(22,297)	(8,391)	15,196	15,492	-
Impact on ECL of modifications	(5,125)	3,451	(11,484)	46,329	**33,171**
Unwinding	-	-	338	1,181	**1,519**
Changes to inputs used for ECL calculations	(15,994)	(956)	127	3,800	**(13,023)**
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	(2,527)	(597)	(351)	(2,329)	**(5,804)**
Net ECL Charge	(51,274)	(38,640)	3,120	37,683	**(49,111)**
ECL allowance as at 31 December 2023	**43,991**	**12,613**	**9,779**	**102,129**	**168,512**

An analysis of charges in the corresponding ECL allowances in relation to Corporate and SME lending is for the year ended 31 December 2022, as follows:

(in thousands MDL)	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
ECL allowance as at 1 January 2022 under IFRS 9	**59,857**	**16,867**	**6,235**	**41,135**	**124,094**
New assets originated or purchased	79,743	-	-	-	**79,743**
Assets derecognized or repaid (excluding write offs)	(31,001)	(7,192)	(6,676)	(181)	**(45,050)**
Transfers to S1	4,611	(4,611)	-	-	-
Transfers to S2	(24,425)	27,788	(3,364)	-	-
Transfers to S3	(7,868)	(2,802)	64	10,606	-
Impact on ECL of modifications	(2,698)	19,586	12,023	(3,067)	**25,844**
Unwinding	-	-	-	206	**206**
Changes to inputs used for ECL calculations	16,347	1,495	621	14,958	**33,421**
Amounts written off	-	-	(2,416)	-	(2,416)
Foreign exchange adjustments	698	122	172	995	**1,987**
Net ECL Charge	35,407	34,386	424	23,517	**93,734**
ECL allowance as at 31 December 2022	**95,264**	**51,253**	**6,659**	**64,652**	**217,828**

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Notes to the Financial Statements

15 Loans and advances to customers and Leasing (continued)

15.1 Impairment allowance for loans and advances to customers and Leasing (continued)

15.1.2 Consumer

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 28 the policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 28.

	31 December 2023				
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3 Collective**	**Stage 3 Individual**	**Total**
Probability of Default rates	**3.80%**	**29.60%**	**100.00%**	**100.00%**	
(in thousands MDL)					
Internal rating grade					
Neither past due nor impaired	**827,485**	**129,774**	-	-	**957,259**
Past due but not impaired	38,353	56,256	-	-	**94,609**
Non-performing	-	-	36,228	-	**36,228**
Individually impaired	-	-	-	-	**0**
Total	**865,838**	**186,030**	**36,228**	**0**	**1,088,096**

	31 December 2022				
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3 Collective**	**Stage 3 Individual**	**Total**
Probability of Default rates	**3.7%**	**33.2%**	**100%**	**100%**	
(in thousands MDL)					
Internal rating grade					
Neither past due nor impaired	1,026,031	242,519	-	-	**1,268,550**
Past due but not impaired	61,275	107,425	-	-	**168,700**
Non-performing	-	-	47,629	-	**47,629**
Individually impaired	-	-	-	-	**-**
Total	**1,087,306**	**349,944**	**47,629**	**0**	**1,484,879**

Notes to the Financial Statements

15 Loans and advances to customers and Leasing (continued)

15.1 Impairment allowance for loans and advances to customers and Leasing (continued)

15.1.2 Consumer (continued)

An analysis of charges in the gross carrying amount in relation to consumer lending is for the year ended 31 December 2023, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
Gross carrying amount as at 1 January 2023	**1,087,306**	**349,944**	**47,629**	-	**1,484,879**
New assets originated or purchased	310,828	-	-	-	**310,828**
Assets derecognized or repaid (excluding write offs)	(564,971)	(138,897)	(67,567)	-	**(771,435)**
Transfers to S1	29,919	(29,351)	(568)	-	-
Transfers to S2	(33,954)	35,867	(1,913)	-	-
Transfers to S3	(6,648)	(16,814)	23,462	-	-
Movements of accrued interest	31,869	14,093	6,582	-	**52,544**
Change in segmentation	11,506	(28,702)	80,427	-	**63,231**
Amounts written off	-	-	(51,542)	-	(51,542)
Foreign exchange adjustments	(17)	(110)	(282)	-	**(409)**
Gross carrying amount as at 31 December 2023	**865,838**	**186,030**	**36,228**	-	**1,088,096**

An analysis of charges in the gross carrying amount in relation to consumer lending is for the year ended 31 December 2022, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
Gross carrying amount as at 1 January 2022	**1,745,494**	**155,290**	**19,406**	-	**1,920,190**
New assets originated or purchased	345,232	-	-	-	345,232
Assets derecognized or repaid (excluding write offs)	(683,320)	(111,353)	(12,560)	-	(807,233)
Transfers to S1	11,597	(11,538)	(59)	-	-
Transfers to S2	(268,115)	272,983	(4,868)	-	-
Transfers to S3	(31,084)	(12,208)	43,292	-	-
Movements of accrued interest	21,357	9,826	2,130	-	33,313
Change in segmentation	(53,888)	46,800	28,219	-	21,131
Amounts written off	-	-	(27,932)	-	(27,932)
Foreign exchange adjustments	35	143	-	-	178
Gross carrying amount as at 31 December 2022	**1,087,308**	**349,943**	**47,628**	-	**1,484,879**

Notes to the Financial Statements

15 Loans and advances to customers and Leasing (continued)

15.1 Impairment allowance for loans and advances to customers and Leasing (continued)

15.1.2 Consumer (continued)

An analysis of charges in the corresponding ECL allowances in relation to consumer lending is for the year ended 31 December 2023, as follows:

(in thousands MDL)	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
ECL allowance as at 1 January 2023 under IFRS 9	**28,015**	**79,566**	**33,871**	-	**141,452**
New assets originated or purchased	9,447	-	-	-	**9,447**
Assets derecognized or repaid (excluding write offs)	(13,429)	(22,409)	(28,677)	-	**(64,515)**
Transfers to S1	8,569	(8,058)	(511)	-	-
Transfers to S2	(1,688)	3,268	(1,580)	-	-
Transfers to S3	(2,363)	(20,182)	22,545	-	-
Impact on ECL of modifications	(5,369)	8,842	52,549	-	**56,022**
Unwinding	-	-	(18)	-	**(18)**
Changes to inputs used for ECL calculations	1,178	(5,897)	(207)	-	**(4,926)**
Amounts written off	-	-	(51,542)	-	(51,542)
Foreign exchange adjustments	-	(110)	(282)	-	**(392)**
Net ECL Charge	(3,655)	(44,546)	(7,723)	-	**(55,924)**
ECL allowance as at 31 December 2023	**24,360**	**35,020**	**26,148**	-	**85,528**

An analysis of charges in the corresponding ECL allowances in relation to consumer lending is for the year ended 31 December 2022, as follows:

(in thousands MDL)	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
ECL allowance as at 1 January 2022 under IFRS 9	**22,548**	**25,417**	**13,638**	-	**61,604**
New assets originated or purchased	29,844	-	-	-	**29,844**
Assets derecognized or repaid (excluding write offs)	(8,481)	(5,472)	(1,517)	-	**(15,470)**
Transfers to S1	2,315	(2,245)	(71)	-	-
Transfers to S2	(19,449)	23,939	(4,491)	-	-
Transfers to S3	(7,221)	(5,015)	12,236	-	-
Impact on ECL of modifications	(1,903)	37,874	41,656	-	**77,627**
Unwinding	-	-	23	-	**23**
Changes to inputs used for ECL calculations	10,362	4,925	350	-	**15,637**
Amounts written off	-	-	(27,932)	-	(27,932)
Foreign exchange adjustments	1	142	1	-	**144**
Net ECL Charge	5,468	54,148	20,255	-	**79,871**
ECL allowance as at 31 December 2022	**28,016**	**79,565**	**33,893**	-	**141,474**

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Notes to the Financial Statements

15 Loans and advances to customers and Leasing (continued)

15.1 Impairment allowance for loans and advances to customers and Leasing (continued)

15.1.3 Mortgage

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 28 the policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 28.

	31 December 2023				
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	Total
Probability of Default rates	**0.70%**	**17.10%**	**100.00%**	**100.00%**	
(in thousands MDL)					
Internal rating grade					
Neither past due nor impaired	1,450,863	299,019	-	-	**1,749,882**
Past due but not impaired	57,836	58,576	-	-	**116,412**
Non-performing	-	-	56,864	-	**56,864**
Individually impaired	-	-	-	-	**0**
Total	**1,508,699**	**357,595**	**56,864**	**0**	**1,923,158**

	31 December 2022				
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	Total
Probability of Default rates	**2.4%**	**25.8%**	**100%**	**100%**	
(in thousands MDL)					
Internal rating grade					
Neither past due nor impaired	1,632,001	424,018	-	-	**2,056,019**
Past due but not impaired	55,401	100,831	-	-	**156,232**
Non-performing	-	-	49,339	-	**49,339**
Individually impaired	-	-	-	-	**-**
Total	**1,687,402**	**524,849**	**49,339**	**-**	**2,261,590**

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Notes to the Financial Statements

15 Loans and advances to customers and Leasing (continued)

15.1 Impairment allowance for loans and advances to customers and Leasing (continued)

15.1.3 Mortgage (continued)

An analysis of charges in the gross carrying amount in relation to mortgage lending is for the year ended 31 December 2023, as follows:

(in thousands MDL)	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
Gross carrying amount as at 1 January 2023	**1,687,402**	**524,849**	**49,339**	**-**	**2,261,590**
New assets originated or purchased	63,291	-	-	-	**63,291**
Assets derecognized or repaid (excluding write offs)	(294,840)	(87,882)	(10,640)	-	**(393,362)**
Transfers to S1	84,966	(84,723)	(243)	-	-
Transfers to S2	(31,727)	34,406	(2,679)	-	-
Transfers to S3	(1,823)	(15,193)	17,016	-	-
Movements of accrued interest	16,483	3,668	3,202	-	**23,353**
Change in segmentation	(4,723)	(16,537)	1,007	-	**(20,253)**
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	(10,332)	(992)	(137)	-	**(11,461)**
Gross carrying amount as at 31 December 2023	**1,508,697**	**357,596**	**56,865**	**-**	**1,923,158**

An analysis of charges in the gross carrying amount in relation to mortgage lending is for the year ended 31 December 2022, as follows:

(in thousands MDL)	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
Gross carrying amount as at 1 January 2022	**2,191,263**	**197,490**	**33,616**	**-**	**2,422,369**
New assets originated or purchased	253,796	-	-	-	**253,796**
Assets derecognized or repaid (excluding write offs)	(363,468)	(68,539)	(7,791)	-	**(439,798)**
Transfers to S1	36,049	(35,510)	(539)	-	-
Transfers to S2	(402,201)	404,346	(2,145)	-	-
Transfers to S3	(12,267)	(11,207)	23,474	-	-
Movements of accrued interest	12,302	4,037	759	-	**17,098**
Change in segmentation	(31,931)	33,583	1,868	-	**3,520**
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	3,859	649	97	-	**4,605**
Gross carrying amount as at 31 December 2022	**1,687,402**	**524,849**	**49,339**	**-**	**2,261,590**

Notes to the Financial Statements

15 Loans and advances to customers and Leasing (continued)

15.1 Impairment allowance for loans and advances to customers and leasing (continued)

15.1.3 Mortgage (continued)

An analysis of charges in the corresponding ECL allowances in relation to mortgage lending is for the year ended 31 December 2023, as follows:

(in thousands MDL)	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
ECL allowance as at 1 January 2023 under IFRS 9	**29,431**	**87,313**	**31,322**	-	**148,066**
New assets originated or purchased	408	-	-	-	**408**
Assets derecognized or repaid (excluding write offs)	(4,808)	(12,996)	(5,265)	-	**(23,069)**
Transfers to S1	15,822	(15,618)	(204)	-	-
Transfers to S2	(689)	2,413	(1,724)	-	-
Transfers to S3	(3,107)	(12,753)	15,860	-	-
Impact on ECL of modifications	(14,389)	5,733	(7,803)	-	**(16,459)**
Unwinding	-	-	1,072	-	**1,072**
Changes to inputs used for ECL calculations	(14,562)	(19,336)	(3,682)	-	**(37,580)**
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	(233)	(123)	(80)	-	**(436)**
Net ECL Charge	(21,558)	(52,680)	(1,826)	-	**(76,064)**
ECL allowance as at 31 December 2023	**7,873**	**34,633**	**29,496**	-	**72,002**

An analysis of charges in the corresponding ECL allowances in relation to mortgage lending is for the year ended 31 December 2022, as follows:

(in thousands MDL)	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
ECL allowance as at 1 January 2022 under IFRS 9	**10,823**	**19,477**	**17,393**	-	**47,693**
New assets originated or purchased	17,163	-	-	-	**17,163**
Assets derecognized or repaid (excluding write offs)	(1,713)	(2,353)	(2,255)	-	**(6,320)**
Transfers to S1	4,339	(4,015)	(324)	-	-
Transfers to S2	(15,260)	16,296	(1,037)	-	-
Transfers to S3	(739)	(1,569)	2,308	-	-
Impact on ECL of modifications	(3,717)	50,800	12,341	-	**59,423**
Unwinding	-	-	211	-	**211**
Changes to inputs used for ECL calculations	18,513	8,665	2,894	-	**30,072**
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	24	12	1	-	**37**
Net ECL Charge	18,610	67,836	14,139	-	**100,585**
ECL allowance as at 31 December 2022	**29,433**	**87,313**	**31,532**	-	**148,278**

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Notes to the Financial Statements

15 Loans and advances to customers and Leasing (continued)

15.1 Impairment allowance for loans and advances to customers and Leasing (continued)

15.1.4 MSE

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification for Micro and Small Enterprises. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 28 the policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 28.

	31 December 2023				
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3 Collective**	**Stage 3 Individual**	**Total**
Probability of Default rates	**2.00%**	**15.70%**	**100%**	**100%**	
(in thousands MDL)					
Internal rating grade					
Neither past due nor impaired	282,063	161,180	-	-	**443,243**
Past due but not impaired	7,067	29,606	-	-	**36,673**
Non-performing	-	-	46,321	-	**46,321**
Individually impaired	-	-	-	6,899	**6899**
Total	**289,130**	**190,786**	**46,321**	**6899**	**533,136**

	31 December 2022				
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3 Collective**	**Stage 3 Individual**	**Total**
Probability of Default rates	**3.4%**	**27.0%**	**100%**	**100%**	
(in thousands MDL)					
Internal rating grade					
Neither past due nor impaired	332,498	205,932	-	-	**538,430**
Past due but not impaired	14,833	53,047	-	-	**67,880**
Non-performing	-	-	48,642	-	**48,642**
Individually impaired	-	-	-	8,266	**8,266**
Total	**347,331**	**258,979**	**48,642**	**8,266**	**663,218**

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Notes to the Financial Statements

15 Loans and advances to customers and Leasing (continued)

15.1 Impairment allowance for loans and advances to customers and Leasing (continued)

15.1.4 MSE (continued)

An analysis of charges in the gross carrying amount in relation to MSE lending is for the year ended 31 December 2023, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
Gross carrying amount as at 1 January 2023	**347,331**	**258,979**	**48,642**	**8,266**	**663,218**
New assets originated or purchased	163,720	-	-	-	**163,720**
Assets derecognized or repaid (excluding write offs)	(153,293)	(123,049)	(23,692)	(2,323)	**(302,357)**
Transfers to S1	9,423	(9,423)	-	-	-
Transfers to S2	(70,810)	72,476	(1,666)	-	-
Transfers to S3	(2,836)	(13,694)	16,530	-	-
Movement of accrued interest	313	421	3,324	1,111	**5,169**
Change in segmentation	(1,769)	6,412	3,846	(154)	**8,335**
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	(2,952)	(1,335)	(662)	-	**(4,949)**
Gross carrying amount as at 31 December 2023	**289,127**	**190,787**	**46,322**	**6,900**	**533,136**

An analysis of charges in the gross carrying amount in relation to MSE lending is for the year ended 31 December 2022, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
Gross carrying amount as at 1 January 2022	**559,185**	**83,855**	**35,844**	**14,847**	**693,731**
New assets originated or purchased	269,660	-	-	-	**269,660**
Assets derecognized or repaid (excluding write offs)	(254,560)	(73,558)	(18,653)	(197)	**(346,968)**
Transfers to S1	482	(354)	(128)	-	-
Transfers to S2	(223,140)	225,692	(2,552)	-	-
Transfers to S3	(15,071)	(13,802)	28,873	-	-
Movement of accrued interest	2,133	1,735	1,382	423	**5,673**
Change in segmentation	7,035	35,004	5,850	(6,807)	**41,082**
Amounts written off	-	-	(2,376)	-	**(2,376)**
Foreign exchange adjustments	1,606	407	403	-	**2,416**
Gross carrying amount as at 31 December 2022	**347,330**	**258,979**	**48,643**	**8,266**	**663,218**

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Notes to the Financial Statements

15 Loans and advances to customers and Leasing (continued)

15.1 Impairment allowance for loans and advances to customers and Leasing (continued)

15.1.4 MSE (continued)

An analysis of charges in the corresponding ECL allowances in relation to MSE lending is for the year ended 31 December 2023, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
ECL allowance as at 1 January 2023 under IFRS 9	**7,095**	**39,241**	**24,000**	**4,982**	**75,318**
New assets originated or purchased	6,287	-	-	-	**6,287**
Assets derecognized or repaid (excluding write offs)	(3,047)	(15,657)	(9,205)	(929)	**(28,838)**
Transfers to S1	1,746	(1,746)	-	-	-
Transfers to S2	(4,212)	5,345	(1,133)	-	-
Transfers to S3	(1,911)	(8,109)	10,020	-	-
Impact on ECL of modifications	(1,245)	3,380	(2,834)	(364)	**(1,063)**
Unwinding	-	-	843	466	**1,309**
Changes to inputs used for ECL calculations	(1,037)	(5,901)	(309)	546	**(6,701)**
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	(84)	(116)	(262)	-	**(462)**
Net ECL Charge	(3,503)	(22,804)	(2,880)	(281)	**(29,468)**
ECL allowance as at 31 December 2023	**3,592**	**16,437**	**21,120**	**4,701**	**45,850**

An analysis of charges in the corresponding ECL allowances in relation to MSE lending is for the year ended 31 December 2022, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
ECL allowance as at 1 January 2022 under IFRS 9	**9,942**	**17,233**	**22,944**	**11,774**	**61,893**
New assets originated or purchased	21,698	-	-	-	**21,698**
Assets derecognized or repaid (excluding write offs)	(4,436)	(6,668)	(5,306)	(247)	**(16,657)**
Transfers to S1	353	(78)	(275)	-	-
Transfers to S2	(20,592)	22,712	(2,120)	-	-
Transfers to S3	(879)	(3,593)	4,472	-	-
Impact on ECL of modifications	356	10,771	8,308	(3,332)	**16,102**
Unwinding	-	-	878	62	**940**
Changes to inputs used for ECL calculations	625	(1,181)	(1,685)	(3,213)	**(5,454)**
Amounts written off	-	-	(2,376)	-	(2,376)
Foreign exchange adjustments	29	46	37	-	**112**
Net ECL Charge	(2,846)	22,009	1,933	(6,730)	**14,366**
ECL allowance as at 31 December 2022	**7,096**	**39,242**	**24,877**	**5,044**	**76,259**

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15 Loans and advances to customers and Leasing (continued)

15.1 Impairment allowance for loans and advances to customers and Leasing (continued)

15.1.5 Leasing

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 28 the policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 28.

	31 December 2023				
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3 Collective**	**Stage 3 Individual**	**Total**
Probability of Default rates	**1.60%**	**14.10%**	**100%**	**100%**	
(in thousands MDL)					
Internal rating grade					
Neither past due nor impaired	207,185	12,300	-	-	**219,485**
Past due but not impaired	1,540	5,240	-	-	**6,780**
Non-performing	-	-	1,707	-	**1,707**
Individually impaired	-	-	-	2,530	**2530**
Total	**208,725**	**17,540**	**1,707**	**2530**	**230,502**

	31 December 2022				
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3 Collective**	**Stage 3 Individual**	**Total**
Probability of Default rates	**3.1%**	**24.6%**	**100%**	**100%**	
(in thousands MDL)					
Internal rating grade					
Neither past due nor impaired	225,588	20,254	-	-	**245,842**
Past due but not impaired	6,436	548	-	-	**6,984**
Non-performing	-	-	2,768	-	**2,768**
Individually impaired	-	-	-	519	**519**
Total	**232,024**	**20,802**	**2,768**	**519**	**256,113**

Notes to the Financial Statements

15 Loans and advances to customers and Leasing (continued)

15.1 Impairment allowance for leasing (continued)

15.1.5 Leasing (continued)

An analysis of charges in the gross carrying amount in relation to Leasing is for the year ended 31 December 2023, as follows:

(in thousands MDL)	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
Gross carrying amount as at 1 January 2023	**232,024**	**20,802**	**2,768**	**519**	**256,113**
New assets originated or purchased	81,933	-	-	-	**81,933**
Assets derecognized or repaid (excluding write offs)	(90,261)	(8,172)	(1,398)	(1,182)	**(101,013)**
Transfers to S1	7,953	(7,953)	-	-	-
Transfers to S2	(13,695)	13,695	-	-	-
Transfers to S3	(2,695)	(94)	94	2,695	-
Movement of accrued interest	(1,542)	(169)	36	11	**(1,664)**
Change in segmentation	3,473	244	207	662	**4,586**
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	(8,465)	(813)	-	(175)	**(9,453)**
Gross carrying amount as at 31 December 2023	**208,725**	**17,540**	**1,707**	**2,530**	**230,502**

An analysis of charges in the gross carrying amount in relation to Leasing is for the year ended 31 December 2022, as follows:

(in thousands MDL)	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
Gross carrying amount as at 1 January 2022	**201,304**	**6,802**	**2,559**	-	**210,665**
New assets originated or purchased	146,880	-	-	-	**146,880**
Assets derecognized or repaid (excluding write offs)	(95,459)	(6,191)	(1,082)	(311)	**(103,043)**
Transfers to S1	382	(382)	-	-	-
Transfers to S2	(18,904)	18,904	-	-	-
Transfers to S3	(89)	(1,372)	950	511	-
Movement of accrued interest	(546)	(142)	35	(2)	**(655)**
Change in segmentation	(3,656)	3,046	301	309	-
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	2,112	137	5	12	**2,266**
Gross carrying amount as at 31 December 2022	**232,024**	**20,802**	**2,768**	**519**	**256,113**

Notes to the Financial Statements

15 Loans and advances to customers and Leasing (continued)

15.1 Impairment allowance for loans and advances to customers and Leasing (continued)

15.1.5 Leasing (continued)

An analysis of charges in the corresponding ECL allowances in relation to Leasing is for the year ended 31 December 2023, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
ECL allowance as at 1 January 2023 under IFRS 9	**5,739**	**3,305**	**1,018**	**42**	**10,104**
New assets originated or purchased	1,421	-	-	-	**1,421**
Assets derecognized or repaid (excluding write offs)	(2,163)	(617)	(519)	(30)	**(3,329)**
Transfers to S1	1,993	(1,993)	-	-	-
Transfers to S2	(749)	749	-	-	-
Transfers to S3	(473)	(225)	571	127	-
Impact on ECL of modifications	(1,542)	483	(558)	1,502	**(115)**
Unwinding	-	-	21	5	**26**
Changes to inputs used for ECL calculations	(1,323)	(216)	161	-	**(1,378)**
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	(297)	(44)	-	(4)	**(345)**
Net ECL Charge	(3,133)	(1,863)	(324)	1,600	**(3,720)**
ECL allowance as at 31 December 2023	**2,606**	**1,442**	**694**	**1,642**	**6,384**

An analysis of charges in the corresponding ECL allowances in relation to Leasing is for the year ended 31 December 2022, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
ECL allowance as at 1 January 2022 under IFRS 9	**3,417**	**1,256**	**1,633**	-	**6,306**
New assets originated or purchased	5,684	-	-	-	**5,684**
Assets derecognized or repaid (excluding write offs)	(1,598)	(352)	(466)	-	**(2,416)**
Transfers to S1	8	(86)	-	-	(78)
Transfers to S2	(2,595)	2,951	-	-	356
Transfers to S3	(3)	(434)	442	40	45
Impact on ECL of modifications	-	-	(5)	-	**(5)**
Unwinding	-	-	7	-	**7**
Changes to inputs used for ECL calculations	791	(37)	(594)	-	**160**
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	34	7	1	2	**44**
Net ECL Charge	2,321	2,049	(615)	42	**3,797**
ECL allowance as at 31 December 2022	**5,738**	**3,305**	**1,018**	**42**	**10,103**

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Notes to the Financial Statements

16 Debt instruments measured at amortized cost

	31 December 2023	31 December 2022
(in thousands MDL)		
Debt instruments at amortized cost:		
Treasury bills issued by the Ministry of Finance	1,504,619	1,203,231
State bonds issued by the Ministry of Finance	2,024	2,029
NBM certificates	2,902,463	991,635
Total gross amount of exposure	**4,409,106**	**2,196,895**
Less: Allowance for ECL/impairment losses	(32,458)	(34,686)
	4,376,648	**2,162,209**

Securities issued by the Ministry of Finance

As of 31 December 2023 treasury bills issued by the Ministry of Finance represent fixed rate MDL treasury bills issued with discount with original maturity between 188 and 366 days yielding an average interest rate of 6.98% per annum (31 December 2022: 21.41%per annum).

State bonds are issued by the Ministry of Finance at nominal value with a fixed interest rate announced by the Ministry of Finance and with maturities between 2 and 10 years. The average interest rate as of 31 December 2023 was 6.50% per annum for 7 years (31 December 2022: 6.50% per annum for 7 years).

As of 31 December 2023 there are no REPO transactions with NBM.

NBM certificates

As of 31 December 2023 NBM certificates represent fixed rate financial instruments issued with discount with original maturity of up to 14 days yielding an average interest rate of 4.75% per annum (31 December 2022: 20.0% per annum).

Notes to the Financial Statements

16 Debt instruments measured at amortized cost (continued)

16.1 Impairment losses on financial investments subject to impairment

Debt instruments at amortized cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's year-end stage classification. The amounts presented below are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 28.2.3. By internal credit rating system debt instruments at amortized cost are neither past due nor impaired:

An analysis of changes in the gross carrying amount for the year ended 31 December 2023 is, as follows:

(in thousands MDL)	Stage 1 collective
Gross carrying amount as at 1 January 2023	**2,196,895**
New assets originated or purchased	4,407,082
Assets derecognized or repaid (excluding write offs)	(2,194,871)
Accrued interest	
Gross carrying amount as at 31 December 2023	**4,409,106**

An analysis of changes in the gross carrying amount for the year ended 31 December 2022 is, as follows:

(in thousands MDL)	Stage 1 collective
Gross carrying amount as at 1 January 2022	**1,356,924**
New assets originated or purchased	7,835,456
Assets derecognized or repaid (excluding write offs)	(6,995,508)
Accrued interest	23
Gross carrying amount as at 31 December 2022	**2,196,895**

An analysis of changes in the corresponding ECLs for the year ended 31 December 2023 is, as follows:

(in thousands MDL)	Stage 1 collective
ECL allowance as at 1 January 2023	**34,686**
New assets originated or purchased	32,415
Assets derecognized or repaid (excluding write offs)	(34,643)
Net ECL Charge	**(2,228)**
ECL allowance as at 31 December 2023	**32,458**

An analysis of changes in the corresponding ECLs for the year ended 31 December 2022 is, as follows:

(in thousands MDL)	Stage 1 collective
ECL allowance as at 1 January 2022	**10,731**
New assets originated or purchased	46,615
Assets derecognized or repaid (excluding write offs)	(22,660)
Net ECL Charge	**23,955**
ECL allowance as at 31 December 2022	**34,686**

Notes to the Financial Statements

17 Financial assets measured at FVPL

Financial assets at fair value through profit or loss

	31 December 2023	31 December 2022
(in thousands MDL)		
Financial assets at fair value through profit or loss		
Treasury bills issued by the Ministry of Finance	1,644	1,552
Equity investments at FVPL	1,031	1,031
	2,675	**2,583**

Equity investments at fair value through profit or loss

The Bank has designated its equity as equity investments at FVPL. Investments include mandatory shares in institutions mentioned below in the table.

All equity investments as of the end of 2023 and 2022 are classified at FVPL as presented below:

	Field of activity	Ownership 2023, %	31 December 2023	31 December 2022
(in thousands MDL)				
Credit Bureau S.R.L.	Research of credit information	6.7%	1,019	1,019
Bursa de Valori a Moldovei	Stock Exchange	2.56%	7	7
IM "Tirex Petrol" S.A.	Downstream	0.01%	4	4
Equity investments in commercial banks (Moldova) (less than 1 % ownership)	Banking		1	1
Carrying amount			**1,031**	**1,031**

All equity investments at FVPL as of 31 December 2023 and 2022 are unquoted and are recorded at fair value.

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18 Property, equipment and right-of-use assets

(in thousands MDL)	Land and buildings	Assets under construction	Vehicles	Computers and equipment	Others	Right-of-use Assets	Total
Cost							
At 1 January 2022	**159,036**	**30,368**	**21,663**	**176,295**	**73,608**	**93,963**	**554,933**
Additions	8,753	66,397	52	3,560	71	25,787	**104,620**
Disposals	(802)	(29,646)	(200)	(6,638)	(1,467)	(26,204)	**(64,957)**
Transfers	3,344	(29,534)	761	21,902	3,527	-	
At 31 December 2022	**170,331**	**37,585**	**22,276**	**195,119**	**75,739**	**93,546**	**594,596**
Additions	127	31,264	63	1,033	206	28,803	**61,496**
Disposals	-	(4,328)	(357)	(19,991)	(2,853)	(27,472)	**(55,001)**
Transfers	-	(21,385)	328	18,739	2,318	-	**-**
At 31 December 2023	**170,458**	**43,136**	**22,310**	**194,900**	**75,410**	**94,877**	**601,091**
Depreciation and impairment							
At 1 January 2022	**68,530**	-	**5,404**	**122,240**	**41,841**	**37,569**	**275,584**
Depreciation charge for the	6,862	-	3,390	17,921	5,057	19,206	**52,436**
Disposals	(775)	-	(200)	(6,632)	(1,389)	(16,782)	**(25,778)**
Impairment	2,025						**2,025**
Balance at 31 December 2022	**76,642**	-	**8,594**	**133,529**	**45,509**	**39,993**	**304,267**
Depreciation charge for the year	6,409	-	3,376	20,170	5,224	18,218	**53,397**
Disposals		-	(251)	(19,958)	(2,591)	(24,307)	**(47,107)**
Impairment	(5,840)	-	-	-	-	-	**(5,840)**
Balance at 31 December 2023	**77,211**	-	**11,719**	**133,741**	**48,142**	**33,904**	**304,717**
Carrying amount							
at 1 January 2022	**90,506**	**30,368**	**16,259**	**54,055**	**31,767**	**56,394**	**279,349**
at 31 December 2022	**93,689**	**37,585**	**13,682**	**61,590**	**30,230**	**53,553**	**290,329**
at 31 December 2023	**93,247**	**43,136**	**10,591**	**61,159**	**27,268**	**60,973**	**296,374**

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18 Property, equipment and right-of-use assets (continued)

As of 31 December 2023 the cost of fully depreciated assets amounted at MDL'000 125,911 (31 December 2022: MDL'000 130,297).

During 2023 and 2022 the Bank carried capital construction works in the rented premises in line with the network development plan. As of 31 December 2023 the cost of such investments included in "Land and buildings" category amounts to MDL'000 125 (2022: MDL'000 8,753). Investments in repair in 2023 were reflected in the profit and loss report in the amount of MDL'000 2,785 (2022: MDL'000 480).

Right-Of-Use assets includes only one category of assets - the branches that the bank leases.

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 24) and the movements during the period:

	Note	2023	2022
(in thousands MDL)			
As at 1 January		**56,956**	**59,144**
Additions	18	28,803	25,787
Payments	18	(24,307)	(28,644)
Accrued interest on lease liabilities		-	-
Exchange rate difference		998	669
As at 31 December	24	**62,450**	**56,956**

The Bank had total cash outflows for leases of MDL'000 24,307. Accretion of interest on lease liability amounted MDL'000 3,158 (31 December 2022: MDL'000 2,351). The expenses relating to low value items for the year 2023 amounted MDL'000 3,918 (31 December 2022: MDL'000 3,200) and represents mainly ATM rentals.

Notes to the Financial Statements

19 Intangible assets

(in thousands MDL)	Informational System development costs	Software	Licenses	Other	Total
Cost					
At 1 January 2022	**190,624**	**51,979**	**22,923**	**20,301**	**285,827**
Additions	22,847	3,208	12		**26,067**
Disposals	-	-	-	-	**-**
Transfers	(64,887)	36,687	27,667	533	**-**
Balance at 31 December 2022	**148,584**	**91,874**	**50,602**	**20,834**	**311,894**
Additions	25,964	15,405	3,944	2,164	**47,477**
Disposals	(111,605)	(11,970)	(3,829)	(9,461)	**(136,865)**
Transfers	(18,769)	3,636	15,133	-	**-**
Balance at 31 December 2023	**44,174**	**98,945**	**65,850**	**13,537**	**222,506**
Amortization and impairment					
Balance at 1 January 2022	**122,706**	**16,795**	**14,413**	**19,684**	**173,598**
Disposals	-	-	-	-	**-**
Amortization charge for the year	4,693	8,852	4,160	812	**18,517**
Impairment	-	-	-	-	**-**
Balance at 31 December 2022	**127,399**	**25,647**	**18,573**	**20,496**	**192,115**
Disposals	(111,605)	(7,907)	(3,829)	(9,673)	**(133,014)**
Amortization charge for the year	3,443	13,991	6,882	419	**24,735**
Impairment	-	-	-	-	**-**
Balance at 31 December 2023	**19,237**	**31,731**	**21,626**	**11,242**	**83,836**
Carrying amount					
at 1 January 2022	**67,918**	**35,184**	**8,510**	**617**	**112,229**
at 31 December 2022	**21,185**	**66,227**	**32,029**	**338**	**119,779**
at 31 December 2023	**24,937**	**67,214**	**44,224**	**2,295**	**138,670**

As of 31 December 2023 the cost of fully amortized intangible assets amounts at MDL'000 41,651 and mainly represent the cost of licenses for software as well as for scoring and granting loans to individuals.

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Notes to the Financial Statements

20 Other assets

(in thousands MDL)	31 December 2023	31 December 2022
Other Financial Assets		
Operations with payment cards (Master Card and VISA)	41,720	39,010
Commission fees receivable	7,545	6,657
Other receivables	6,582	7,362
Clearing and transit amounts (1)	1,236	1,964
Due from employees	251	292
Total Other Financial Assets	**57,334**	**55,285**
Less allowance for ECL (2)	(8,254)	(9,578)
Total Other Financial Assets Net	**49,080**	**45,707**
Other Assets		
Income and other taxes receivable	3,562	16,747
Other prepayments		234
Prepaid insurance	11,193	11,187
Consumables and LVA	2,689	1,582
Total Other Assets	**17,444**	**29,750**
Less allowance for impairment losses	-	-
Total Other Assets Net	**17,444**	**29,750**
Total Other and Other Financial Assets	**66,524**	**75,457**

(1) Clearing and transit amounts represent transactions through international payment systems as of 31 December 2023 amounting MDL'000 1,236 (as of 31 December 2022 MDL'000 1,964) and the remaining amount relates to operations with cards.

(2) Allowance for impairment losses relates to non-recoverable commission fees receivable amounting MDL'000 6,493 (as of 31 December 2022 MDL'000 6,239), settlements transactions MDL '000 1,110 (as of December 2022 MDL'000 2,688) and other settlements MDL '000 651 (as of December 2022 MDL '000 651).

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20 Other assets (continued)

	31 December 2023		
	Stage 1 collective	Stage 3 collective	Total
(in thousands MDL)			
Internal rating grade			
Neither past due nor impaired	50,164	-	**50,164**
Past due but not impaired	-	-	**-**
Non-performing	-	-	**-**
Individually impaired	-	7,170	**7,170**
Grand Total	**50,164**	**7,170**	**57,334**

	31 December 2022		
	Stage 1 collective	Stage 3 collective	Total
(in thousands MDL)			
Internal rating grade			
Neither past due nor impaired	48,550	-	**48,550**
Past due but not impaired	-	-	**-**
Non-performing	-	-	**-**
Individually impaired	-	6,735	**6,735**
Grand Total	**48,550**	**6,735**	**55,285**

An analysis of changes in the gross carrying amount for the year ending 31 December 2023 is, as follows:

	Stage 1 collective	Stage 3 collective	Total
(in thousands MDL)			
Gross carrying amount as at 1 January 2023	48,550	6,735	**55,285**
New assets originated or purchased	8,336	1,059	**9,395**
Assets derecognized or repaid (excluding write off)	(6,722)	(624)	**(7,346)**
Gross carrying amount as at 31 December 2023	**50,164**	**7,170**	**57,334**

An analysis of changes in the gross carrying amount or the year ending 31 December 2022 is, as follows:

	Stage1collective	Stage3collective	Total
(in thousands MDL)			
Gross carrying amount as at 1 January 2022	24,735	9,204	**33,939**
New assets originated or purchased	29,108	331	**29,439**
Assets derecognized or repaid (excluding write off)	(5,293)	(2,800)	**(8,093)**
Gross carrying amount as at 31 December 2022	**48,550**	**6,735**	**55,285**

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20 Other assets (continued)

An analysis of changes in the corresponding ECLs or the year ending 31 December 2023 is, as follows:

	Stage 1 collective	Stage 3 collective	Total
(in thousands MDL)			
ECL allowance as at 1 January 2023 under IFRS 9	**3,258**	**6,320**	**9,578**
New assets originated or purchased	425	1,059	**1,484**
Assets derecognized or repaid (excluding write off)	(1,947)	(861)	**(2,808)**
Net ECL Charge	(1,523)	199	**(1,324)**
ECL allowance as at 31 December 2023	**1,736**	**6,518**	**8,254**

An analysis of changes in corresponding ECLs or the year ending 31 December 2022 is, as follows:

	Stage 1 collective	Stage 3 collective	Total
(in thousands MDL)			
ECL allowance as at 1 January 2022 under IFRS 9	**343**	**9,211**	**9,554**
New assets originated or purchased	2,950	5	**2,955**
Assets derecognized or repaid (excluding write off)	(35)	(2,896)	**(2,931)**
Net ECL Charge	2,915	(2,891)	**24**
ECL allowance as at 31 December 2022	**3,258**	**6,320**	**9,578**

21 Due to banks

	31 December 2023	31 December 2022
(in thousands MDL)		
Current accounts	3,425	2,588
Term deposits	23	24
Term deposit held by OTP Nyrt.	-	407,910
	3,448	**410,522**

22 Due to customers

	31 December 2023	31 December 2022
(in thousands MDL)		
Retail customers		
Current/savings accounts	3,546,563	3,531,539
Term deposits	4,921,385	3,927,804
	8,467,948	**7,459,343**
Corporate customers		
Current/savings accounts	6,773,466	4,977,495
Term deposits	1,442,366	1,056,183
	8,215,832	**6,033,678**
	16,683,780	**13,493,021**

Included in Due to customers were deposits of MDL'000 215,044 (2022: MDL'000 282,267) held as collateral for loans and guarantees.

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23 Borrowed funds from IFI's

(in thousands MDL)	31 December 2023	31 December 2022
European Bank for Reconstruction and Development - EBRD (1)	429,489	525,932
European Fund for South East Europe - EFSE (2)	109,803	393,750
"Filere du Vin" and "Fruit of garden" - UCIP - EIB (3)	123,241	161,312
International Fund for Agricultural Development - IFAD (4)	15,437	14,932
Management of External Assistance Programs Office - OEAPM (5)	699,703	635,003
	1,377,673	**1,730,929**

The loans are secured with the right to collect receivables under sub-loans granted by the Bank.

Below are the descriptions of the main financing lines:

(1) Loans from EBRD

(1.1) On 28 May 2020 the Bank signed the MSME facility in amount of EUR 5.0 million. The purpose of the facility is strengthening MSME capacity and to fund loans structured with a high degree of flexibility to provide loan profiles that match client and project needs. By 31 December 2021 the Bank has disbursed EUR 1.0 million from MSME facility with an Interest Rate of 3,25% + EURIBOR 3M. By 09 September 2022 the Bank has disbursed EUR 4.0 million from MSME facility with an Interest Rate of 3,25% + EURIBOR 3M. The loan is not secured by any financial guarantee having the "Stand Alone" status.

(1.2) On 29 July 2020 the Bank extended the loan limit under EU4BUSINESS EBRD Credit Line (DCFTA Programme) in amount of EUR 5.0 million. The purpose of facility is strengthening MSME capacity and meets the EU standards. By 31 December 2021 the Bank disbursed EUR 5.0 million from DCFTA facility with an Interest Rate of 3,25% + EURIBOR 3M. The loan is not secured by any financial guarantee having the "Stand Alone" status.

(1.3) On 29 April 2021 the Bank signed a new loan agreement with EBRD in order to release a new Credit Line EaP SMEC, under DCFTA Programme in amount of EUR 15.0 million. The purpose of the facility is strengthening MSME capacity and meets the EU standards. By 31 December 2021 the Bank disbursed first tranche of EUR 5.0 million from EaP SMEC facility with an Interest Rate of 3,25% + EURIBOR 3M. By 28 March 2022 the Bank disbursed the second tranche of EUR 5.0 million from EaP SMEC facility with an Interest Rate of 3% + EURIBOR 3M. By 1 July 2022 the Bank disbursed the third tranche of EUR 5.0 million from EaP SMEC facility with an Interest Rate of 3% + EURIBOR 3M. The loan is not secured by any financial guarantee having the "Stand Alone" status.

(1.4) On 12 December 2022 the Bank signed a new loan agreement with EBRD under EaP SMEC (DCFTA Programme) in amount of EUR 15.0 million. The purpose of the facility is strengthening MSME capacity and meets the EU standards. By 28 December 2022 the Bank has disbursed the first tranche of EUR 5.0 million from EaP SMEC facility with an Interest Rate of 3,5% + EURIBOR 3M. The loan is not secured by any financial guarantee having the "Stand alone" status. By 15 December 2023 the Bank disbursed the second tranche of EUR 5.0 million from EaP SMEC facility, with interest rate of 3.2% + EURIBOR 3M, and, December 29th, 2023 commenced the commitment period of Tranche C of EUR 5.0 million. The loan is not secured by any financial guarantee having the "Stand Alone" status.

(2) Loan from EFSE

On 21 October 2022 the Bank has signed a new loan agreement with "The European Fund for Southeast Europe S.A., SICAV-SIF" in amount of equivalent of EUR 20.0 million equivalent in national currency. The purpose of the facility is to support the development of MSMEs focusing on creating a favourable development environment, which would support private sector. By 26 October 2022 the Bank disbursed first tranche of EUR 10 million equivalent in national currency and by 22 December 2022 the Bank has disbursed EUR 10.0 million in national currency from EFSE facility with an Interest Rate of 3,25% + TDR6-12M+0.5%. On 14.06.2023, OTP Bank has anticipated reimbursed the 1st Tranche in total amount of EUR 10 million equivalent in national currency. The loan is not secured by any financial guarantee having the "Stand Alone" status.

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23 Borrowed funds from IFI's (continued)

(3) Loans from UCIP – EIB

On December 2011 and July 2016 the Bank signed the Framework Agreements with the Ministry of Finance and became the Participant Bank in "Filiere du Vin" and, respectively, "Orchard of Moldova" facilities. The total amount of Framework Agreements on "Filiere du Vin" is EUR 75.0 million and is directed for stimulation of wine industry and connected industries. The total amount of Framework Agreement "Orchard of Moldova" a facility is EUR 120.0 million and is directed for stimulation fruit-growers, as well as, in connected industries. The purpose of facilities are financing investments and working capital denominated in EUR and MDL. The Ministry of Finance acts as a representative of the Republic of Moldova under the loan agreements signed with EIB. By 04.10.2018 EIB closed "Filiere du Vin" program and extended the "Orchard of Moldova" program with the purposes afferent to winemakers. In December 2023, the "Orchard of Moldova" facility has been extended also for traditional agriculture and the eligibility period has been prolonged up to 27 May 2025.

(4) Loans from IFAD

On December 2014, the Bank signed a long-term Loan Agreement with the Ministry of Finance, which acts as a representative of the Republic of Moldova under the loan agreement signed with International Fund for Agricultural Development (IFAD). The facility was targeting to finance small and medium agricultural enterprises, as well as for young entrepreneurs, program which includes a grant-component. In 2018, the limit of grant component fully assimilated by local banks. The facility (IFAD VI) is in the final stage and the Implementation Unit in 2019 has implemented a new facility IFAD VII. In 2021, IFAD has launched a new loan facility with Grant component in order to support Women in Business from rural area. In 2022 IFAD continued to support micro and small businesses oriented to companies involved in rural development, especially agriculture, awarding with grant component Young Entrepreneurs and Enterprises founded and driven by Women, following IFAD VII and starting IFAD VIII program.

(5) Loans from OEAPM (Office for External Assistance Programs Management)

The Bank has become partner bank of the Office for External Assistance Programs Management (former Credit Line Directorate) starting with 2004. The Ministry of Finance, which acts as a representative of the Republic of Moldova under the loan agreements signed with IFIs has granted to the bank sub-loans denominated in MDL, USD and EUR. The facilities are available for financing MSMEs activating covering the entire territory of the country and financing all eligible fields (agro, production, services, and trade). In 2020, to overcome the crisis caused by the COVID-19 pandemic, the Government of the Republic of Moldova in collaboration with Council of Europe Development Bank (CEB) has released a new credit line, offering necessary liquidity for continuing the positive trend of business and job creation, and a subsidy of 0% interest applied for 10% of the total sub-loan amount. Throughout 2022 the demand for CEB resources has been maintained. Also during 2022 the Bank, with support of OEAPM allocation of funds destined for Young Entrepreneurs in competitive conditions with fixed and attractive interest rate, in local currency, and, inclusive with grant component came from OED (Organization for Entrepreneurship Development), aimed to encourage amplification of young business market positions.

(6) Loans from IDA

Starting with November 2004 the Bank joined the programs (RISP 1 and RISP 2) launched by International Development Association (IDA). The Ministry of Finance, which acts as a representative of the Republic of Moldova under the loan agreements signed with IDA, granted to the Bank sub-loans denominated in local currency, USD and EUR. The facilities were available for finance of entrepreneurs, SME in rural area as well as agribusiness. By 23.12.2019 the Council of Credit Line Directorate decided to close the programs RISP 1, RISP 2 and Competitiveness Enhancement Project (CEP I).

On November 2014 the Bank became the partner bank of the Competitiveness Enhancement Project (CEP II) launched by World Bank (WB). The purpose of facility is financing of investment and working capital needs of exporters and economic activity related to generation of exports revenue. The sub-loans may be denominated in local currency, USD and EUR. The loan is unsecured.

(7) Loans from OTP Financing Malta

In March 2021, the Bank signed two loan facilities agreements with OTP Financing Malta Company LTD in amount of USD 8.0 million and EUR 7.0 million. The purpose of the facilities was general corporate purposes for financing operating activity. As of December 31, 2023, the bank has not used the facilities under these agreements.

Notes to the Financial Statements

24 Other liabilities

	Note	31 December 2023	31 December 2022
(in thousands MDL)			
Lease liability	18	62,450	56,956
Money transfers pending execution (1)		36,916	34,991
Other accruals		17,620	16,198
Other liabilities on financial leasing (2)		18,774	21,208
Money waiting approval (3)		15,601	7,374
Due to budget		14,771	23,768
IT maintenance (4)		4,229	9,627
Accrued audit and consulting fees		4,166	8,831
Dividends payable		3,180	1,126
Guarantees for safe deposits		2,054	1,846
Credit transit account		1,834	5,590
Settlements on FCY swap transaction		1,543	3,694
Due to international payment systems		1,123	1,110
Non-performing loans management account		509	6,660
Documentary transactions		373	3,946
Due to suppliers of property and equipment		287	543
Settlements related to intangible assets		-	2,414
Other liabilities (5)		6,417	12,416
		191,847	**218,298**

(1) Money transfers pending execution refer to the clearing of customer card transactions (Mastercards and VISA). Clearing assumes that these amounts are subsequently allocated to customer accounts and settlement in relation to Mastercards and VISA.

(2) Other liabilities on financial leasing represents the deductible VAT, according to the Fiscal Code, from financial leasing operations.

(3) Money waiting approval represents transfers which are above a certain limit, under investigation. After AML investigation the clients receive their transfers if they are not declined. The balance as of 31 December 2023 was subsequently settled as follows:

	31December2023
Transferred to the customers account	5,066
Returned	7,110
Unresolved	3,425
	15,601

(4) Represents post migration maintenance related to card processing centre and new core banking soft.

(5) Other liabilities represents mainly payables through an intermediary account for broker services for clients.

The amounts disclosed in the table below represent undiscounted Lease liabilities at 31 December 2023 by the amount of the lease liabilities expected to be settled within no more than twelve months after the reporting period and of the lease liabilities expected to be settled within more than twelve months after the reporting period.

	31 December 2023	31 December 2022
(in thousands MDL)		
Lease liabilities Within one year	16,543	16,795
Lease liabilities between one and five years	38,256	34,616
Lease liability over five years	7,651	5,545
	62,450	**75,183**

Notes to the Financial Statements

25 Provisions

The movement in liability-side provisions during 2023 and 2022 respectively is, as follows:

	Provision for employee benefits	Legal	Commitments and guarantees given	Total
(in thousands MDL)				
1 January 2022	**38,352**	**-**	**25,801**	**64,153**
Provision arising during the year	98,554	475	41,069	140,098
Release of provision	(94,189)	-	(41,188)	(135,377)
Foreign exchange adjustments	-	-	730	730
31 December 2022	**42,717**	**475**	**26,412**	**69,604**
Provision arising during the year	97,186	1,135	78,296	**176,617**
Release of provision	(94,237)	-	(79,047)	**(173,284)**
Foreign exchange adjustments	-	-	485	**485**
31 December 2023	**45,666**	**1,610**	**26,147**	**73,422**

25.1 Financial guarantees, letters of credit and other undrawn commitments

To the financial needs of customers, the Bank enters into various commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lend. Even though these obligations may not be recognized on the statement of financial position, they contain credit risk and therefore, form part of the overall risk of the Bank.

At any time, the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and credit lines.

The Bank provides letters of guarantee and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for up to one year. The guarantees are secured with cession of money agreements and other type of collateral.

The amounts reflected in the table of guarantees and letters of credit represent the maximum loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted and no guarantees are provided to the Bank. The credit risk amounts are minimized by the quality of collateral (deposits, real estate, etc.).

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amount is fully advanced.

	31 December 2023	31 December 2022
(in thousands MDL)		
Commitments to grant loans	1,001,548	586,289
Financial guarantees	971,987	555,131
Letters of credit	13,697	23,340
	1,987,232	**1,164,760**

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Notes to the Financial Statements

25 Provisions (continued)

25.1 Financial guarantees, letters of credit and other undrawn commitments (continued)

These commitments and contingent liabilities have off-balance-sheet risk because only organization fees and accruals for probable losses are recognized in the balance sheet until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows. The policy of the Bank provides that only fully secured letters of credit are issued, i.e. all letters of credit are secured with a blocked deposit on the clients' accounts and other types of security.

25.1.1 Impairment losses on guarantees and other commitments

An analysis of changes in the gross carrying amount and the corresponding allowance for impairment losses in relation to guarantees and other commitments is, as follows:

(i) Commitments to grant loans

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. Details of the Bank's internal grading system are explained in Note 28 and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 28:

	31 December 2023				
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3 Collective**	**Stage 3 Individual**	**Total**
(in thousands MDL)					
Internal rating grade					
Neither past due nor impaired	966,965	10,607	-	-	977,572
Past due but not impaired	23,312	660	-	-	23,972
Non-performing	-	-	4	-	4
Individually impaired	-	-	-	-	-
Total	**990,277**	**11,267**	**4**	**-**	**1,001,548**

	31 December 2022				
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3 Collective**	**Stage 3 Individual**	**Total**
(in thousands MDL)					
Internal rating grade					
Neither past due nor impaired	559,210	16,847	-	-	576,057
Past due but not impaired	5,424	4,687	-	-	10,111
Non-performing	-	-	121	-	121
Individually impaired	-	-	-	-	-
Total	**564,634**	**21,534**	**121**	**-**	**586,289**

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Notes to the Financial Statements

25 Provisions (continued)

25.1 Financial guarantees, letters of credit and other undrawn commitments (continued)

25.1.1 Impairment losses on guarantees and other commitments (continued)

An analysis of charges in the gross carrying amount in relation to Commitments to grant loans is for the year ended 31 December 2023, as follows:

(in thousands MDL)	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
Gross carrying amount as at 1 January 2023	**564,634**	**21,534**	**121**	-	**586,289**
New assets originated or purchased	542,366	-	-	-	**542,366**
Assets derecognized or repaid (excluding write offs)	(419,231)	(15,342)	(113)	-	**(434,686)**
Transfers to S1	4,691	(4,676)	(15)	-	-
Transfers to S2	(9,170)	9,170	-	-	-
Transfers to S3	(15,064)	-	15,064	-	-
Impact of modifications	325,278	583	(15,053)	-	**310,808**
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	(3,227)	(2)	-	-	**(3,229)**
Outstanding exposure as at 31 December 2023	**990,277**	**11,267**	**4**	-	**1,001,548**

An analysis of charges in the gross carrying amount in relation to Commitments to grant loans is for the year ended 31 December 2022, as follows:

(in thousands MDL)	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
Gross carrying amount as at 1 January 2022	**1,246,165**	**39,898**	**590**	-	**1,286,653**
New assets originated or purchased	385,405	-	-	-	**385,405**
Assets derecognized or repaid (excluding write offs)	(1,076,563)	(36,621)	(590)	-	**(1,113,774)**
Transfers to S1	2,156	(2,156)	-	-	-
Transfers to S2	(18,986)	18,986	-	-	-
Transfers to S3	(98)	(25)	123	-	-
Impact of modifications	24,768	1,442	(2)	-	**26,208**
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	1,787	10	-	-	**1,797**
Outstanding exposure as at 31 December 2022	**564,634**	**21,534**	**121**	-	**586,289**

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Notes to the Financial Statements

25 Provisions (continued)

25.1 Financial guarantees, letters of credit and other undrawn commitments (continued)

25.1.1 Impairment losses on guarantees and other commitments (continued)

An analysis of charges in the corresponding ECL allowances in relation to Commitments to grant loans is for the year ended 31 December 2023, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
ECL allowance as at 1 January 2023 under IFRS 9	**9,784**	**2,840**	**79**	-	**12,703**
New assets originated or purchased	5,695	-	-	-	5,695
Assets derecognized or repaid (excluding write offs)	(7,358)	(2,025)	(75)	-	(9,458)
Transfers to S1	88	(86)	(2)	-	-
Transfers to S2	(787)	788	-	-	1
Transfers to S3	(370)	(54)	424	-	-
Impact on ECL of modifications	4,000	(486)	(424)	-	3,090
Changes to inputs used for ECL calculations	(1,740)	(40)	-	-	(1,780)
Foreign exchange adjustments	(63)	-	-	-	(63)
Net ECL Charge	**(535)**	**(1,903)**	**(77)**	-	**(2,515)**
ECL allowance as at 31 December 2023	**9,249**	**937**	**2**	-	**10,188**

An analysis of charges in the corresponding ECL allowances in relation to Commitments to grant loans is for the year ended 31 December 2022, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
ECL allowance as at 1 January 2022 under IFRS 9	**14,669**	**3,991**	**321**	-	**18,981**
New assets originated or purchased	8,283	-	-	-	8,283
Assets derecognized or repaid (excluding write offs)	(12,775)	(3,677)	(320)	-	(16,772)
Transfers to S1	171	(171)	-	-	-
Transfers to S2	(1,757)	1,757	-	-	-
Transfers to S3	(19)	(13)	32	-	-
Impact on ECL of modifications	375	911	47	-	1,333
Changes to inputs used for ECL calculations	813	41	-	-	854
Foreign exchange adjustments	22	1	-	-	23
Net ECL Charge	**(4,887)**	**(1,151)**	**(241)**	-	**(6,279)**
ECL allowance as at 31 December 2022	**9,782**	**2,840**	**80**	-	**12,702**

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Notes to the Financial Statements

25 Provisions (continued)

25.1 Financial guarantees, letters of credit and other undrawn commitments (continued)

25.1.1 Impairment losses on guarantees and other commitments (continued)

(ii) Guarantees issued

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. Details of the Bank's internal grading system are explained in Note 28 and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 28:

	31 December 2023				
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	Total
(in thousands MDL)					
Internal rating grade					
Neither past due nor impaired	842,757	127,341	-	-	970,098
Past due but not impaired	-	-	-	-	-
Non-performing	-	-	1,889	-	1,889
Individually impaired	-	-	-	-	-
Total	**842,757**	**127,341**	**1,889**	**-**	**971,987**

	31 December 2022				
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	Total
(in thousands MDL)					
Internal rating grade					
Neither past due nor impaired	511,891	41,251	-	-	553,142
Past due but not impaired	-	-	-	-	-
Non-performing	-	-	1,989	-	1,989
Individually impaired	-	-	-	-	-
Total	**511,891**	**41,251**	**1,989**	**-**	**555,131**

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Notes to the Financial Statements

25 Provisions (continued)

25.1 Financial guarantees, letters of credit and other undrawn commitments (continued)

25.1.1 Impairment losses on guarantees and other commitments (continued)

An analysis of charges in the gross carrying amount in relation to guarantees issued is for the year ended 31 December 2023, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
Gross carrying amount as at 1 January 2023	**511,891**	**41,251**	**1,989**	-	**555,131**
New assets originated or purchased	612,228	-	-	-	**612,228**
Assets derecognized or repaid (excluding write offs)	(197,259)	(3,958)	-	-	**(201,217)**
Transfers to S1	34,647	(34,647)	-	-	-
Transfers to S2	(123,903)	123,903	-	-	-
Transfers to S3	(3,159)	-	3,159	-	-
Effects of Modifications	23,379	920	(3,159)	-	**21,140**
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	(15,067)	(128)	(100)	-	**(15,295)**
Gross carrying amount as at 31 December 2023	**842,757**	**127,341**	**1,889**	-	**971,987**

An analysis of charges in the gross carrying amount in relation to guarantees issued is for the year ended 31 December 2022, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
Gross carrying amount as at 1 January 2022	**452,369**	**30,812**	**1,286**	-	**484,467**
New assets originated or purchased	142,312	-	-	-	**142,312**
Assets derecognized or repaid (excluding write offs)	(83,423)	(6)	(1,286)	-	**(84,715)**
Transfers to S1	12,777	(12,777)	-	-	-
Transfers to S2	(21,445)	21,445	-	-	-
Transfers to S3	(1,989)	-	1,989	-	-
Effects of Modifications	6,000	969	-	-	**6,969**
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	5,290	808	-	-	**6,098**
Gross carrying amount as at 31 December 2022	**511,891**	**41,251**	**1,989**	-	**555,131**

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Notes to the Financial Statements

25 Provisions (continued)

25.1 Financial guarantees, letters of credit and other undrawn commitments (continued)

25.1.1 Impairment losses on guarantees and other commitments (continued)

An analysis of charges in the corresponding ECL allowances in relation to guarantees issued is for the year ended 31 December 2023, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
ECL allowance as at 1 January 2023 under IFRS 9	**5,883**	**5,594**	**1,312**	-	**12,789**
New assets originated or purchased	12,332	-	-	-	12,332
Assets derecognized or repaid (excluding write offs)	(1,949)	(525)	(54)	-	(2,528)
Transfers to S1	695	-	-	-	695
Transfers to S2	(3,664)	3,664	-	-	-
Transfers to S3	(80)	(104)	184	-	-
Impact on ECL of modifications	385	(4,781)	(130)	-	(4,526)
Changes to inputs used for ECL calculations	(2,099)	(91)	(190)	-	(2,380)
Foreign exchange adjustments	(498)	(7)	(66)	-	(571)
Net ECL Charge	**5,122**	**(1,844)**	**(256)**	-	**3,022**
ECL allowance as at 31 December 2023	**11,005**	**3,750**	**1,056**	-	**15,811**

An analysis of charges in the corresponding ECL allowances in relation to guarantees issued is for the year ended 31 December 2022, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
ECL allowance as at 1 January 2022 under IFRS 9	**3,501**	**2,391**	**670**	-	**6,562**
New assets originated or purchased	4,798	-	-	-	4,798
Assets derecognized or repaid (excluding write offs)	(693)	-	(670)	-	(1,363)
Transfers to S1	639	(639)	-	-	-
Transfers to S2	(1,541)	1,541	-	-	-
Transfers to S3	(1,312)	-	1,312	-	-
Impact on ECL of modifications	(304)	1,734	-	-	1,430
Changes to inputs used for ECL calculations	709	538	-	-	1,247
Foreign exchange adjustments	86	29	-	-	115
Net ECL Charge	**2,382**	**3,203**	**642**	-	**6,227**
ECL allowance as at 31 December 2022	**5,883**	**5,594**	**1,312**	-	**12,789**

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Notes to the Financial Statements

25 Provisions (continued)

25.1 Financial guarantees, letters of credit and other undrawn commitments (continued)

25.1.1 Impairment losses on guarantees and other commitments (continued)

(iii) Letters of credit

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. Details of the Bank's internal grading system are explained in Note 28 and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 28:

	31 December 2023				
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3 Collective**	**Stage 3 Individual**	**Total**
(in thousands MDL)					
Internal rating grade					
Neither past due nor impaired	13,697	-	-	-	13,697
Past due but not impaired	-	-	-	-	-
Non-performing	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total	**13,697**	**-**	**-**	**-**	**13,697**

	31 December 2022				
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3 Collective**	**Stage 3 Individual**	**Total**
(in thousands MDL)					
Internal rating grade					
Neither past due nor impaired	14,406	8,934	-	-	23,340
Past due but not impaired	-	-	-	-	-
Non-performing	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total	**14,406**	**8,934**	**-**	**-**	**23,340**

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Notes to the Financial Statements

25 Provisions (continued)

25.1 Financial guarantees, letters of credit and other undrawn commitments (continued)

25.1.1 Impairment losses on guarantees and other commitments (continued)

An analysis of charges in the gross carrying amount in relation to letters of credit is for the year ended 31 December 2023, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
Gross carrying amount as at 1 January 2023	**14,406**	**8,934**	-	-	**23,340**
New assets originated or purchased	3,252	-	-	-	**3,252**
Assets derecognized or repaid (excluding write offs)	(2,993)	(8,934)	-	-	**(11,927)**
Transfers to S1	-	-	-	-	-
Transfers to S2	-	-	-	-	-
Transfers to S3	-	-	-	-	-
Effects of Modifications	-	-	-	-	-
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	(968)	-	-	-	**(968)**
Gross carrying amount as at 31 December 2023	**13,697**	-	-	-	**13,697**

An analysis of charges in the gross carrying amount in relation to letters of credit is for the year ended 31 December 2022, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
Gross carrying amount as at 1 January 2022	**11,514**	**2,464**	-	-	**13,978**
New assets originated or purchased	11,927	-	-	-	**11,927**
Assets derecognized or repaid (excluding write offs)	(842)	(2,464)	-	-	**(3,306)**
Transfers to S1	-	-	-	-	-
Transfers to S2	(8,934)	8,934	-	-	-
Transfers to S3	-	-	-	-	-
Effects of Modifications	-	-	-	-	-
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	741	-	-	-	**741**
Gross carrying amount as at 31 December 2022	**14,406**	**8,934**	-	-	**23,340**

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Notes to the Financial Statements

25 Provisions (continued)

25.1 Financial guarantees, letters of credit and other undrawn commitments (continued)

25.1.1 Impairment losses on guarantees and other commitments (continued)

An analysis of charges in the corresponding ECL allowances in relation to letters of credit is for the year ended 31 December 2023, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
ECL allowance as at 1 January 2023 under IFRS 9	**330**	**593**	-	-	**923**
New assets originated or purchased	20	-	-	-	20
Assets derecognized or repaid (excluding write offs)	(1,813)	(593)	-	-	(2,406)
Transfers to S1	-	-	-	-	-
Transfers to S2	-	-	-	-	-
Transfers to S3	-	-	-	-	-
Impact on ECL of modifications	1,775	-	-	-	1,775
Changes to inputs used for ECL calculations	(137)	-	-	-	(137)
Foreign exchange adjustments	(25)	-	-	-	(25)
Net ECL Charge	**(180)**	**(593)**	-	-	**(773)**
ECL allowance as at 31 December 2023	**150**	-	-	-	**150**

An analysis of charges in the corresponding ECL allowances in relation to letters of credit is for the year ended 31 December 2022, as follows:

	Stage 1 collective	Stage 2 collective	Stage 3 collective	Stage 3 individual	Total
(in thousands MDL)					
ECL allowance as at 1 January 2022 under IFRS 9	**97**	**247**	-	-	**344**
New assets originated or purchased	631	-	-	-	**631**
Assets derecognized or repaid (excluding write offs)	(9)	(247)	-	-	**(256)**
Transfers to S1	-	-	-	-	-
Transfers to S2	(593)	593	-	-	-
Transfers to S3	-	-	-	-	-
Impact on ECL of modifications	-	-	-	-	-
Changes to inputs used for ECL calculations	197	-	-	-	**197**
Foreign exchange adjustments	6	-	-	-	**6**
Net ECL Charge	**232**	**346**	-	-	**578**
ECL allowance as at 31 December 2022	**329**	**593**	-	-	**922**

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Notes to the Financial Statements

25 Provisions (continued)

25.2 Other provisions and contingent liabilities

Contingent liabilities

As of 31 December 2023, and 2022 the Bank acts as plaintiff in a number of litigation cases.

Legal claims

Litigation is a common occurrence in the Banking industry due to the nature of the business undertaken.

The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year-end, the Bank had 5 (five) unresolved legal claims, but only for 1 (one) of the claim were made provision in sum of 1 610 400 (one million six hundreds ten thousands four hundreds) MDL. For the rest 4 (four) claims provisions were not necessary to be made.

26 Issued capital

The list of major shareholders as of 31 December 2023 is presented below:

		2023	
	Shareholding	**Number of shares '000**	**Value**
(in thousands MDL)			
OTP BANK NYRT, Hungary	98.26%	9,826	98,258
Other legal entities (<10%)	0.10%	9	98
Other individuals (<10%)	1.58%	159	1,588
Treasury shares	0.06%	6	56
Issued capital	**100.00%**	**10,000**	**100,000**
Less: Treasury shares			(56)
Total			**99,944**

The list of major shareholders as of 31 December 2022 is presented below:

		2022	
	Shareholding	**Number of shares '000**	**Value**
(in thousands MDL)			
OTP BANK NYRT, Hungary	98.26%	9,826	98,258
Other legal entities (<10%)	0.10%	9	98
Other individuals (<10%)	1.58%	159	1,588
Treasury shares	0.06%	6	56
Issued capital	**100.00%**	**10,000**	**100,000**
Less: Treasury shares			(56)
Total			**99,944**

As of 31 December 2023 all shares are ordinary and have a nominal value of MDL 10 (31 December 2022: MDL 10). As of 31 December 2023 the total authorized share capital in amount of 10 million of ordinary shares was fully paid in.

Notes to the Financial Statements

27 Fair value of financial instruments

27.1 Fair value estimations

The following is a description of how fair values are determined for financial instruments using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

***Placement with Central Bank and other banks*:** These include inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. Fixed interest-bearing deposits mature in less than three months and it is assumed that their fair value is not significantly different from its carrying value because these instruments have short maturity terms and are convertible into cash or are settled without significant transaction costs.

***Loans and advances to customers*:** These are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. To determine the fair value the expected cash flows are discounted at rates available in industry publications and other industry materials published by the National Bank of Moldova. For loans and advances to customers maturing within one-year it is assumed that their fair value is not significantly different from carrying value. For non-performing loans the fair value approximates the net book value.

***Debt instruments at amortized cost*:** Fair value for financial investments classified as loans and receivable is based on prices obtained from new issue market and are included in the Level 2 fair value hierarchy. The National Bank Certificates and State Securities above 1year are generally highly liquid, but not actively traded in active markets, thus the Bank considered that the fair value of these instruments are presumed to be equal to the carrying amount.

***Deposits from banks and customers*:** For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the balance sheet date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rates available in industry publications and other industry materials.

***Borrowings from IFI's*:** Loans from banks and financial institutions are carried at cost which approximates their fair value because these instruments have short maturity terms or bear a floating interest rate to reflect the market changes. The estimated fair value of borrowings from IFI's represents the discounted amount of future cash flows expected to be paid. The discounted rate represents average interest rate of deposits with maturity up to 1 year which is published by National Bank of Moldova.

27.2 Determination of fair value and fair value hierarchy

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

Level 1: quoted (unadjusted) prices from active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. In arriving at fair value for the items in this hierarchy the Bank is using industry publications and other industry materials with relevant data on pricing. The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

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Notes to the Financial Statements

27 Fair value of financial instruments (continued)

27.2 Determination of fair value and fair value hierarchy (continued)

	Level 1	Level 2	Level 3	Total
(in thousands MDL)				
31 December 2023				
Financial assets				
Assets measured at fair value on a recurring basis				
Treasury bills issued by the Ministry of Finance		1,644		**1,644**
Equity investments at FVPL			1,031	**1,031**
Other financial assets not measured at Fair Value on a recurring basis				
Placements with Central Bank	6,387,232			**6,387,232**
Due from banks	2,367,467			**2,367,467**
Debt instruments at amortized cost		4,301,424		**4,301,424**
Loans and advances to customers			6,807,395	**6,807,395**
	8,754,699	**4,303,068**	**6,808,426**	**19,866,193**
Financial liabilities				
Deposits from banks			3,448	**3,448**
Borrowings from IFI's		1,397,453		**1,397,453**
Deposits from customers			17,166,384	**17,166,384**
	-	**1,397,453**	**17,169,832**	**18,567,285**

	Level 1	Level 2	Level 3	Total
(in thousands MDL)				
31 December 2022				
Financial assets				
Assets measured at fair value on a recurring basis				
Treasury bills issued by the Ministry of Finance	-	1,552	-	**1,552**
Equity investments at FVPL	-	-	1,031	**1,031**
Other financial assets not measured at Fair Value on a recurring basis	-	-	-	
Placements with Central Bank	6,807,269	-	-	**6,807,269**
Due from banks	898,300	-	-	**898,300**
Debt instruments at amortized cost	-	2,281,572	-	**2,281,572**
Loans and advances to customers	-	-	7,741,716	**7,741,716**
	7,705,569	**2,283,124**	**7,742,747**	**17,731,440**
Financial liabilities				
Deposits from banks	-	-	410,523	**410,523**
Borrowings from IFI's	-	1,731,279	-	**1,731,279**
Deposits from customers	-	-	13,677,257	**13,677,257**
	-	**1,731,279**	**14,087,779**	

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Notes to the Financial Statements

27 Fair value of financial instruments (continued)

27.2 Determination of fair value and fair value hierarchy (continued)

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values:

	2023		2022	
	Total carrying amount	**Fair value**	**Total carrying amount**	**Fair value**
(in thousands MDL)				
Financial assets				
Placements with Central Bank	6,387,232	6,387,232	6,807,269	6,807,269
Due from banks	2,367,467	2,367,467	898,300	898,300
Debt instruments at amortized cost	4,376,648	4,301,424	2,162,209	2,281,572
Loans and advances to customers	7,183,306	6,807,395	8,165,102	7,741,716
	20,314,653	**19,863,518**	**18,032,880**	**17,728,857**
Financial liabilities				
Due to banks	3,448	3,448	410,522	410,522
Borrowed funds from IFIs	1,377,673	1,397,453	1,730,929	1,731,279
Deposits from customers	16,683,780	17,166,384	13,493,021	13,677,257
	18,064,901	**18,567,285**	**15,634,472**	**15,819,058**

There were no reclassifications between financial assets and liabilities categories done in 2023 and 2022.

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28 Risk management

28.1 Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Operational risks
- Currency risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Business environment and country risk

The Bank's operations are subject to country risk being the economic, political, and social risks inherent in doing business in the Republic of Moldova. These risks include matters arising out of the policies of the government, economic conditions, imposition of or changes to taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights. The accompanying financial statements reflect management's assessment of the impact of the Moldovan business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment. The impact of such differences on the operations and financial position of the Bank may be hard to estimate.

Risk management framework

The Executive Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Risk Management Committee, Assets and Liabilities Management Committee, Audit Committee, Credit and Operational Risk Committees, Retail and Corporate Monitoring Committees, which are responsible for developing and monitoring Group risk management policies in their specified areas. All committees report regularly to the Executive Board on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures set up at the OTP Group level, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

28.2 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities. Also, the Bank exposes itself to a credit risk in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees.
The Bank Risk Division manages and controls credit risk having a complex matrix of individual competencies, monitoring the evolution of risk indicators per market segments and products, by setting limits on the share of portfolio per industry concentrations, and by monitoring exposures in relation to such limits.

Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

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 risk level is established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

The Bank has also an Early Warning System (EWS) in place, which represents a mechanism that analyses and turns information into signals to identify the risk at an early stage and has also the purpose to take effective action in the event of EWS signalization and to prevent customers from transitioning to default status. The EWS-based monitoring process ensures the efficient and prompt identification of high-risk debtors.

28.2.1 Impairment assessment

The references below show where the Bank's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

- The Bank's definition and assessment of default and cure (Note 28.2.2);
- An explanation of the Bank's internal grading system (Note 28.2.3);
- How the Bank defines, calculates and monitors the probability of default, exposure at default and loss given default) (Notes 28.2.4 and 28.2.5);
- When the Bank considers there has been a significant increase in credit risk of an exposure (Note 28.2.6);
- The Bank's policy of segmenting financial assets where ECL is assessed on a collective basis (Note: 28.2.7);
- The details of the ECL calculations for Stage 1, Stage 2 and Stage 3 assets (Note: 2.5.9.1(ii)).

For accounting purposes, the Bank uses an expected credit loss model for the recognition of losses on financial assets (Note 2.5.9.1 (ii)).

Depending on the factors below, the Bank calculates ECLs either on a collective or an individual basis.

Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

28.2.2 Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) in all cases when the borrower becomes consecutive 90 past due on any material credit obligation.

In the case of the non-enterprise segment materiality is defined as:

- Absolute threshold: 100 EUR (equivalent to the NBM exchange rate) on transaction level, and
- Relative threshold: the ratio of the transaction's overdue debt exceeds 1% of the on-balance sheet exposure on transaction (In case of credit facility /revolving type contracts (e.g: overdraft) it means the contracted amount).

In the case of the enterprise segment it is defined as:

- The absolute threshold: 500 EUR (equivalent to the NBM exchange rate) on client level, and
- Relative threshold: the ratio of the client's total overdue debt exceeds 1% of the total amount of all on-balance sheet client's exposures (In case of credit facility /revolving type contracts (e.g: overdraft) it means the contracted amount).

As part of quality assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the events should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL or whether Stage 2 is appropriate. Such events include:

- Identifying a risk event that is likely to result in partial or total non-recovery of amounts due by the counterparty under the initial contract (irrespective of the sufficiency of the Guarantees or the existence of a Guarantor / Fiduciary), the cause being the significant deterioration of the debtor's financial situation; the exceeding of limits established for financial indicators mentioned below can be used as trigger for transferring into default, however the bank will not rely only on the value of those indicators and an individual analysis will be performed in order to assess the counterparty' financial situation and the necessity to transfer it in Stage 3.
- The counterparty is the subject of legal proceedings in connection with the company's administrative difficulties (appointment of special administrator, seizure, winding-up by court order, summons to an international court, etc.) or an equivalent procedure under the law applicable in the debtor's country.
- Identify a situation requiring a restructuring agreement for a forborne credit (any situation / event that results in credit restructuring) (except in cases of "commercial renegotiation": credits for performing (healthy) clients for which the bank for commercial reasons agrees to modify the conditions stipulated in the Initial Loan Agreement) generates the customer's inevitable reclassification in the default category).
- The occurrence of any situation that is defined in the credit agreement as a Non-Execution Event such as a covenant breach not waived by the Bank.
- The loan is put for selling at a material credit related economic loss.
- Other triggers that can be considered as default event (based on expert assessment): information from public sources, breach of important covenants for other borrowing facilities not originated by the Bank, registered default in other banking/financial institution etc.

Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

28.2.2 Definition of default and cure (continued)

It is the Bank's policy to consider a financial instrument/exposure as "cured" and therefore re-classified out of Stage 3 when they no longer meet any of the above conditions, which means in particular that all late payments will be made. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of cure, and whether there has been a significant increase in credit risk compared to initial recognition. The healing period for "non-performing forborne" loans is 12 months after any grace periods granted after restructuring event. The probation period for default is 3 months and for performing forborne is 24 months considering all necessary criteria are met.

The Bank is in continuous monitoring of any specific industry/BASEL/EBA/OTP Group requirements regarding classification of loans in risk categories to apply best market practice.

28.2.3 The bank's internal rating and PD estimation process

The Bank's independent Credit Underwriting Department operates its internal rating models. The Bank runs separate models for its key portfolios in which its customers are rated. Following key portfolios are monitored:

NON-RETAIL:

MLE

This category includes loans granted to Corporate clients with turnover more that 100 million MDL and transnational companies and Small and Medium Enterprises with turnover between 30 and 100 million MDL, Banks and Sovereign, including State Securities portfolio.

For MLE the borrowers are assessed by specialize credit risk employees of the Bank. The credit risk assessment is based on a credit scoring model that takes into account various quantitative and qualitative factors regarding historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client: realized and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention;
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports or press releases and articles;
- Presence of legal cases, their status at assessment date;
- Whether the loan is secured or unsecured;
- Existence of indicator of forborne/non-forborne;
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance: insolvency process.

Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

28.2.3 The bank's internal rating and PD estimation process (continued)

Classification of NON-RETAIL loans in risk stages

Stage 1 – exposure of the counterparties that are not in Stage 2 or Stage 3, on regular basis have a maximum of days past due of 10 days in the last six months. Under internal rating these exposures have the rating of:

- S1 Neither past due nor impaired – when the DPD is 0 days;
- S1 Past due but not impaired – when the DPD is up to 10 days in the last six months.

Stage 2 – exposures presenting signs of significant deterioration of credit risk since origination. Triggers considered by the Bank to show deterioration of credit risk for a counterparty to be moved from Stage 1 to Stage 2 are:

- Watch List Flag WL2;
- Overdue payments of more than 30 days;
- Overdue payments of more than 10 days during the last 6 months;
- Restructured loans under probation period (the ones migrated from Stage 3 to Stage 2);
- Restructured loans as performing forborne;
- Rating 8 or 9;
- Other qualitative factors taken into account such as deterioration of financial situation, breach of covenants etc.

Under internal rating these exposures have the rating of S2 Past due but not impaired – when the DPD is more than 10 days in the last six months.

Stage 3 – exposures that are in "default" as detailed in Note 28.2.4. Under internal rating these exposures have the rating of "impaired".

RETAIL:

Consumer

Consumer lending comprise personal loans, credit cards and overdrafts and less complex small business lending. These products are rated for ECL calculation purposes using less complex indicators, the main one being driven by days past due.

Mortgage

Mortgage loans includes loans granted to individuals for financing a mortgage. These products are rated for ECL calculation purposes using less complex indicators, the main ones being driven by days past due and LTV.

MSE

MSE complies loans granted to less complex small business lending. These products are rated using similar risk indicators and for MLE.

Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

28.2.3 The bank's internal rating and PD estimation process (continued)

Classification of RETAIL loans in risk stages

Stage 1 – exposure of the counterparties that are not in Stage 2 or Stage 3, on regular basis have a maximum of days past due of 10 days. Under internal rating these exposures have the rating of:

- S1 Neither past due nor impaired – when the DPD is 0 days;
- S1 Past due but not impaired – when the DPD is up to 10 days in the last six months.

Stage 2 – exposures presenting signs of significant deterioration of credit risk since origination. Triggers considered by the Bank to show deterioration of credit risk for a counterparty to be moved from Stage 1 to Stage 2 are:

- Overdue payments of more than 30 days;
- Restructured loans under probation period (the ones migrated from Stage 3 to Stage 2);
- LTV > 125% for mortgage products;
- DTI > 55% for consumer loans;
- Restructured loans as performing forborne;
- Overdue payments of more than 10 days at least once in the last 6 months;
- Mortgage loans with variable interest rate: (i) for which the degree of indebtedness estimated after the interest rate change from September 2022 exceeds the limits regulated by the NBM - 40% (clients with incomes below 19,800 MDL) and 55% (clients with incomes above 19,800 MDL), and (ii) granted to private individuals in the PRO category whose incomes are not of an official nature and were estimated according to MICRO technology.

Under internal rating these exposures have the rating of S2 Past due but not impaired – when the DPD is more than 10 days in the last six months.

Stage 3 – exposures that are in "default" as detailed in Note 28.2.4. Under internal rating these exposures have the rating of "impaired loans and securities". Specifically, the following indicators of default are monitored (the list is not limited to these):

- Overdue payments of more than consecutive 90 days over the materiality threshold;
- Restructured loans;
- The hard recovery procedures started;
- Death of the debtor;
- Fraud events identified.

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Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

28.2.4 Exposure at default

Exposure at Default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation and is equal to the current exposure including drawn part (corresponding to principal accounted in on balance sheet) and undrawn part (corresponding to the off-balance sheet adjusted with CCF) to which adjustment coefficients may be applied depending on the residual maturity (integrated into the provisioning rate).

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3 the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

PD models are based on a two-step approach:

- Construction of the marginal curve of the TTC PD for each homogenous group;

  Calculation is based on the number of defaults on a quarterly basis from period starting with 01/01/2012. The survival rate is ignored, meaning that any default incurred during the observation period was considered as default in the calculation of PD, even at the reporting date the client's performance improved and any default that was recovered during the observation period was also considered in the calculation of PD.

- Adjusting the TTC PD curve taking into consideration the current situation and the impact of the forward-looking information.

PD at 12m is applied for 12mECL; life time PD is applied for LTECL.

28.2.5 Loss given default

The LGDs used for ECL calculation in the context of IFRS9 are based on internal LGD model using historic recoveries adjusted with forward looking coefficient.

28.2.6 Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

The Bank applies quantitative and qualitative methods for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watchlist, or the account becoming forborne. In certain cases, the Bank may also consider that events explained in Note 28.2.2 are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due as of reporting date or more than 10 days during the last 6 months, the credit risk is deemed to have increased significantly since initial recognition.

For 2023, an additional trigger for the migration to stage 2 was considered MSE clients, whose main activity is Cultivation of cereals, being seriously affected by the climatic conditions and the macro-economic circumstances induced by the conflict in Ukraine.

Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

28.2.7 Grouping financial assets measured on a collective basis

As explained in Note 28.2.1 and 2.5.9.1 dependent on the factors below the Bank calculates ECLs either on a collective or an individual basis.

Impairment assessment on individual basis

Asset classes where the Bank calculates ECL on an individual basis include Stage 3 assets, except unsecured portfolios and collectively assessed secured loans.

Impairment assessment on collective basis
The bank had classified loan portfolio in several homogeneous groups:

MLE

This category includes loans granted to Corporate clients with turnover more that 100 million MDL and transnational companies and Small and Medium Enterprises with turnover between 30 and 100 million MDL, Banks and Sovereign, including State Securities portfolio.

Consumer

Consumer lending comprise personal loans, credit cards and overdrafts and less complex small business lending.

Mortgage

Mortgage loans includes loans granted to individuals for financing a mortgage.

MSE

This category complies loans granted to less complex small business lending.

Asset classes where the Bank calculates ECL on a collective basis include:

- Performing assets (Stage 1 and 2) from all segments;
- S3 assets from unsecured portfolios;
- S3 assets from secured portfolio (usually forborne loans or not significant exposures).

Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

28.2.8 Analysis of collectively impaired assets

(i) Analysis of inputs to the ECL under multiple economic scenarios

Measurement of Bank's ECL reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes. The model considers reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring ECL.

Main macroeconomic highlights

The Moldovan economy gradual recovery is underway after the deep recession in 2022 caused by the gas prices, inflation, and interest rate shock. Geographical position, trade links, high dependence on Russian energy, and local geopolitical tensions made Moldova heavily exposed to the war and its consequences.

2022: 6% recession due to skyrocketing gas prices, inflation (34%), interest rates (from 2.65% to 21.5%), credit crunch, falling real wages and weak harvest.

2023: the environment improved drastically: gas prices decreased, inflation collapsed (from 35% to 4.2%), real wages are growing, the base rate has been cut to 4.75% and loan demand has returned. The recovery started, but it remained fragile. The very good harvest is required to reach a positive annual growth rate in 2023.

2024-2026: We expect Moldova to reaccelerate to the potential growth rate of around 4%. Interest rates will be hiked from the current very low level which fits the recession and fast disinflation. The deficit rose in 2023 and the external position remained fragile and requires ongoing external support from the IMF and the EU.

Main risks

- Geopolitics: war in Ukraine, Transnistria conflict;
- Politics: pro-western government willing to join the EU and still the strong Russian influence and the exposure to Russian energy is a dangerous combination;
- Financing and exchange rate risks: Both the C/A and the budget deficit is high, and financing is a serious issue in the region, which could cause the MDL to depreciate.

Three scenarios are used for ECL calculations

1. Optimistic Scenario - Moldovan growth reaccelerates quickly to an increase of 5.5% of the GDP in 2024.
2. Forecast Scenario - Moderate economic growth, with an increase of 4.4% of the GDP in 2024.
3. Stress scenario - Moldova's GDP still in negative area in 2024 of -3.2%.

The main scenario inputs are included in the table below:

Gross Domestic Product (GDP), q-o-q growth	Assigned Weight	2024 Q1	2024 Q2	2024 Q3	2024 Q4	20245 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
Optimistic scenario	10%	6.20 %	7.60 %	4.50 %	3.60 %	4.30 %	4.80 %	5.00 %	5.10 %	4.90 %	4.80 %	4.60 %	4.50 %
Stress scenario	70%	0.30 %	-1.20 %	-5.00 %	-6.90 %	-2.00 %	0.50 %	1.80 %	3.00 %	4.30 %	5.10 %	5.10 %	4.80 %
Forecast scenario	20%	5.50 %	6.60 %	3.30 %	2.30 %	3.30 %	3.90 %	4.10 %	4.10 %	4.10 %	4.10 %	4.10 %	4.10 %

Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

28.2.8 Analysis of collectively impaired assets (continued)

(ii) Sensitivity Analysis of inputs to the ECL

The Bank elaborated four scenarios for sensitivity analysis, two are based on increasing/decreasing of PD by 500 basis points while LGD remains the same, and the last two are based on increasing/decreasing of LGD by 1000 basis points while PD remains the same.
The sensitivity analysis for the year 2023 and 2022, respectively, is presented in the tables below:

(in thousands MDL)	Total Provision 2023 Real Booked	Change of PD	Total Provision Simulation	Increase/ Decrease in Total Stock of Provision, MDL	Increase/ Decrease in Total Stock of Provision, %
Retail	203,380	+ 500 bps	337,078	133,698	66%
		- 500 bps	154,848	(48,532)	-24%
Non-Retail	174,896	+ 500 bps	400,670	225,774	129%
		- 500 bps	124,436	(50,460)	-29%
	378,276				

(in thousands MDL)	Total Provision 2023 Real Booked	Change in basis points of LGD	Total Provision Simulation	Increase/Decrease in Total Stock of Provision, MDL	Increase/Decrease in Total Stock of Provision, %
Retail	203,380	+ 1000 bps	246,633	43,253	21%
		- 1000 bps	185,333	(18,046)	-9%
Non-Retail	174,896	+ 1000 bps	218,320	43,424	25%
		- 1000 bps	170,516	(4,380)	-3%
	378,276				

(in thousands MDL)	Total Provision 2022 Real Booked	Change of PD	Total Provision Simulation	Increase/Decrease in Total Stock of Provision, MDL	Increase/Decrease in Total Stock of Provision, %
Retail	291,809	+ 500 bps	439,035	147,226	50%
		- 500 bps	217,424	(74,385)	-25%
Non-Retail	327,167	+ 500 bps	555,451	228,284	70%
		- 500 bps	191,053	(136,114)	-42%
	618,976				

(in thousands MDL)	Total Provision 2022 Real Booked	Change of LGD	Total Provision Simulation	Increase/Decrease in Total Stock of Provision, MDL	Increase/Decrease in Total Stock of Provision, %
Retail	291,809	+ 1000 bps	344,478	52,669	18%
		- 1000 bps	264,064	(27,745)	-10%
Non-Retail	327,167	+ 1000 bps	366,008	38,841	12%
		- 1000 bps	296,316	(30,851)	-9%
	618,976				

Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

28.2.9 Overview of modified and forborne loans

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed between 12mECL and LTECL measurement during the period:

	as at 31 December 2023		as at 31 December 2022	
	Gross carrying amount	Corresponding ECL	Gross carrying amount	Corresponding ECL
Facilities that have cured since modification and are now measured using 12mECLs (Stage 1)	1,522	22	1,321	(29)
Facilities that reverted to (Stage 2/3) LTECLs having once cured	365	55	2,824	(1,190)

Carrying amount by class of financial assets that had the forborne status as of 31 December 2023 and 2022 is analyzed below:

Forborne Loans	31 December 2023	Of which: forborne in 2023	31 December 2022	Of which: forborne in 2022
(in thousands MDL)				
Loans and advances to customers				
Performing				
MLE	11,506	-	44,249	39,917
Consumer	6,563	6,360	1,376	727
Mortgage	2,693	1,700	3,187	719
MSE	17,273	12,849	21,836	11,299
Leasing	-	-	731	-
	38,035	**20,909**	**71,379**	**52,662**
NON-Performing				
MLE	11,049	-	11,566	-
Consumer	1,275	994	1,033	-
Mortgage	2,182	-	3,191	-
MSE	16,031	7,031	19,415	7,091
Leasing	1,330	860	1,841	1,048
	31,867	**8,885**	**37,046**	**8,139**

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28 Risk management (continued)

28.2 Credit risk (continued)

28.2.10 Analysis of risk concentration

The major concentrations of credit risk arise by location and type of customer in relation to the Bank investments, loans and advances and guarantees issued. The Bank has no significant exposure to any individual customer or counterparty. The Bank's lending activities are conducted in the Republic of Moldova. The ability of borrowers to repay their debt is dependent on a number of factors including the overall financial wealth of the borrower and the Moldovan economy. The loan portfolio comprises loans to approximately 3,974 legal entities (2022: 3,748) and 68,264individuals (2022: 83,018), out of which 378 legal entities and 27,314 individuals have only unauthorized overdrafts.

The maximum credit on-balance exposure to any client or counterparty in the loan portfolio as of 31 December 2023 was at MDL'000 177,034 (2022: MDL'000 196,694).

As at 31 December 2023 ten major gross loans have a total on-balance exposure of MDL'000 925,639 (31 December 2022: MDL'000 1,269,004).

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown net of ECL, before the effect of mitigation through the use of master netting and collateral agreements.

(in thousands MDL)	Note	31 December 2023	31 December 2022
Placements with Central Bank	13	6,387,232	6,233,016
Due from banks	14	2,367,469	898,252
Debt instruments at amortized cost	16	4,376,648	2,162,209
Loans and advances to customers	15	6,959,188	7,919,092
Leasing	15	224,118	246,010
Other assets		66,524	75,457
Total		**20,381,179**	**17,534,036**
Financial guarantees, letters of credit and other undrawn commitments	25	1,961,085	1,138,347
Total credit risk exposure		**22,342,264**	**18,672,383**

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Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

28.2.10 Analysis of risk concentration (continued)

Industry analysis

The Bank monitors concentrations of credit risk by sector and by geographic location.

An analysis of concentrations of credit risk gross exposure as of 31 December 2023 is shown below:

	Loans and advances to customers	Leasing	Due from banks	Debt instruments at amortized cost	Financial assets at FV through PL
(in thousands MDL)					
Concentration by sector					
Sovereign	-	-	-	1,506,643	-
Central Bank	-	-	6,391,569	2,902,463	-
Commercial banks	-	-	2,370,587	-	-
Individuals	3,011,254	-	-	-	-
Legal entities	4,319,825	230,502	-	-	-
Off balance sheet items:	-	-	-	-	1,031
Individuals	44,492	20	-	-	-
Legal entities	1,942,214	526	-	-	-
	9,317,785	**231,048**	**8,762,156**	**4,409,106**	**1,031**
Concentration by location					
Moldova	8,436,086	231,048	6,391,569	4,409,106	1,031
CIS*[1]	125,887	-	11,804	-	-
EU	190,394	-	2,307,750	-	-
USA	14,134	-	51,033	-	-
Other	551,284	-	-	-	-
Total gross amount of exposure	**9,317,785**	**231,048**	**8,762,156**	**4,409,106**	**1,031**
Less: Allowance for ECL/impairment losses	(398,033)	(6,384)	(7,457)	(32,458)	-
	8,919,752	**224,664**	**8,754,699**	**4,376,648**	**1,031**

[1] CIS - Commonwealth of Independent States, free association of sovereign states that was formed in 1991 by Russia and 11 other republics that were formerly part of the Soviet Union.

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Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

28.2.10 Analysis of risk concentration (continued)

An analysis of concentrations of credit risk gross exposure as of 31 December 2022 is shown below:

(in thousands MDL)	Loans and advances to customers	Leasing	Due from banks	Debt instruments at amortized cost	Financial assets at FV through PL
Concentration by sector					
Sovereign	-	-	-	993,664	-
Central Bank	-	-	6,251,739	1,203,231	-
Commercial banks	0	0		0	0
Individuals	-	-	902,673	-	-
Legal entities	3,756,356	-	-	-	-
Off balance sheet items:	4,745,196	256,113	0	0	1,031
Individuals	95,029	-	-	-	-
Legal entities	1,068,906	825	-	-	-
	9,665,487	**256,938**	**7,154,412**	**2,196,895**	**1,031**
Concentration by location					
Moldova	9,043,622	256,938	6,251,739	2,196,895	1,031
CIS*[2]	2,593	-	18,106	-	-
EU	422,608	-	875,757	-	-
USA	-	-	8,810	-	-
Other	196,662	-	-	-	-
	9,665,485	**256,938**	**7,154,412**	**2,196,895**	**1,031**
Less: Allowance for ECL/impairment losses	(608,857)	(10,119)	(23,144)	(34,686)	-
	9,056,628	**246,819**	**7,131,268**	**2,162,209**	**1,031**

[2] CIS - Commonwealth of Independent States, free association of sovereign states that was formed in 1991 by Russia and 11 other republics that were formerly part of the Soviet Union.

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Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

28.2.10 Analysis of risk concentration (continued)

An analysis of concentrations of ECL as of 31 December 2023 is shown below:

	Loans and advances to customers	Leasing	Due from banks	Debt instruments at amortized cost	Financial assets at FV through PL
(in thousands MDL)					
Concentration by sector					
Sovereign	-	-	-	32,118	-
Central Bank	-	-	4,337	340	-
Commercial banks	-	-	3,120	-	-
Individuals	159,540	-	-	-	-
Legal entities	212,352	6,384	-	-	-
Off balance sheet items:	-	-	-	-	-
Individuals	530	-	-	-	-
Legal entities	25,611	6	-	-	-
	398,033	**6,390**	**7,457**	**32,458**	-
Concentration by location					
Moldova	383,156	6,390	4,337	32,458	-
CIS*	3,749	-	3,023	-	-
EU	991	-	67	-	-
USA	23	-	30	-	-
Other	10,114	-	-	-	-
	398,033	**6,390**	**7,457**	**32,458**	-

An analysis of concentrations of ECL as of 31 December 2022, shown below:

	Loans and advances to customers	Leasing	Due from banks	Debt instruments at amortized cost	Financial assets at FV through PL
(in thousands MDL)					
Concentration by sector					
Sovereign	-	-	-	34,158	-
Central Bank	-	-	18,723	528	-
Commercial banks	-	-	4,421	-	-
Individuals	291,856	-	-	-	-
Legal entities	290,604	10,103	-	-	-
Off balance sheet items:	-	-	-	-	-
Individuals	2,292	-	-	-	-
Legal entities	24,105	16	-	-	-
	608,857	**10,119**	**23,144**	**34,686**	-
Concentration by location					
Moldova	597,910	10,119	18,723	34,686	-
CIS*	355	-	494	-	-
EU	5,481	-	3,883	-	-
USA	-	-	44	-	-
Other	5,111	-	-	-	-
	608,857	**10,119**	**23,144**	**34,686**	-

Ageing analysis of loans by class of financial assets as of 31 December 2023 and 2022 is presented below:

(in thousands MDL)	Stage 1		Stage 2					Stage 3					
	Not past due	Less than 30 days	Not past due	Less than 30 days	31 to 60 days	61 to 90 days	More than 90	Not past due	Less than 30 days	31 to 60 days	61 to 90 days	More than 90	Total
31-Dec-23 Loans and advances to customers													
MLE	3,274,009	265,619	65,146	24,374	2328	-	18	-	523	-	-	154,673	**3,786,690**
Consumer	827,484	38,353	129,774	37,161	8,868	2,246	7,981	4,652	2709	3,807	2,998	22,063	**1,088,096**
Mortgage	1,450,863	57,836	299,019	50,761	5,445	2370	-	3,885	7,711	6,397	9,463	29,408	**1,923,158**
MSE	282,063	7,067	161,180	17,291	11,270	739	306	2,186	3,374	5,396	7,090	35,174	**533,136**
Total Loans and advances to customers	**5,834,419**	**368,875**	**655,119**	**129,587**	**27,911**	**5,355**	**8,305**	**10,723**	**14,317**	**15,600**	**19,551**	**241,318**	**7,331,080**
Leasing	***207,184***	***1540***	***12,300***	***5240***	-	-	-	***95***	***375***	-	***1066***	***2702***	***230,502***
Total Loans and advances to customers and Leasing	**6,041,603**	**370,415**	**667,419**	**134,827**	**27,911**	**5,355**	**8,305**	**10,818**	**14,692**	**15,600**	**20,617**	**244,020**	**7,561,582**
31-Dec-22 Loans and advances to customers													
MLE	3,659,716	86,678	213,612	24,546	10104	-	-	2,230	10478	4373	2,013	78,115	**4,091,865**
Consumer	1,026,031	61,275	242,519	61,375	20,285	9,959	15,806	3,728	3803	5,094	5,003	30,001	**1,484,879**
Mortgage	1,632,002	55,401	424,018	87,713	10,837	2281	-	5,218	9,194	9,616	5,687	19,624	**2,261,591**
MSE	332,498	14,833	205,932	29,220	22,236	700	891	12,219	4,734	3,006	7,869	29,079	**663,217**
Total Loans and advances to customers	**6,650,247**	**218,187**	**1,086,081**	**202,854**	**63,462**	**12,940**	**16,697**	**23,395**	**28,209**	**22,089**	**20,572**	**156,819**	**8,501,552**
Leasing	***225,588***	***6,436***	***20,254***	***548***	-	-	-	***1,568***	-	***885***	-	***834***	***256,113***
Total Loans and advances to customers and Leasing	**6,875,835**	**224,623**	**1,106,335**	**203,402**	**63,462**	**12,940**	**16,697**	**24,963**	**28,209**	**22,974**	**20,572**	**157,653**	**8,757,665**

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Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

28.2.10 Analysis of risk concentration (continued)

An analysis of loans and advances to customers by customer type and industry as of 31 December 2023 and 2022 is presented below:

(in thousands MDL)	31 December 2023	31 December 2022
Loans to individuals		
Consumer loans	1,088,096	1,484,879
Mortgage loans	1,923,158	2,261,590
	3,011,254	**3,746,469**
Less allowance for impairment losses Consumer Loans	(85,528)	(141,451)
Less allowance for impairment losses Mortgage Loans	(72,000)	(148,066)
Net loans to individuals	**2,853,726**	**3,456,952**
Loans to legal entities		
Industry and commerce	2,927,032	3,294,857
Agriculture and food industry	764,068	852,013
Fuel and energy	5,375	9,259
Construction	48,315	64,237
Transportation, telecommunications and development	315,523	305,874
Overdrafts	-	-
Micro-enterprises	140,372	145,876
Leasing	230,502	256,113
Other	119,141	82,968
	4,550,328	**5,011,197**
Less allowance for impairment losses		
Industry and commerce	(100,729)	(189,936)
Agriculture and food industry	(88,619)	(58,359)
Fuel and energy	(67)	(205)
Construction	(1,362)	(9,729)
Transportation, telecommunications and development	(6,540)	(10,127)
Overdrafts	-	-
Micro-enterprises	(14,088)	(21,201)
Leasing	(6,384)	(10,103)
Other	(2,959)	(3,387)
Net loans to legal entities	**4,329,580**	**4,708,150**
Total net loans and advances to customers	**7,183,306**	**8,165,102**

The Bank's lending activities are conducted in Moldova. The ability of borrowers to repay their debt is dependent on a number of factors including the overall financial wealth of the borrower and the Moldovan economy.

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Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

28.2.11 Collateral and other enhancements

The main types of collateral obtained are as follows: real estate premises (residential, commercial, land), stock of goods and materials, trade receivables, securities, cash and other types (if object can be identified, evaluated and pledged).

The Bank also obtains guarantees from parent companies for loans to their subsidiaries. The Bank monitors the market value of collateral and request additional collateral in accordance with the underlying agreement.

Bank's policy is to avoid repossession of assets and to use this tool as an exceptional one, due to the fact that legislation offers the possibility to take under legal possession the collaterals in order to manage them for selling, from clients' name, and repay the debt. In order to recover the debt where are set collaterals that are under legal possession, Bank uses several ways:

- Selling of collateral with Bank's permission;
- Cession of debts (that includes the selling of rights legal possession);
- Selling of collaterals by Bank – direct negotiations (by Bank or involving a real estate company) or auction (auction organized by third parties – dedicated company / bailiff / notary);
- Selling of collaterals in enforced execution procedure.

All information regarding the collaterals available for selling is published on Bank's website as well as in a dedicated Newspaper.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, stock of materials and equipment as well as corporate guarantees and cash deposits. The fair value of collateral placed against individually impaired loans as of 31 December 2023 is estimated at MDL'000 40,694 (31 December 2022: MDL'000 28,562). The fair value of collateral placed against past due but not impaired loans as of 31 December 2023 is estimated at MDL'000 329,218 (31 December 2022: MDL'000 300,230).

Collateral generally is held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held as of 31 December 2023 and 2022.

The tables on the following pages show the maximum exposure to credit risk by class of financial assets.

Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

28.2.11 Collateral and other enhancements (continued)

(in thousands MDL)	Maximum exposure to credit risk	Cash	Securities	3rd party guarantees	Property	Other	Surplus of collateral	Total collateral	Net exposure	Associated ECLs
31 December 2023										
MLE	3,618,178	110,620	-	1,023,188	2,428,229	1,994,524	(2,328,782)	5,556,562	-	168,512
Consumer	1,002,569	195	-	-	7,301	2,339	(9,487)	9,836	992,734	85,527
Mortgage	1,851,156	20,009	-	254,808	2,764,559	6,692	(1,204,257)	3,046,067	-	72,002
MSE	487,285	9,298	-	51,698	540,891	372,003	(504,012)	973,890	-	45,851
Leasing	224,118	-	-	-	12,409	395,864	(184,814)	408,273	-	6,384
Commitments to grant loans	991,361	1,208	-	4,773	274,660	194,170	(107,135)	474,810	516,551	10,187
Financial guarantees	956,176	73,714	-	285,298	176,224	129,602	(109,918)	664,839	291,338	15,811
Letters of credit	13,547	-	-	-	10,615	2,194	(1,434)	12,809	738	150
Total	**9,144,390**	**215,044**	**-**	**1,619,765**	**6,214,888**	**3,097,388**	**(4,449,839)**	**11,147,086**	**1,801,361**	**404,424**
31 December 2022										
MLE	3,874,242	79,597	231,178	941,169	2,533,136	4,237,409	-4,443,185	8,022,488		217,623 141,451
Consumer	1,343,428	1,445	0	0	11,246	2,747	-12,731	15,437	1,327,990	61,604
Mortgage	2,113,524	20,003	0	262,282	3,088,403	9,332	-1,273,917	3,380,019		148,066
MSE	587,899	9,899	0	65,700	665,260	481,591	-640,684	1,222,450		75,319
Leasing	246,010	0	0	596	11,991	356,623	-187,778	369,210		10,103
Commitments to grant loans	573,587	10,613	0	2,498	103,573	91,338	-51,325	208,023	365,564	12,702
Financial guarantees	542,343	35,221	0	6,541	174,720	122,575	-122,171	339,057	203,286	12,788
Letters of credit	22,418	0	0	1,539	7,841	9,551	-4,298	18,931	3,487	922
Total	**9,303,449**	**156,777**	**231,178**	**1,280,324**	**6,596,168**	**5,311,167**	**-6,736,089**	**13,575,615**	**1,900,327**	**618,976**

Notes to the Financial Statements

28 Risk management (continued)

28.2 Credit risk (continued)

28.2.11 Collateral and other enhancements (continued)

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets:

(in thousands MDL)	Maximum exposure to credit risk	Cash	Securities	3rd party guarantees	Property	Other	Surplus of collateral	Total collateral	Net exposure	Associated ECLs
31 December 2023										
MLE	43,288	-	-	11,643	111,533	142,939	(225,357)	266,115	-	111,908
Consumer	10,079	-	-	-	7,194	2,339	(9,424)	9,533	546	26,149
Mortgage	27,368	-	-	2,457	88,309	890	(64,342)	91,656	-	29,496
MSE	-	-	-	7,037	89,894	70,754	(142,647)	167,685	-	25,822
Leasing	1,902	-	-	-	-	9,695	(7,792)	9,695	-	2,335
Commitments to grant loans	2	-	-	-	-	2,583	(2,583)	2,583	-	2
Financial guarantees	833	1,889	-	-	-	-	(1,056)	1,889	-	1,056
Letters of credit	-	-	-	-	-	-	-	-	-	-
Total	**83,472**	**1,889**	**-**	**21,137**	**296,930**	**229,200**	**(453,201)**	**549,156**	**546**	**196,768**
31 December 2022										
MLE	26,105	-	-	10,840	103,607	125,485	(213,858)	239,931	-	71,105
Consumer	13,758	-	-	-	8,437	2,377	(10,806)	10,815	2,943	33,871
Mortgage	18,017	-	-	2,754	75,641	890	(61,262)	79,284	-	31,322
MSE	-	-	-	9,531	112,288	69,504	(163,861)	191,322	-	28,983
Leasing	2,227	-	-	-	-	9,780	(7,552)	9,780	-	1,060
Commitments to grant loans	42	-	-	-	-	-	-	-	42	79
Financial guarantees	677	1,989	-	-	-	-	(1,312)	1,989	-	1,312
Letters of credit	-	-	-	-	-	-	-	-	-	-
Total	**60,826**	**1,989**	**-**	**23,125**	**299,973**	**208,036**	**(458,651)**	**533,121**	**2,985**	**167,732**

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Notes to the Financial Statements

28 Risk management (continued)

28.3 Liquidity risk and funding management

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

Intraday liquidity is managed by the Treasury based on received information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short term liquid assets, largely made up of short term liquid investment securities, loans and advance to banks and other interbank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

On a medium to long term basis the liquidity is managed through ALM function reporting to ALCO on the funding needs in the future.

The table below summarizes the maturity profile of the Bank's financial assets and liabilities at 31 December 2023 based on undiscounted repayment obligations.

(in thousands MDL)	Total	Less 1 month	Between 1 month and 1 year	Between 1 and 5 years	More than 5 years
Financial assets					
Cash and balances with Central Bank	6,968,119	6,968,119	-	-	-
Due from banks	2,367,467	2,367,467	-	-	-
Derivative financial instruments	-	-	-	-	-
Financial assets at fair value through profit or loss	2,675	1,644	-	-	1,031
Debt instruments at amortized cost	4,376,648	2,868,385	1,506,263	2,000	-
Loans and advances to customers	7,183,306	494,166	2,788,215	2,920,626	980,299
Other financial assets	49,080	49,080	-	-	-
Total financial assets	**20,947,295**	**12,748,861**	**4,294,478**	**2,922,626**	**981,330**
Financial Liabilities					
Due to banks	3,448	3,448	-	-	-
Due to customers	16,683,780	2,455,372	7,639,075	5,019,342	1,569,991
Debt issued and other borrowings	1,377,673	30,358	701,607	635,896	9,812
Lease liabilities	62,450	-	16,543	38,256	7,651
Derivative financial instruments	424	424	-	-	-
Total financial liabilities	**18,127,775**	**2,489,602**	**8,357,225**	**5,693,494**	**1,587,454**
GAP	**2,819,520**	**10,259,259**	**(4,062,747)**	**(2,770,868)**	**(606,124)**

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28 Risk management (continued)

28.3 Liquidity risk and funding management (continued)

The table below summarizes the maturity profile of the Bank's financial assets and liabilities at 31 December 2022 based on undiscounted repayment obligations.

(in thousands MDL)	Total	Less 1 month	Between 1 month and 1 year	Between 1 and 5 years	More than 5 years
Financial assets					
Cash and balances with Central Bank	6,807,269	6,807,269	-	-	-
Due from banks	898,300	898,300	-	-	-
Derivative financial instruments	1,629	1,629	-	-	-
Financial assets at fair value through profit or loss	2,583	1,552	-	-	1,031
Debt instruments at amortized cost	2,162,209	1,167,017	993,192		2,000
Loans and advances to customers	8,165,102	454,093	3,162,228	3,303,279	1,245,502
Other financial assets	45,707	45,707	-	-	-
Total financial assets	**18,082,799**	**9,375,567**	**4,155,420**	**3,303,279**	**1,248,533**
Financial Liabilities					
Due to banks	410,522	410,522	-	-	-
Due to customers	13,493,021	1,309,414	5,086,576	5,591,271	1,505,760
Debt issued and other borrowings	1,730,929	29,652	621,640	1,047,397	32,240
Lease liabilities	75,183	-	21,835	53,348	-
Derivative financial instruments	41	41	-	-	-
Total financial liabilities	**15,709,696**	**1,749,629**	**5,730,051**	**6,692,016**	**1,538,000**
GAP	**2,373,103**	**7,625,938**	**(1,574,631)**	**(3,388,737)**	**(289,467)**

The table below is related to off-balance assets as of 31.12.2023 and 31.12.2022. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

(in thousands MDL)	Total	Less 1 month	Between 1 month and 1 year	Between 1 and 5 years	More than 5 years
As at 31 December 2023					
Loan commitments	1,001,548	1,001,548	-	-	-
Financial guarantees	971,987	971,987	-	-	-
Letter of credit	13,697	13,697	-	-	-
Total commitments and guarantees	**1,987,232**	**1,987,232**	-	-	-
As at 31 December 2022					
Loan commitments	586,289	586,289	-	-	-
Financial guarantees	555,131	555,131	-	-	-
Letter of credit	23,340	23,340	-	-	-
Total commitments and guarantees	**1,164,760**	**1,164,760**	-	-	-

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Notes to the Financial Statements

28 Risk management (continued)

28.4 Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Bank's or the value of its holdings of financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

As of the end of 2023 did hold a small trading portfolio of State Securities (1.7 million MDL). This portfolio was constituted considering the regulatory requirements imposed by Ministry of Finance for the banks who have the license of primary dealer. In Q3 2018, NBM updated its Regulation related to placement, trading and redemption of state securities, within which new requirements for primary dealers (the Bank has the license of primary dealer) have been established, including the minimum obligation for daily listing/quotation of State Securities. The obligation of daily listing provides 2 conditions to be respected:

- mandatory daily listing of State Securities bought in last 2 auctions (auctions are organized twice per month for treasury bills and once per month for government bonds with fixed rate and for government bonds with variable rate);
- minimum portfolio to be listed is 100 K MDL (at notional value).

Considering the amount of portfolio and the nature of financial instruments, the related market risk is considered as not significant.

28.4.1 Interest rate risk

The Bank's operations are subject to risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature at different times or in different amounts. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

The sensitivity on net interest income of the Bank is analyzed separately for variable rates (as effect of interest rate changes for variable rate assets and liabilities) and fixed rates (by revaluing fixed rate financial assets for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve). According to financial market evolution, the Bank estimates 2 main scenarios for interest rate sensitivity analysis:

1. Parallel increase/decrease of +/- 200 basis points for interest bearing assets and liabilities with subsequent impact of such fluctuations on net interest income;
2. Non-Parallel increase/decrease of +/- 200 basis points for interest bearing assets and liabilities with subsequent impact of such fluctuations on net interest income;

Power of fluctuations is determined based on market conditions and Banks assumptions in forecasted environment.

The potential change of the Bank's EVE (economic value of equity) due to changes:

(in thousands MDL)	31 December 2023	31 December 2022
Own Funds	**2,034,981**	**2,077,465**
Potential decline in EVE 200 bps		
Absolute value	49,639	42,495
Impact on Own Funds	2.44%	2.04%

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28 Risk management (continued)

28.4 Market risk (continued)

28.4.1 Interest rate risk (continued)

The following table provides an analysis of the Bank's interest rate risk exposure on non-trading financial assets and liabilities as at 31 December 2023. The bank assets and liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

(in thousands MDL)	Carrying amount	Less than 3 month	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
As at 31 December 2023						
Assets						
Cash and Balances with Central Bank	**6,968,119**	6,387,232	-	-	-	580,887
Due from Banks	**2,367,467**	2,367,467	-	-	-	-
Financial assets at fair value through profit and loss	**2,675**	1,644	-	-	-	1,031
Loans and advances to customers	**7,183,306**	4,191,092	2,177,048	774,578	40,588	-
Debt instruments at amortized cost	**4,376,648**	2,868,385	1,506,263	2,000	-	-
	20,898,215	**15,815,820**	**3,683,311**	**776,578**	**40,588**	**581,918**
Liabilities						
Due to Banks	**3,448**	3,448	-	-	-	-
Due to Customers	**16,683,780**	7,989,345	2,068,855	85,433	-	6,540,147
Debt issued and other borrowed funds	**1,377,673**	35,802	1,311,196	30,675	-	-
	18,064,901	**8,028,595**	**3,380,051**	**116,108**	**-**	**6,540,147**
Total interest sensitivity gap	**2,833,314**	**7,787,225**	**303,260**	**660,470**	**40,588**	**(5,958,229)**

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Notes to the Financial Statements

28 Risk management (continued)

28.4 Market risk (continued)

28.4.1 Interest rate risk (continued)

The following table provide an analysis of the Bank's interest rate risk exposure on non-trading financial assets and liabilities as at 31 December 2022. The bank assets and liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

	Carrying amount	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
(in thousands MDL)						
As at 31 December 2022						
Assets						
Cash and Balances with Central Bank	**6,807,269**	6,233,016	-	-	-	574,253
Due from Banks	**898,300**	898,300	-	-	-	-
Financial assets at fair value through profit and loss	**2,583**	1,552	-	-	-	1,031
Loans and advances to customers	**8,165,102**	4,460,480	2,255,936	1,375,062	73,624	-
Debt instruments at amortized cost	**2,162,209**	1,167,017	993,192	-	2,000	-
	18,035,463	**12,760,365**	**3,249,128**	**1,375,062**	**75,624**	**575,284**
Liabilities						
Due to Banks	**410,522**	410,522	-	-	-	-
Due to Customers	**13,493,021**	4,889,646	1,348,462	1,820,909	-	5,434,004
Debt issued and other borrowed funds	**1,730,929**	36,018	1,694,407	504	-	-
	15,634,472	**5,336,186**	**3,042,869**	**1,821,413**	**-**	**5,434,004**
Total interest sensitivity gap	**2,400,991**	**7,424,179**	**206,259**	**(446,351)**	**75,624**	**(4,858,720)**

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Notes to the Financial Statements

28 Risk management (continued)

28.4 Market risk (continued)

28.4.2 Currency risk

The Bank is exposed to currency risk through transactions in foreign currencies against MDL. There is also a balance sheet risk that the net monetary assets/liabilities in foreign currencies will take a lower/higher value when translated into MDL as a result of currency movements.

The Bank is analysing permanently the structure of assets and liabilities in different currencies. The principal foreign currencies held by the Bank are EUR, USD and RUB. The Bank carries out operations in both the local currency and hard currencies and monitors its foreign currency exposure on a daily basis and close out its positions within individually defined limits set up by NBM for each and all currencies together. It is the Bank's policy to minimize its exposure to currency risk by maintaining an open currency position at a minimum level.

The Bank's transactional exposures give rise to foreign currency gains and losses that are recognized in the income statement. These exposures comprise the monetary assets and monetary liabilities of the Bank that are not denominated in the measurement currency of the Bank.

The table below provides the information on the effect to profit before tax and effect in equity of the change in foreign currency rates against MDL:

	FCY gap	Possible rate increase	Income / (loss) effect	Effect in equity	Possible rate decrease	Income / (loss) effect	Effect in equity
(in thousand MDL)							
31 December 2023							
EUR	47,506	10%	4,751	4,181	-10%	-4,751	-4,181
US Dollars	99,605	10%	9,960	8,765	-10%	-9,960	-8,765
31 December 2022							
EUR	20,545	10%	2,055	1,808	-10%	-2,055	-1,808
US Dollars	114,485	10%	11,449	10.075	-10%	-11,449	-10,075

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28 Risk management (continued)

28.4 Market risk (continued)

28.4.2 Currency risk (continued)

The amounts of assets and liabilities held in MDL and in foreign currencies at 31 December 2023 can be analysed as follows:

31 December 2023	Euro	US dollar	MDL	Other	Total
(in thousand MDL)					
Assets					
Cash and balances with Central Bank	2,033,786	948,138	3,941,154	45,041	**6,968,119**
Due from banks	1,369,069	842,264	(3)	156,137	**2,367,467**
Derivative financial instruments	-	-	-	-	**0**
Financial assets at FVPL	-	-	2,675	-	**2,675**
Loans and advances to customers, net	2,312,591	295,132	4,575,583	-	**7,183,306**
Debt instruments at amortized cost	-	-	4,376,648	-	**4,376,648**
Other assets	10,399	1,225	54,900	-	**66,524**
Property and equipment	1,702	-	294,672	-	**296,374**
Deferred tax assets	-	-	4,852	-	**4,852**
Intangible assets	-	-	138,670	-	**138,670**
Total assets	**5,727,547**	**2,086,759**	**13,389,151**	**201,178**	**21,404,635**
Liabilities					
Derivative financial instruments	-	-	424	-	**424**
Due to banks	23	-	3,425	-	**3,448**
Due to customers	4,682,500	2,308,332	9,585,888	107,060	**16,683,780**
Borrowed funds from IFI's	628,222	3,740	745,711	-	**1,377,673**
Other liabilities	91,206	14,422	84,938	1,281	**191,847**
Provisions	18,782	1,499	53,098	43	**73,422**
Total liabilities	**5,420,733**	**2,327,993**	**10,473,484**	**108,384**	**18,330,594**
OFF BS liabilities: EUR/RUB, USD/RUB, USD/RON swaps	259,308	(340,838)	-	82,946	**1,416**
Net position 31 December 2023	**47,506**	**99,604**	**2,915,667**	**9,848**	**3,072,625**

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Notes to the Financial Statements

28 Risk management (continued)

28.4 Market risk (continued)

28.4.2 Currency risk (continued)

The amounts of assets and liabilities held in MDL and in foreign currencies at 31 December 2022 can be analysed as follows:

31 December 2022	Euro	US dollar	MDL	Other	Total
(in thousand MDL)					
Assets					
Cash and balances with Central Bank	2,368,901	1,104,227	3,291,356	42,786	**6,807,270**
Due from banks	264,343	586,925	(1)	47,033	**898,300**
Derivative financial instruments	-	-	1,629	-	**1,629**
Debt instruments at amortized cost	-	-	2,162,209	-	**2,162,209**
Financial assets at FVPL	-	-	2,583	-	**2,583**
Loans and advances to customers, net	2,859,069	474,641	4,831,392	-	**8,165,102**
Other assets	18,215	2,158	55,083	-	**75,456**
Property and equipment		-	290,329	-	**290,329**
Deferred tax assets	-	-	4,886	-	**4,886**
Intangible assets	-	-	119,779	-	**119,779**
Total assets	**5,510,528**	**2,167,951**	**10,759,245**	**89,819**	**18,527,543**
Liabilities					
Derivative financial instruments	-	-	41	-	**41**
Due to banks	407,935	-	2,588	-	**410,523**
Due to customers	3,771,925	2,153,500	7,530,467	37,129	**13,493,021**
Borrowed funds from IFI's	771,128	8,531	951,270	-	**1,730,929**
Other liabilities	96,459	16,025	105,812	3	**218,299**
Provisions	13,289	4,045	52,269	-	**69,603**
Total liabilities	**5,060,736**	**2,182,101**	**8,642,447**	**37,132**	**15,922,416**
OFF BS liabilities: EUR/RUB, USD/RUB, USD/RON swaps	408,603	(145,540)	(309,179)	42,624	**(3,492)**
Net position 31 December 2022	**41,189**	**131,390**	**2,425,977**	**10,063**	**2,608,619**

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Notes to the Financial Statements

28 Risk management (continued)

28.5 Operational risks

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

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

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

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

Notes to the Financial Statements

29 Capital management

Capital management

The primary objective of the capital management of the Bank is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximising the shareholder value, accompanied by an optimal financing structure.

The capital management of the Bank includes the management and evaluation of the shareholders` equity available for hedging risks, other types of funds to be recorded in the equity and all material risks to be covered by the capital.

The basis of the capital management of the Bank in the short run is the continuous monitoring of its capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position.

The Bank maintains the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing their profitability. In case the planned risk level of the Bank exceeded its Core and the previously raised Supplementary capital, it ensures the prudent operation by occasional measures. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies and processes from the previous years.

Capital Adequacy

The Capital Requirements Directive package (CRDIV/CRR) is the new global standards on banking regulation (known as the Basel III agreement). In the context of the NBM strategy of Basel III implementation in the Republic of Moldova in terms of European legislative framework (CDR IV/ CRR package), in May 2018, the National Bank of Moldova approved the Regulation on bank's own funds and capital requirements. It sets stronger prudential requirements for institutions, requiring them to keep sufficient capital reserves and liquidity.

The National Bank of Moldova requires each bank to maintain a ratio of total regulatory capital to the risk-weighted asset at minimum of 14.25% of which 2.50% are linked to the Capital Conservation Buffer, 1% to the Systemic Risk Buffer and 0.50% to the Other Systemically Important Institutions Buffer.

The bank has entirely complied with the regulatory capital requirements in year 2023 as well as in year 2022.

Notes to the Financial Statements

29 Capital management (continued)

Capital adequacy and the use of regulatory capital are monitored by the Bank's management, employing techniques based on the guidelines developed by the National Bank of Moldova.

The Bank was compliant with all the regulatory limits throughout the year.

The calculation of the Capital Adequacy Ratio as at 31 December 2023 is as follows:

	31 December 2023
(in thousands MDL)	
Total Capital	**2,034,981**
Tier1 Capital	**2,034,981**
Tier 1 Base Capital	2,034,981
Equity instruments eligible for Tier 1 Base Capital	**251,354**
Paid capital instruments	99,944
Of which: Capital instruments subscribed by public authorities in emergency situations	99,944
Share premium	**151,410**
Retained Earnings	**1,894,432**
Retained Earnings from previous years	1,894,432
Current year results	-
Profit or loss attributable to owners of the parent's equity	763,115
(-) Part of the interim or end-of-year financial results that are not eligible	(763,115)
Other reserves	**165,140**
Adjustments to core Tier 1 own funds due to prudential reserves	(142,641)
(-) The positive difference between asset write-downs and contingent liabilities and the amount of write-downs for impairment losses and provisions for losses	(142,641)
(-) Goodwill	**(128,451)**
(-) Goodwill accounted for as intangible assets	(128,451)
(-) Deferred tax assets that are based on future profitability and do not arise from temporary differences from which associated deferred tax liabilities are deducted	(4,852)
Tier 2 Capital	**(1)**
(-) Equity investments Tier 2 into entities from financial sector where the Bank does not have a significant share of investment	(1)
Capital adequacy ratio	**25.24%**

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29 Capital management (continued)

The calculation of the Capital Adequacy Ratio as at 31 December 2022 is as follows:

(in thousands MDL)	31 December 2022
Total Capital	**2,077,465**
Tier1 Capital	**2,077,466**
Tier 1 Base Capital	2,077,466
Equity instruments eligible for Tier 1 Base Capital	**251,354**
Paid capital instruments	99,944
Of which: Capital instruments subscribed by public authorities in emergency situations	99,944
Share premium	**151,410**
Retained Earnings	**1,939,992**
Retained Earnings from previous years	1,939,992
Current year results	-
Profit or loss attributable to owners of the parent's equity	403,106
(-) Part of the interim or end-of-year financial results that are not eligible	(403,106)
Other reserves	**10,674**
Adjustments to core Tier 1 own funds due to prudential reserves	(3,385)
(-) The positive difference between asset write-downs and contingent liabilities and the amount of write-downs for impairment losses and provisions for losses	(3,385)
(-) Goodwill	**(116,283)**
(-) Goodwill accounted for as intangible assets	(116,283)
(-) Deferred tax assets that are based on future profitability and do not arise from temporary differences from which associated deferred tax liabilities are deducted	(4,886)
Tier 2 Capital	**(1)**
(-) Equity investments Tier 2 into entities from financial sector where the Bank does not have a significant share of investment	(1)
Capital adequacy ratio	**27.57%**

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Notes to the Financial Statements

30 Cash and cash equivalents

	Note	31 December 2023	31 December 2022
(in thousands MDL)			
Cash and balances with Central Bank	13	1,003,656	721,031
Due from banks	14	2,265,174	811,488
Debt instruments at amortized cost	16	1,504,619	991,635
		4,773,449	**2,524,154**

The placement with the Central Bank which represent mandatory reserves requirements are not available to finance the Bank's day–to–day operations and, therefore, are not part of cash and cash equivalents. This includes the balance of current accounts with Central bank disclosed in Note 13 amounting MDL'000 3,607,977 reduced by the level of mandatory reserves held in MDL (MDL'000 3,185,208).
Financial investments – loans and receivables are NBM certificates and represents short-term, investments that are up to two weeks, which are subject to an insignificant risk of changes in value.

31 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled as of 31 December 2023.

31 December 2023	Within 12 months	After 12 months	Total
(in thousand MDL)			
Assets			
Cash and balances with Central Bank	6,968,119	-	**6,968,119**
Due from banks	2,289,444	78,023	**2,367,467**
Derivative financial instruments	-	-	**-**
Debt instruments at amortized cost	4,374,648	2,000	**4,376,648**
Financial assets at fair value through profit or loss	1,644	1,031	**2,675**
Loans and advances to customers, net	3,282,380	3,900,926	**7,183,306**
Other assets	66,524	-	**66,524**
Property and equipment	89,989	206,385	**296,374**
Deferred tax assets	4,852	-	**4,852**
Intangible assets	132,245	6,425	**138,670**
Total assets	**17,209,845**	**4,194,790**	**21,404,635**
Liabilities			
Due to banks	3,448	-	**3,448**
Due to customers	15,592,373	1,091,407	**16,683,780**
Borrowed funds from IFI's	778,303	599,370	**1,377,673**
Other liabilities	129,397	-	**129,397**
Provisions	73,422	-	**73,422**
Lease liabilities	16,543	45,907	**62,450**
Derivative financial instruments	424	-	**424**
Total liabilities	**16,593,910**	**1,736,684**	**18,330,594**
Net	**615,935**	**2,458,106**	**3,074,041**

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31 Maturity analysis of assets and liabilities (continued)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled as of 31 December 2022.

31 December 2022	Within 12 months	After 12 months	Total
(in thousand MDL)			
Assets			
Cash and balances with Central Bank	6,807,269	-	**6,807,269**
Due from banks	807,635	90,665	**898,300**
Derivative financial instruments	1,629	-	**1,629**
Debt instruments at amortized cost	2,160,209	2,000	**2,162,209**
Financial assets at fair value through profit or loss	1,552	1,031	**2,583**
Loans and advances to customers, net	3,616,321	4,548,781	**8,165,102**
Other assets	75,457	-	**75,457**
Property and equipment	87,886	202,443	**290,329**
Deferred tax assets	4,886	-	**4,886**
Intangible assets	107,855	11,924	**119,779**
Total assets	**13,670,699**	**4,856,844**	**18,527,543**
Liabilities			
Due to Central Bank	-	-	**-**
Due to banks	410,522	-	**410,522**
Due to customers	11,210,497	2,282,524	**13,493,021**
Borrowed funds from IFI's	847,212	883,717	**1,730,929**
Other liabilities	161,342	-	**161,342**
Provisions	69,604	-	**69,604**
Lease liabilities	21,835	53,348	**75,183**
Derivative financial instruments	41	-	**-**
Total liabilities	**12,702,826**	**3,219,589**	**15,922,415**
Net	**967,873**	**1,37,255**	**2,605,128**

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Notes to the Financial Statements

32 Related party transactions

The list of related parties, with whom the Bank entered into transactions during 2023 were as follows:

- OTP Bank NYRT (companies within the group, including major shareholder);
- Key management including Executive Board and Supervisory Board members (significant influence);
- Other categories include: parties related to those above, affiliates to bank through the function of administrator and their affiliates.

During 2023 a number of banking transactions were entered into with related parties in the normal course of business. The results of the transactions are presented in the table below:

	Total 2023	OTP BANK NYRT	Key management	Other
(in thousands MDL)				
Balance sheet items as of 31 December 2023				
Due from banks	-	-	-	-
Loans and advances to customers, net	**1,881**	20	94	1,767
Other assets (Note 20)	**5,257**	245	-	5,012
Due to banks	-	-	-	-
Due to clients	**17,659**	-	8,486	9,173
Other liabilities	**1,665**	1,664	-	1
Result from transactions during 2023				
Interest and similar income	**3,625**	3,218	41	366
Interest and similar expense	**1,428**	425	493	510
Compensation of key management personnel::	**23,029**	-	15,419	7,610
Salaries - base salaries and wages	**19,867**	-	13,370	6,497
Salaries - bonuses and premiums	**3,162**	-	2,049	1,113
Other non-interest expenses	**306**	287	6	13
Off balance sheet items				
Guarantees and commitments	**474**	-	-	474

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32 Related party transactions (continued)

The list of related parties, with whom the Bank entered into transactions during 2022 were as follows:

- OTP Bank NYRT (companies within the group, including major shareholder);
- Key management including Executive Board and Supervisory Board members (significant influence);
- Other categories include: parties related to those above, affiliates to bank through the function of administrator and their affiliates.

During 2022 a number of banking transactions were entered into with related parties in the normal course of business. The results of the transactions are presented in the table below:

(in thousands MDL)	**Total 2022**	OTP BANK NYRT	Key management	Other
Balance sheet items as of 31 December 2022				
Due from banks	**18,303**	-	-	18,303
Loans and advances to customers, net	**2,464**	-	873	1,591
Other assets (Note 20)	**80**	79	-	1
Due to banks	**407,910**	407,910	-	-
Due to clients	**23,196**	-	66,502	19,694
Other liabilities	**36**	36	-	-
Result from transactions during 2022				
Interest and similar income	**493**	84	101	308
Interest and similar expense	**8,081**	7,785	113	183
Compensation of key management personnel::	**18,480**	-	18,480	-
Salaries - base salaries and wages	**15,456**	-	15,456	-
Salaries - bonuses and premiums	**3,024**	-	3,024	-
Other non-interest expenses	**6,844**	6,238	83	523
Off balance sheet items				
Guarantees and commitments	**101,091**	100,283	-	808

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Notes to the Financial Statements

33 Assessment of going concern

Thus, the impact of the Russian-Ukrainian conflict and other external factors, estimated within 3 potential scenarios identified in February 2022 for the evolution of the affected exposures during 2022, was lower than expected, the Bank's clients managing to keep their activity well running.

OTP Bank S.A. reassessed the recovery severe stress scenario, in order to evaluate the bank's resilience from liquidity and capital perspectives, recovery indicators, package of recovery measures to be implemented and their impact. The results show that the recovery options are efficient and applied would absorb the shock. As of 31 December 2023, the Bank was in compliance with all prudential indicators.

From the resilience point of view, on an annual base, the Bank is establishing a Recovery plan, which is analysing the recovery capacity in case of recovery indicators breach. The recovery indicators are set up internally, according to a traffic light system. The recovery indicators are monitored at least monthly, in ALCO Committee. In case of breach of any indicator, the Recovery plan also includes the measures that have to be taken in order to assure the recovery of the Bank in a timely manner.

In its Recovery plan, the Bank considered as well the risks and potential impact that the war between Ukraine and Russia could have over the Bank's activity. In this context, on 1 March 2023 the Bank obtained a support letter from the parent company, OTP Nyrt, which confirms that the parent company will provide financial support in case it is needed for a period of 12 months from the date of approving the financial statement.

From an operational point of view, for crises, the Bank holds a Business Continuity Plan, which clearly prescribes the actions that should be implemented during crisis periods, in order to assure the Bank's ability to operate without any risks. Until now, there were no situation which could threat the Bank's activity;

Taking into account all factors described above, the management considers that the Bank has the capacity to continue its activity following the going concern principle.

34 Subsequent events

No significant subsequent events occured.

OTP Bank S.A.

ANNUAL RAPORT 2023

SUMMARY

THE MANAGEMENT OF THE BANK

Members of the Supervisory Board

Tibor László Csonka - Chairman of the Supervisory Board

Dr. Bálint Csere - Vice-Chairman of the Supervisory Board

Dr. Károly Szász – Member of the Supervisory Board

Rodica Hîncu – Member of the Supervisory Board

Eszter Erika Huszár - Member of the Supervisory Board

Executive Committee

Bogdan Spuza – Presidend of the Executive Committee – CEO

Elena Guzun - Deputy CEO - Commercial Director Corporate Banking

Petru Delinschi - Deputy CEO - Commercial Director Retail Banking

Ion Veverita Deputy CEO – CFO, Head of the Financial Division

Ruslan Cebotari- Deputy CEO –CRO, Head of RISK Management Division

Iurie Rusu - Deputy CEO – COO, Head of IT & Operations Division

PRESENTATION OF THE OTP BANK S.A.

OTP Bank Moldova, formerly known as Mobiasbanca, has been present on the Moldovan banking market for over 32 years as a universal bank, offering comprehensive financial solutions for individuals and companies. It is one of the most stable and trusted financial institutions, a reputable financial advisor for both individual and corporate clients, a supporter of entrepreneurs and financial advisor to the largest multinational companies, as well as a trusted partner for International Financial Institutions.

The bank offers a wide range of high quality financial products and complete banking services to all types of customers, from individuals to large companies, segmented along three main axes:

- **Retail bank**, offering credit products, cards, savings accounts, current operations and remote banking for individuals and entrepreneurs;
- **Corporate & Investment Banking**, with a broad range of services, products and banking consultancy for multinational companies headquartered in Moldova, local private and state companies, local authorities and financial institutions. Thanks to the extended network of branches, OTP Bank can serve corporate clients throughout the country, and corporate consultants offer expertise in various key banking areas;
- **Specialized treasury services** including financial, operational leasing, consumer loans, titles, insurance products, pensions and others.

OTP Bank S.A. was founded on 4th of July, 1990, as an independent commercial bank, under the legal form of a limited liability company, oriented towards serving the SME sector.
In 2007, the international financial group Société Générale acquired a 67.85% stake. In 2008 the capital increase and the appointment of new strategic shareholders (Groupe Société Générale) and the EBRD

(European Bank for Reconstruction and Development) spurred the development of a universal banking model. At the same time, the official name was changed to BC "Mobiasbanca - Groupe Société Générale" S.A.

A short history:
2008 - The Bank becomes a Principal Member of MasterCard.
2009 - Implementation of the tele-recovery service. MasterCard certification for microchip cards
2011 - Launch of the Simplu Finance project. The first card collection created exclusively for women Chérie Chérie.
2012 - Launch of the Universal Counter concept for the first time in our country. Launch of MobiasInfo SMS messaging service; launch of Contactell service; launch of MasterCard Secure Code service - securing payments made over the Internet.
2013 - Becomes the first and only bank in Moldova to hold the international ISO 9001:2008 "Quality Management Systems. Requirements". IP telephony implementation.
2014 - Opening of the new Training Centre and School Branch - unique concept on the local market.
2016 - Launch of Visa Cards. Launch of MobiSanté dedicated offers exclusively for healthcare workers.
2017 - Opening of the first Mortgage Centre in Moldova;
2018 - Launch of the CASH-IN service for carrying out card account top-up transactions via ATM.
2019 - Launch of the Business Internet Banking Service - automated remote banking for economic agents. Mobiasbanca became part of OTP Group - one of the largest financial services providers in Central and Eastern Europe. After the acquisition, OTP Bank Nyrt Hungary became a 98.26% shareholder of the bank.
2020 - Opening of the Leasing Centre.
2021 - Change of name to "OTP Bank S.A." and rebranding. Modernization of the ATM fleet.
2022 - Migration to a new information system and card processing centre.

After joining the OTP Group in 2019 - one of the financial market leaders in Central and Eastern Europe, and after an extensive rebranding process, OTP Bank completes the integration and alignment with the group's standards by implementing a new IT system and connecting to a new bank card processing centre. Based on a modern IT solution, the new system is designed to improve the bank's operational and management activities and provide innovative solutions for the development of financial products and services.

The bank's strategy is oriented towards organic business development, consolidation of market position, profitability increase and operational efficiency. Today, the bank serves about 164,000 customers through its 54 banking offices and with about 900 employees nationwide. Supported by strong shareholders, with innovative products and services, the bank has experienced a constant exponential evolution, reaching the top three of systemic banks by volume of loans, with a share of 11.7%, by volume of deposits attracted, with a market share of 14.6%, and by share of assets in the banking system - 13.9 %.

OTP Bank continues its strategy of developing its products and applications, with a particular priority being the implementation of innovative solutions for delivering online services quickly and securely to its customers. IT transformation, modernization of operating systems, product development and process optimization are some of the bank's objectives.

Good capitalization, own funds ratio registering 25.24%, an improved risk profile, a balanced and sustainable strategy, efficient management of resources alongside action to support the community, ensure the bank's position among the leading financial institutions in the country.

OTP Bank is the third largest bank in the Republic of Moldova, with a successful history of serving corporate clients, SMEs, agricultural enterprises and individuals. This success is due to a dedicated team of professionals and a strong commitment to financing its clients in a responsible and personalized manner, making OTP Bank a strategic partner for international financial institutions in boosting Moldova's economic development.

Always concerned with contributing to the development of the community in which it operates, OTP Bank is actively present through support for financial education, promotion of culture and the arts, investment in the medical sector and sport, solidarity and volunteering. Environmental impact and sustainable solutions will continue to be an area of focus for the bank in the coming years.

OTP GROUP

OTP Group is the largest banking institution in Hungary and the third largest in Central and Eastern Europe. With more than 70 years of experience in the European banking sector, it consistently pursues a business strategy focused on efficiency, generating value and solutions for its shareholders, customers and employees.

Promoting innovation, stable growth and integrated financial services, OTP Group has become a dominant banking player in the Central and Eastern European region and an important banking group even on a European scale. The community of approximately 41,500 employees serves nearly 17.2 million private, retail and corporate clients through its 1 439 branches and 5 571 ATMs, internet and electronic channels for remote services.

With diversified business lines, OTP Group provides traditional financial services through its subsidiaries, including specialized services - car leasing, investment and insurance products. The mission to innovate and support individuals and legal entities clients with personalized banking services and solutions, while strengthening its position and operations at the regional level, remains a priority.

OTP Group currently operates in 12 countries of the region: Hungary, Albania, Bulgaria, Croatia, Romania, Serbia, Slovenia, Ukraine, Montenegro, Russia, Moldova and Uzbekistan.

OTP GROUP

- **12** COUNTRIES
- **41** K EMPLOYEES
- **17** MIL CLIENTS

Dominant position in CEE countries:
OTP Group is No.1 in 5 countries based on net loans; ~3.5-fold loan growth and 11 acquisitions in 7 years. >40% of net loans in Eurozone + ERM2 countries, ~80% within the EU.

In 2023, the consolidated profit after tax of OTP Group rose to HUF 990.5 billion (EUR 2.592 million), an increase of almost 3 times y-o-y, as a result the annual ROE improved to 27.2% (+16.2 pps y-o-y).

The Group has a stable capital position, at the end of 2023, the consolidated CET1 ratio under the prudential scope of consolidation according to IFRS was 16.6% (+0.2 pp q-o-q), MREL ratio at 25.1%, 4th best result on the recent EBA stress test. A strong liquidity position: 72% net LTD, wholesale debt to asset ratio at 7%, LCR ratio close to 250%.

Strong commitment to ESG, the Group's ESG strategy for sustainability is implemented in several subsidiaries and countries.

ECONOMIC ENVIRONMENT AND BANKING SYSTEM EVOLUTION

During 2023, Republic of Moldova was exposed to fewer shocks compared to the previous years, however the uncertainty of the economic evolution and potential risks related to the banking system persist. The national economy is operating under pressures related to higher costs (high energy and fast-moving consumer goods prices) and weaker linked to the households' real income, which remaining at a low level, despite its upward trend. The spill-over effects of the military conflict from the region are expected to be felt for a long time forward, amplifying agricultural crises and market instability.

According to the International Monetary Fund (IMF), in 2023, GDP will follow a 4.3% growth after a contraction of 5% in 2022, driven by the uncertain macroeconomic environment and the large-scale geopolitical crisis. At the same time, the IMF's medium term forecasts describe a robust economic growth with an upward trend of the purchasing and consumption power.

The average annual inflation rate for 2023 was about 14%, half the rate of the previous period, while the annual inflation rate bottomed out in December at 4.2%, returning to the regulated limits of 5% ±1.5% in October 2024. Considering the uncertain macroeconomic context, the efforts of the National Bank of Moldova (hereafter NBM) have focused on mitigating the post-inflationary effects and reviving the economy, mainly by facilitating access to lending. In this context, the NBM continued to relax the measures implemented under the restrictive monetary policy adopted in 2022, lowering gradually both the base rate and the required reserves ratio. The base rate decreased from 20% in December 2022 to 4.75% in December 2023, returning to a similar level of the fourth quarter of 2021. The required reserves ratio for MDL decreased from 37% in January 2023 to 33% in December 2023 and the required reserves ratio in freely convertible currency from 45% to 43% for the same observation period.

Banking system evolution

Despite the challenges posed by the post-pandemic crisis and the military conflict in Ukraine, the banking system proved to be strong and resilient due to a higher capital and liquidities volume. The growth trend of assets, deposits and own funds was stronger compared to the previous year. Moreover, the non-performing loan ratio decreased by 0.9 p.p. from 6.44% in December 2022 to 5.55% in December 2023.

In the context of the volatile geopolitical and economic environment, the National Bank of Moldova remained focused on assessing credit risk and maintaining an adequate level of liquid assets to ensure a resilient and well capitalized banking system.

In the context of the base rate and required reserves ratio decrease, the cost of attracted resources has also fallen. Thus, the weighted average interest rate of new attracted deposits in MDL on total terms decreased by 4.9 p.p. from 11.06% on 31 December 2022 to 6.21% on 31 December 2023, which led to a decrease in the cost of new granted loans (the weighted average interest rate on new loans granted in MDL on total terms) by 3.8 p.p. from 14% to 10.22%. At the same time, during 2023, an upward trend in the cost of deposits and loans in foreign currency is observed. The weighted average interest rate for new loans in foreign currency on total maturities increased by 2 percentage points and for deposits by 1.2 percentage points.

As of December 2023, the banking system consists of 11 NBM licensed banks, with 4 largest banks holding 82.1% of assets, 81.3% of granted loans, 83.7% of attracted deposits, 78.8% of equity and 81.2% of net banking income.

As at 31 December 2023, the banking sector recorded the following results:

- Total assets amounted to 153.94 billion MDL, increasing during the year by 22.57 billion MDL or about 17%;
- The gross (prudential) loan balance represented 42% of the total assets or 63.9 billion MDL, increasing during the analysed period by 3.7% or 2.3 billion MDL;
- The largest increases in the loan portfolio were recorded from consumer loans - by 11.9% or 1.2 billion MDL and from loans for the purchase/construction of real estate - by 8% or 1 billion MDL.

As for deposits, in December 2023, their balance was 113.9 billion MDL, with about 20% or 18.9 billion MDL higher than in the same period of the previous year, 59% of which, being deposits attracted from individuals and 41% from legal entities (including banks), split by currency, 63% are in national currency and 37% in foreign currency. It is therefore important to note that the significant downward decisions come as a result of the stabilisation of the liquidity crisis generated by the geopolitical situation in the region in the first quarter of 2022.

As at 31 December 2023, the banking sector's return on assets and return on equity were 2.80% and 16.28% respectively, down with 0.09 p.p. and 0.76 p.p. compared to the end of 2022.

Financial performance

OTP Bank is a stable, well-capitalised and resilient bank with an equity ratio of 25.24%, with a slight decrease of 0.67 p.p. compared to the previous period. The bank's equity increased by 18% during 2023, reaching 3,074 million MDL on 31 Ddecember 2023.. At the end of the financial year, the net profit recorded by the Bank amounted to 763 million MDL, with an increase of 89% compared to the previous year, mainly due to the decrease of the net cost of risk, as a result of provisions release, following the improvement of macroeconomic forecast. Thus, at the end of 2023, the recorded return on equity was 26.52% and the return on the Bank's assets was 3.74%.

The bank ranks fourth in the banking system, with an asset market share of 13.9%. In 2023, the bank recorded an increase of assets by 15.5%, mainly due to the increase in the volume of financial assets, with the main focus on investments made in government securities, the volume of which increased by 2.2 billion MDL or 102.4% compared to the same date of the previous year, as well as investments in other banks by 1.47 billion MDL or 163.5%.

OTP Bank S.A. ranks 3rd by volume of granted loans, both to individuals and legal entities, with a share of 11.7% in the banking system. In 2023, the Bank recorded a market share of 12% in the corporate segment and 13% in the individual segment, focusing primarily on the quality of the portfolio.

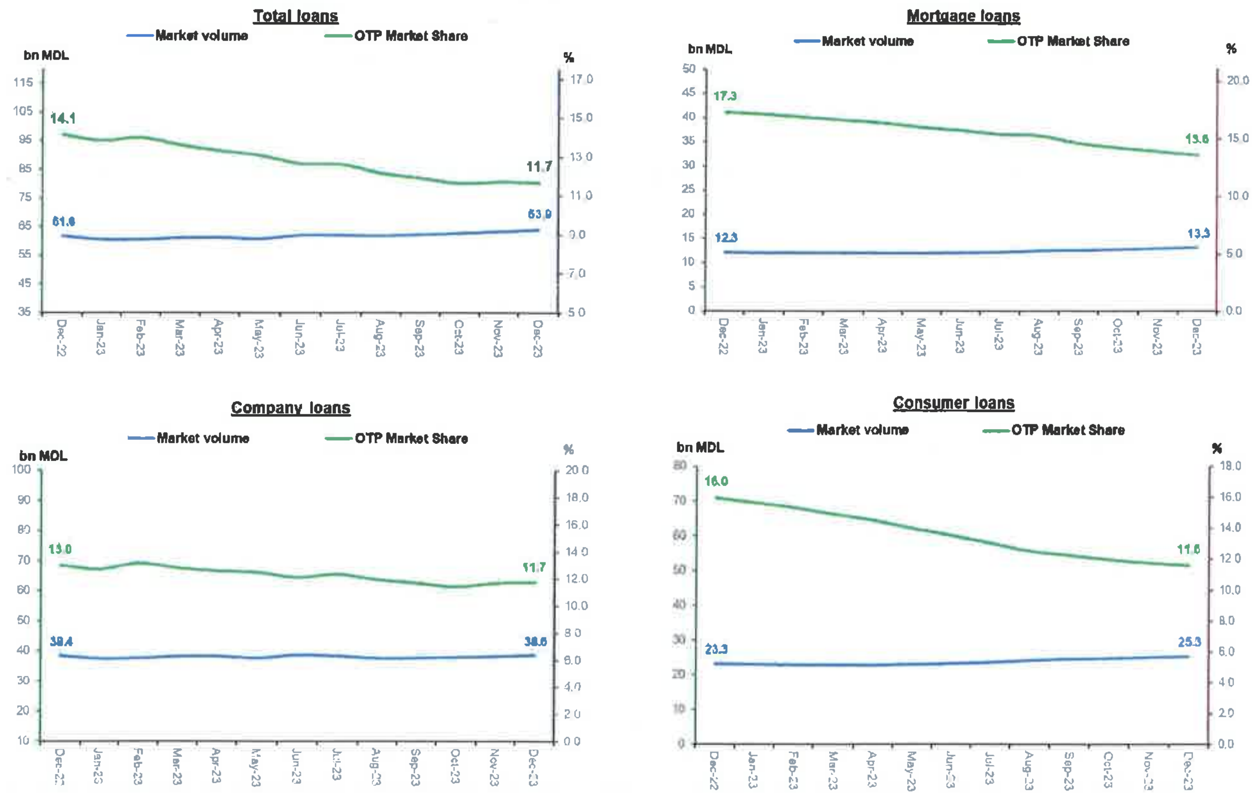


Fig.1. Loans market volume evolutions and OTP Bank S.A. market share

On attracted deposits side, OTP Bank ranks in the top 3 market participants with a market share of 14.6% (resources attracted from legal entities - 18%, resources attracted from individuals - 12.6%).

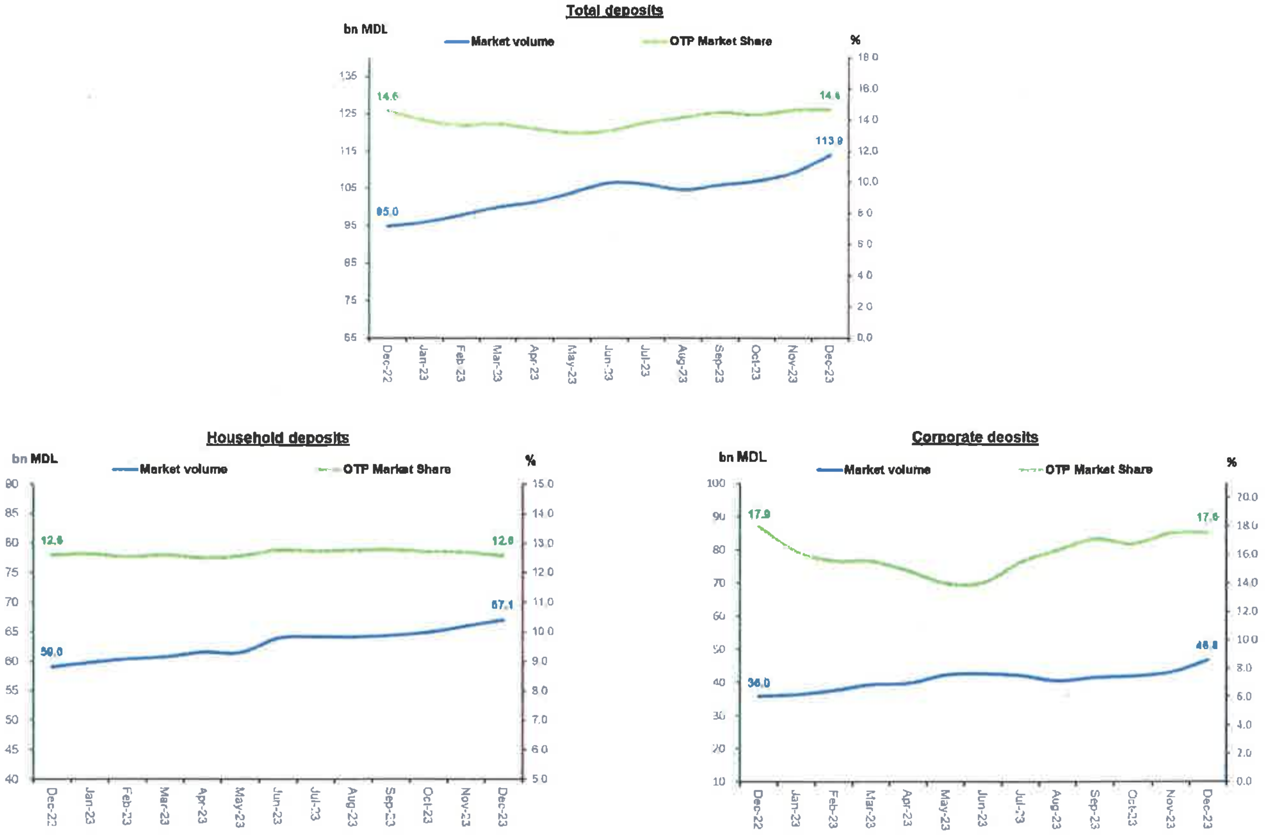


Fig.2. Deposits market volume evolutions and OTP Bank S.A. market share

The main projects and events in 2023:

- OTP Bank celebrated its 33rd anniversary with clients and partners.
- Launch of the new version of OTP Internet & Mobile Banking, as part of OTP Bank's digital transformation.
- OTP Bank implemented the new AIPS version in record time, offering more secure and faster financial services to both individual and corporate consumers.
- Continued modernization of the OTP Bank's ATMs and branch network.
- Financial Management for SMEs (EFSE, EU4Business in Moldova, OK Foundation, OTP Bank), training program with over 100 participants, OTP Bank experts.
- Financial Academy (EBRD, EBA), over 100 participants, EBRD experts.
- „Bani la feminin” în partnership with UN Woman & Investitii.MD, and OK Foundation for Financial Education.
- OTP Bank joined the anniversary campaign launched by the NBM with a series of financial education activities, dedicated to the 30th anniversary of the introduction of the national currency.
- Edutainment space - education and play services for children in jevreni village, including those from socially vulnerable families.
- Training program ”Internal Control & Risk Awarenes” organized by OTP Bank and USM in partnership - for 32 OTP Bank employees and 28 professors of the Faculty of Economics of the State University of Moldova.
- The Bank continued to sponsor the “Regional Economy” section of the economic magazine Logos Press, promoting local business.

- Launching of Mentoring Academy for employees and internship "Premium 2023" Traineeship Program
- As an active member of the associations: European Business Association, Association of Moldovan Banks, Association of Romanian Investors in the Republic of Moldova, OTP Bank develops sustainable partnerships for economic development.
- OTP Bank receives the "Corporate Banking Market Leader 2023" award by Euromoney;
- The "Most Active Issuing Bank in Moldova in 2022" award was offered by the EBRD under the Trade Facilitation Program (TFP)
- Trophies for OTP Bank at the 20th edition of the Moldovan Business Gala: "INTER" Award, the "SOCIALLY RESPONSIBLE TRADE BRAND" Award, the "ONLINE BUSINESS" Award.
- OTP Bank recognized as a trusted partner in promoting gender equality (trophy) by UN Women for promotion of Women's Equality Principles.
- "National Week of Kindness" campaign, together with the partner of good deeds - AO Social Projects Concordia, with which OTP Bank supported refugees from Ukraine and children from socially vulnerable families;
- Concern for environmental protection and responsible consumption through various initiatives.
- Financial partner of SummerFest 2023 with Visa, the most popular festival in Moldova.

CORPORATE GOVERNANCE

Corporate governance is an important means of ensuring that Bank's strategic objectives are met. A reliable governance system, organization, management and control of Company's resources, financial planning, responsible management and adequate control mechanism provide a stable basis for efficiency and profitable functioning, secure and transparent business, as well as balanced relations between the management body (Supervisory Board and the Executive Committee), control authorities, shareholders and other interested entities.

The corporate governance framework determines the distribution of rights and responsibilities between a bank's management bodies, describes in detail the rules and procedures for making corporate decisions. A good corporate governance structure involves the establishment of a successful system for setting objectives, making decisions, including the control and monitoring of the execution of established decisions and objectives. At the same time, effective corporate governance means that the role and relationships established in building the bank's team are based on ethical behavior, minimizing conflict of interest. Successful corporate governance is based on the principles of responsibility, transparency and control of decision makers.

In compliance with all legislative requirements, including those of the Group, OTP Bank S.A. ensures the development and maintenance of an advanced system of corporate governance that respects local and international standards, being of primary importance and ensuring simultaneously the trust and satisfaction of the Bank's customers, the increase of the shareholders' value and the corporate behavior of the Bank.

According to the legislation in force, all information/materials related to the Bank and which have the influence over the price of Bank's shares are published fully, accurately and in a timely manner. Providing regular and authentic information is essential for shareholders and other capital market participants to make sound decisions, but the way the Bank discloses information also has an impact on its reputation.

Taking this into account, the bank publicly discloses the important information about the events that influence the Bank in accordance with the National Legislation, placing them on the Bank's website: https://www.otpbank.md/disclosure and in the Official Information Storage Mechanism. The Bank discloses the information in strict accordance with the provisions of the Legislation in force, namely the Civil Code, the Law on the banks' activity, the Law on the capital market, the Law on joint stock companies, NBM/CNPF

Regulations. In addition, the Bank has effective internal regulations that ensure compliance with mandatory disclosure of information.
The most important internal documents, that regulate the corporate governance of the Bank, are:

- The Article of Association of the Bank - https://www.otpbank.md/storage/com/dezv/1-gov/Statutul-Bancii-27.11.2020-cu-modific%C4%83ri-%C3%AEncorporate-din-2021.pdf
- The Corporate Governance Code - https://www.otpbank.md/storage/com/dezv/1-gov/3-A_000521_04-Codul-de-Guvernan%C8%9B%C4%83-Corporativ%C4%83-a-B%C4%83ncii.pdf
- Directive no. 1: The rules of organization and internal functioning of the Bank.

These Bank's documents determine in details the standards for the Governance and management of the management bodies of the Bank.

According to the principles of good corporate governance, the Corporate Governance Code establishes the structure of relationships and processes in order to be able to cope effectively with environmental change, to create a transparent and understandable system of governance that will increase the confidence of local and foreign investors, employees, customers, suppliers, supreme governance institutions and society.

The code can be accessed on the official website of the Bank, on the page dedicated to the disclosure of information regarding the governance of the bank, along with the Corporate Governance Statement "Compliance or justification". https://www.otpbank.md/governance

Directive no. 1 regulates the general aspects regarding the organization and functioning of the Corporate Governance within OTP Bank S.A., establishing attributions, competencies and responsibilities of the Chairman of the Executive Committee - CEO, members of the Executive Committee, and establishes the organization, functioning and competencies of the Committees established within the Bank, enabling the Bank to comply fully with the requirements of the legislation in force and with the requirements of OTP Bank Nyrt .The purpose of Directive no. 1 consists in regulating the internal procedures, obligations and responsibilities of the Bank's management.

During the reporting period, the Management and the Bank's employees acted according to the internal documents that regulate the Corporate Governance of the Bank, namely, the Article of Association, the Corporate Governance Code, Directive no. 1, ensuring maximum transparency in the Bank's activity, acting according to the legislation in force.

The principles of Corporate Governance, which include the creation of an effective system to ensure the security of funds offered by shareholders and their efficient use, respect of the rights of all shareholders, structuring of relationships and processes to cope effectively with environmental change, have been respected. In its interest, the Bank continuously monitors governance practices; identifying any weaknesses arising from external and internal changes which are examined and adapted taking into account the requirements of the legislation in force.

Internal control within the Bank is a set of means that allow the Bank's management to ensure that the operations performed, the organization and the procedures put into practice comply with the legal provisions, professional and ethical rules, internal normative documents and Bank's strategy.

The purpose of internal control includes failure prevention, measuring and exercising sufficient control connected risks, ensuring the adequacy and efficiency of internal processes, detecting irregularities, ensuring the reliability, integrity and availability of financial and management information, review of the quality of information and communication systems.

The Bank has its own internal control mechanism. The internal control functions (risk management function, internal audit function and compliance function) are independent and have sufficient resources, knowledge and experience to carry out its tasks, and report directly to the Bank's Supervisory Board.

As important elements of the internal control are the internal normative documents, which are reviewed annually and updated accordingly. During 2023, 181 internal normative documents were updated and/or drafted.

Ownership structure:

By the end of 2023, the Bank had 137 shareholders, of which 136 minority shareholders holding 1.69% of the Bank's capital. The rights and legitimate interests of the Bank's shareholders are guaranteed by law, by the Article of Association and the internal normative documents of the Bank. According to the requirements of the legislation in force, the shareholders are entitled to request the repayment of the shares belonging to them. The decision regarding the repayment of the shares is taken by the General Meeting of Shareholders or by the Supervisory Board of the Bank within the limits of the competences established by the legislation in force.

Structure of shareholders of the Bank:

Category	Holding in social capital, %	Number of shareholders
Legal persons >= 1%	98.26 %	1
Physical persons >=1%	0.00	0
Legal persons < 1%	0.10 %	15
Physical persons <1%	1.59 %	121
Treasury shares	0.06 %	x
TOTAL	100 %	137

The bank's shareholders and groups of persons acting jointly and holding qualified holdings in the bank's share capital:

Name of shareholder	**Country of residence**	**Number securities, unites**	**Holding in social capital, %**	**Effective beneficiaries of qualified holdings**
OTP BANK NYRT	Hungary	9,825.785	98.26 %	N/A

The majority shareholder of the Bank is OTP Bank Nyrt. (Hungary), which is listed on the Budapest Stock Exchange. The headquarters of the Parent-Bank is: 16 Nador str., Budapest, 1051, Hungary.

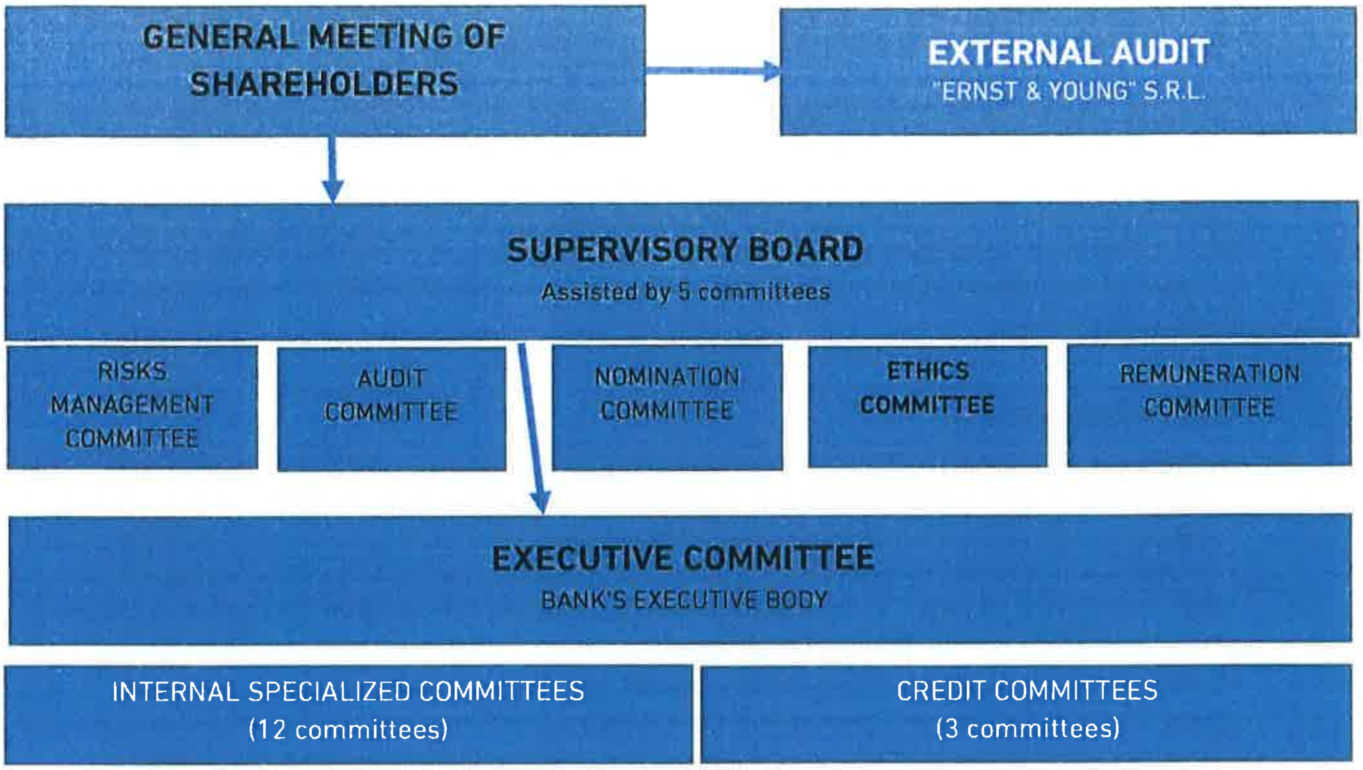
The securities of the Bank are admitted for trading on the regulated market - the Stock Exchange of Moldova.

Keeping of the shareholders' records is performed by the "Central Single Depository of Securities" S.A.

Type and the class of securities	**Ordinary shares**
Country	Moldova
Code ISIN	**MD14OTPB1008**
Securities admitted for trading at the regulatory market	Stock Exchange of Moldova MD 2012, str. Maria Cebotari, 16 mun. Chisinau, RM Tel: 022-277-592
Registry of Bank's shareholders	Central Unique Depositary of Securities MD-2005, str. Mitropolit Gavriil Banulescu Bodoni 57/1 mun. Chisinau, RM Tel. 0 22 999 546
Contact details	OTP Bank S.A. MD 2012, bd. Stefan cel Mare si Sfint, 81 A, mun. Chisinau, RM, bir. 319 Corporate Governance Department Tel: 022-812-431, 022-812-339

FOR IDENTIFICATION PURPOSES
ERNST & YOUNG
Signed..........
Date.......22/03/2024

Statutory governing bodies:



General Meeting of Shareholders

Bank's General Meeting of Shareholders has an important role within the Bank's control and verification system. Bank's General Meeting of Shareholders holds sufficient competences that do allow to fully influence the politics promoted by Supervisory Board and Executive Committee activities.

Bank's shareholders have all the rights, obligations and responsibilities settled by the legislation, by Bank's Article of Association and internal normative documents.

The right of taking part at the General Meeting is held by Bank's shareholders included in Bank's Shareholders list, as well as in the list related to the shareholders who have the right to take part in the General Meeting. The shareholders can personally take part in General Meetings or via power of attorney. Also, shareholder's right to vote can be suspended/limited on the basis of the legislation in force or via court decision, but the shares for which the vote right is suspended/limited are still take into account during the General Meeting of Shareholders when it is convened, as well as for deciding the quorum, exceptions being the ones stipulated in current legislation. On a case by case basis, these shares are excluded from voting on matters on the General Meeting of Shareholders agenda.

In 2023 one General Meeting of Shareholders was held by correspondence on 29.06.2023. The meeting was attended by shareholders and their representatives who hold 98.35% of the total number of voting shares.

The General Meeting of Shareholders was held having the National Bank of Moldova opinion regarding the list of shareholders who have the right to participate at the Meeting. Bank's shareholders had several possibilities to vote, either by sending it by post to the address: MD-2012, Republic of Moldova, Chisinau, 81/A Stefan cel Mare si Sfint Av., of.319, or by sending it via e-mail to gov@otpbank.md or by uploading the signed voting paper through the shareholders dedicated page on the bank's website.

The shareholders could get acquainted with the materials for the General Meeting of Shareholders agenda on a dedicated page on the Bank's site: https://otpbank.md/infoactionari/ .

During the General Meeting of Shareholders, shareholders approved the annual reports of the Supervisory Board, Executive Body, approved the amendments to the Bank's Articles of Association, the new version of the Regulations of the Supervisory Board of OTP Bank S.A., approval of the external audit company and setting the amount of remuneration for its services for 2023, distribution of the Bank's profit for 2019-2022, etc... The Meeting decisions were published in the regular editions of the Official Monitor of the Republic of Moldova, the newspaper "Capital Market" and placed in the Official Information Storage Mechanism and on the Bank's website.

SUPERVISORY BOARD

The Supervisory Board is the Bank's management body that oversees performance, approving and monitoring the Executive Body's implementation of strategic objectives, management framework and corporate culture. In this context, the Supervisory Board defines the bank's administrative framework by assuring the elaboration, approval, implementation, permanent monitoring and periodical revision of the primary internal regulations that make the subject of all Bank's activity domains, inclusively the division of responsibilities within the company and the prevention of the conflicts of interests.

The Supervisory Board is responsible both for ensuring best practices in institutional management, as and regular financial reporting to the National Bank of Moldova. The functions of Risk Management, Compliance and Internal Audit, are under the direct supervision and responsibility of the Supervisory Board.

The Supervisory Board has 5 members, assigned and suspended by the General Meeting of Shareholders. Candidates' identification and recommendation for being assigned as Supervisory Board members is carried out by the Bank's Nomination Committee upon the proposal of the shareholders who hold at least 5% from the total number of shares with voting rights and by personal initiative. At least 1/3 of Supervisory Board members are independent according to the definition settled in the Law regarding banking activity.

On 13.07.2023 the National Bank of Moldova approved the new members of OTP Bank S.A. Supervisory Board, consisting of 5 members as follows:

Supervisory Board members		Is the member independent or not
Chairman	Tibor László Csonka	Non-independent
Vicechairman	Bálint Csere	Non-independent
Member	Károly Péter Szász	Independent
Member	Eszter Erika Huszár	Independent
Member	Rodica Hincu	Independent

Supervisory Board Members have a four-year mandate. The mandate of each member from the Supervisory Board can be terminated before the settled term in case of resignation or through a General Meeting of Shareholders decision, as well as through withdrawal by the National Bank of Moldova. If the Supervisory Board membership is at least one member short, a new Supervisory Board membership (full) is elected during the next annual ordinary General Meeting of Shareholders or during an extraordinary one. The quorum for holding Supervisory Board Meetings constitutes half of the full membership.

Supervisory Board members contribute to an adequate governance within the Bank, inclusively via leadership capabilieties, and while carrying out their responsibilities do take into account the legal interests of the Bank, of its depositors and shareholders. Supervisory Board members perform their responsibility with honesty, integrity, objectivity and loyalty in conformity with the legal provisions and normative frame.

In 2023, the Supervisory Board had 27 meetings, 8 in mixed form and 19 via correspondence, during which 224 issues were discussed. Thus, the Supervisory Board activity in 2023, as well as for the previous years, was oriented for ensuring the performance of the strategic objectives settled by the bank, as well as the main activity directions.

Supervisory Board members were collectively evaluated according to the criteria of art. 43 from the Law regarding banks' activity, afterwards being reconfirmed their appropriateness at the collective level taking into account their knowledge, aptitudes and experience.

EXECUTIVE COMMITTEE

The Bank's Executive body is a collegial body, named the Executive Committee, and pursues its management function upon all structural subdivisions, the Bank's activity areas, excepting the ones that are under the competence of the General Meeting of Shareholders and Supervisory Board.

The Executive Committee is composed of 6 persons with diverse experience and competence, whose nominal membership is approved by the Supervisory Board. The President of the Executive Committee – CEO and the Vice-presidents of the Executive Committee act without power of attorney on behalf of the bank in any circumstance related to the activities it coordinates, as well as having the right to issue powers of attorney on behalf of the Bank.

The members of the Executive Committee, including the President and the Vice-presidents of the Executive Committee are appointed for a three year term and step into their role after being approved by the National Bank of Moldova. Members' mandate can be renewed by the Supervisory Board for an unlimited number of terms.

Members of the Executive Committee of OTP Bank S.A. as of 31.12.2023:

Member of the Executive Committee	Position
Daniel-Bogdan Spuza	President of the Executive Committee - CEO
Elena Guzun	Vice president of the Executive Committee – Commercial Director Corporate Banking
Petru Delinschi	Vice president of the Executive Committee – Commercial Director Retail Banking
Iurie Rusu	Vice president of the Executive Committee – COO, Head of IT&Operations Division
Ruslan Cebotari	Vice president of the Executive Committee – CRO, Head of Retail Banking Divizion
Ion Veveriță	Vice president of the Executive Committee – CFO, Head of Financial Divizion

During 2023, the nominal composition of the Executive Body was not changed.

The Executive Committee carries out the Bank's current management in order to achieve the settled objectives within the business strategy and plan. The Executive Committee is responsible for Bank's financial performance and acts in the Bank's interests, as well those of shareholders.

Thus, the Executive Committee assures the adequate implementation of the Bank's administrative framework, works out and approves secondary internal regulations, know and understand he Bank's organizational structure, the risks it generates in order to ensure the carrying out of the Bank's activities in correspondence with the strategy, risk apetite and policies approved by Supervisory Board.

The Executive Committee reports on its activity to the Supervisory Board quarterly, focusing on the following subjects: changes in the banking system, the situations that can influence the strategy and/or Bank's administrative activity framework, Bank's financial performance, balance evolution, the evolution of the loans portfolio, resources' evolution, the evolution of incomes and expenses report, limits related to the compliance risks and regulations, internal control system issues, etc..

The activity of the Executive Committee is annually evaluated by the Supervisory Board, at collective and individual level.

During 2023, the Executive Committee had 64 meetings, 40 being by correspondence and 24 with presence or video conference, during which there had been discussed 619 issues.

SUPERVISORY BOARD SPECIALIZED COMMITTEES

There are four Supervisory Board specialized committees that are responsible for offering the necessary support to the Supervisory Board in order to carry out its responsibilities:

Risks Management Committee

Audit Committee

Nomination Committee

Ethics Committee

Remuneration Committee

The reporting committees are subordinated to the Supervisory Board, are independent from the Executive Body and have a consultative function, putting forward proposals and recommendations to the Supervisory Board. The committees are exclusively composed of Supervisory Board members, where most of them must be independent, according to criteria outlined in current legislation.

The specialized committees interact among them in order to ensure coherence when taking decisions. This interaction happens by cross participation, so that the president or a member of a specialized committee can also be member of another specialized committee.

Risks Management Committee

The Risks Committee offers support to the Supervisory Board regarding the risk apetite and to the actual and future bank's risk strategy, and supports the Supervisory Board in monitoring the application of this strategy by the Executive Body. The general responsibility regarding risks belongs to the Supervisory Board.

The Risks Committee offers support to the Supervisory Board in order to settle the type, volume, format and frequency of the information regarding risks.

The Risks Committee had 5 meetings in 2023, where the following issues had been discussed: banking, economic, political environment; the analysis of credit portfolio; recuperation portfolio; market and country risk; structural risks; operational risk (legal risk, banking security, conformity and reputational one); IT risk management; dashboard of risk appetite, etc.

Audit Committee

The Audit Committee has the mission of monitoring how accounting and financial information is prepared and controlled. It monitors the independence of statutory (external) auditors, as well as the efficiency of the internal control systems, of risks' measurement, supervision and control related to the accounting and financial processes.

The Audit Committee had 7 meetings in 2023, examining the following issues: Ernst & Young External Audit Report for 2023, the synthesis of audit activities, the carrying out of internal audit recommendations, statistics regarding the external audit recommendations that included the stage of finishing the NBM action plan and the one for external audit, statistics of NBM recommendations and of the external audit.

Nomination Committee

The Nomination Committee identifies and recommends candidates for vacancies in the Supervisory Board, Executive Committee, as well as other key roles.

The Nomination Committee had 7 meetings in 2023, which evaluated Supervisory Board and Executive Body members; identified and approved the evaluation of persons who have key functions in the Bank, Head of Audit; approved of the new mandate of the Vice President and Executive Committee Member - Head of IT and Operations Division; performed the evaluation and appointment of the candidates for key functions of Chief Compliance Officer, Head of Compliance, Head of Asset and Liability Management and Middle Office Treasury.

Ethics Committee

In 2023, the Ethics Committee held 1 meeting.

The main responsibilities of the Ethics Committee are: approve the Code of Ethics, as well as all its updating changes, formulate recommendations regarding conflict of interest situations that were previously managed by the Compliance Department and/or the Committee of Ethics and Compliance, when necessary, oversees compliance with the Bank's ethical framework and approves annual reports, according to its competence, etc.

In carrying out its duties, the Ethics Committee takes into account the need to ensure that any person or group of persons in a way that may be detrimental to the interests of the Bank as a whole does not dominate the decision-making process of the management body.

The Ethics Committee examines the review of the reports prepared by the Compliance Department for the areas of ethics, approves the Code of Ethics, as well as the changes made because of its periodic review.

Remuneration Committee

The mission of the Remuneration Committee is to examine the Bank's annual remuneration policy, and namely: proposes Bank's principles of the remuneration policy, analyzes the remuneration policy of diverse personnel categories, proposes the decisions of Supervisory Board regarding the benefits offered to Supervisory Board/Executive Body members, as well as the ones related to different personnel categories.

The Remuneration Committee collaborates with other specialized committees whose activities can have impact on policy and remuneration practices' formulation and good functioning, and offers the Supervisory Board or the General Meeting of Shareholders, adequate information concerning the held activities.

The Remuneration Committee had 2 meetings in 2023, dedicated to assessing the results of the 2022 KPI assessment and performance-based remuneration for Executive Committee members, assessment of 2022 KPIs set for heads of control functions, approval of 2022 KPI assessment results of identified staff members, approval of the list of functions falling within the scope of the Group Remuneration Policy for 2023, approval of 2023 KPIs for identified members including control functions, the payment of the performances achieved.

Internal Specialized Committees

There are the following internal specialized Committees within the Bank, constituted in order to ensure a good level of protection against the risks the Bank is exposed to:

1. Monthly Performance Analysis Committee
2. AML Committee
3. Products Committee
4. Prices Committee
5. Credit Risk Monitoring Committee
6. Projects and Investments Committee
7. Operational Risks and Crisis Situations Management Committee
8. Assets and Liability Management Committee
9. Work-out Committee
10. Crisis Management Committee
11. Customer Experience Management Committee
12. Ethics Committee
13. Credit Committees.

Credit Committees

According to the crediting policies, the Credit committees ensure the examination, approval and appropriation of credits, other commitments within the limits of competencies approved by the Supervisory Board.

The following committees were active during 2023, depending on the settled competencies:

Bank's Credit Committee – 140 meetings

Retail Banking Credit Committee – 173 meetings

Corporate Banking Credit Committee – 118 meetings

Thus, the Bank has an adequate credit risk management framework, which takes into account the Bank's appetite for risk and risk profile, as well as the macroeconomic market and conditions. In addition, it has crediting policy and procedures for the identification, evaluation, monitoring and control of the risk credit, inclusively the counterparty credit risk.

Like any Company which providing financial and investment services, the operations / activities of the bank as a whole are regulated in detail and continuously monitored by the supervisory authorities.

MANAGEMENT RISK AND COMPLIANCE

Approach of OTP Bank S.A. to risk management is correlated with the business strategy, and therefore the actions planned to achieve business objectives are aligned with the risk strategy. The Bank aims to achieve a balanced ratio between risk and profitability, with the aim of generating sustained growth and adequate return on capital.

The internal risk management policies regulate the correct management of all significant risks fór the bank, which ensures an overall low risk profile in the context of assuming properly assessed exposures. This objective is achieved by integrating risk in the management of daily business activities, strategic planning and business development in accordance with the defined risk appetite.

Risk management includes the entire planning activity, namely how major risks will be reduced and managed once they are identified. Monitoring the risk mitigation process includes tracking identified risks, identifying new risks, as well as evaluating the effectiveness of the entire process at the bank level.

OTP Bank S.A. uses several risk mitigation or, where possible, risk avoidance techniques. These include an internal control system framework and strict limits on risk-taking in line with the bank's risk appetite framework.

The general objectives of risk management activities are as follows:

- Establishing a set of fundamental standards for risk management within the bank, while maximizing potential earnings and protecting depositors' interests;
- Supporting the bank's business strategy, ensuring the pursuit of commercial objectives in a prudent manner, in order to maintain income stability and protect against unexpected losses;
- Supporting the decision-making process at the bank level, by providing a perspective on the risks to which the institution is exposed;
- Ensuring compliance with the best practices in the field of risk management and compliance with the requirements of the legislation in force;
- Promoting a culture of risk awareness and management, integrated at the bank's overall level, based on a full understanding of the risks the bank faces and how they are managed, taking into account the bank's risk tolerance and appetite;
- Ensuring an optimal capital position in order to ensure an efficient activity of the Bank;
- Development and implementation of a transparent risk management process for risk identification and management;
- Adequate monitoring, stress testing tools and escalation processes for relevant capital and liquidity limits and indicators.

To ensure an effective risk management process, control activities are implemented at all levels and functions within the Bank. These include activities such as: approvals, authorizations, verifications, dual control, reconciliations, operating procedures reviews, asset security and segregation of duties.

An important component of the internal control system is also the establishment and maintenance of information security management systems that cover the entire spectrum of the bank's activities. The Bank has adequate back-up facilities, which are regularly tested, to ensure the recovery of critical information and applications in the event of a disaster or system disruption.

Within the Bank, the internal control system is structured on three levels of control:

- Level 1, or operational control (on-line), aims to ensure the correct execution of transactions. These controls are carried out by the staff of the business subdivisions and operational management at the front-office and back-office level, being incorporated into the bank's internal normative documents.
- Level 2, or the control of risk management functions and the compliance function, carried out by the Risk Management Division and the Compliance Department units whose duties are distinct and independent from those of the bank's business subdivisions.
- Level 3, controls performed by the Bank's Internal Audit, which periodically evaluates and verifies the sufficiency, functionality and efficiency of the bank's internal control system. The Internal Audit function is independent of the other two levels.

OTP Bank S.A. ensures appropriate governance in the field of risk management and in establishing management standards for each risk category, for which risk approaches are consistently defined and implemented:

a. Credit risk management

OTP Bank SA has implemented strategies, policies and processes for identifying, measuring, monitoring, controlling and reporting credit risk.

The objective pursued in the credit risk management process is to promote a responsible, prudent risk approach, in accordance with legislative provisions and best practices. The lending activity within the bank respects the principles of adequate separation of duties, to avoid conflicts of interest.

In 2023, OTP Bank SA continued to improve its credit risk management framework, focusing on the following areas:

- developing practices and methods used in stress testing exercises adapted to the Bank's business model,
- the development and implementation of new customer rating models, developed in accordance with the group's policies and the most current practices,
- adjustment of risk appetite, risk limits and credit policies in accordance with the volatile macroeconomic and geopolitical trends specific to the current period,

- analysis and continuous monitoring of the activity of customers exposed to the negative influences of external factors,
- active monitoring of the portfolio, including the use of an early warning framework that allows identifying negative trends, in order to implement risk mitigation measures in a timely and adequate manner.
- implementing and maintaining an efficient and effective restructuring model to reduce and subsequently manage the non-performing loan portfolio in a value maximising manner;
- NPL portfolio management strategy includes not just one strategic option, but rather combinations of strategies/options to achieve the best short, medium and long term objectives and to explore which options are most effective for different portfolios or client segment recovery rates,
- maintenance and, where appropriate, strengthening of the level of compliance with relevant regulatory requirements in terms of overall prudential management, including prudential classification and valuation of claims.

The bank aimed to standardize and simplify credit products granted to individuals, so that they are easy to understand by customers, bank consultants and all employees involved in the lending process. At the same time, credit agreements for Corporate and SME customers must contain an adequate degree of financial and non-financial protection.

b. Market risk management

Market risk is defined as the risk of recording losses related to balance sheet or off-balance sheet items, caused by the variation in market prices of financial instruments and equity securities held for trading, interest rates and exchange rates.

Market risk within OTP Bank SA is managed in accordance with the provisions of the Market Risk Management Instruction, which establishes the governance, measures and reporting standards for this type of risk. The concrete processes, content, responsibilities and principles are specified in this internal normative document. The bank has established a comprehensive framework regarding market risk limits, which is regularly monitored (daily, monthly or quarterly) and reported to management.

The Bank's reporting framework covers reporting and regulatory requirements, internal reporting requirements and processes, and the third-party reporting framework. Key developments in market risk management are covered in a series of dedicated reports.

c. Operational Risk Management

In 2023, the Bank ensured the operational risk management activity, which is based on the following pillars:

- Risk Control and Self-Assessment (RCSA) - by identifying and assessing the risks related to the bank's processes, assessing the quality of the internal control system, including identifying vulnerabilities in the prevention and control system, as well as assessing exposure to residual risk.
- Monitoring of Key Risk Indicators on sensitive processes, by assessing and monitoring to the risk exposure.
- Scenario Analysis, which provides prospective assessments of exposure to significant impact and low frequency losses within a standardized estimation process
- Business Impact Analysis (BIA) - what determines the criticality of banking activity and the resources needed to ensure the bank's business continuity plan, serving as the legal basis for restoring the critical business processes.
- Identifying and collecting operational risk losses.

In 2023, in the conditions of pandemic crises (SARS-COV-2)/ deterioration of security in the neighboring country/ energy crisis, the Bank increased emphasis on crisis management by drawing up punctual action plans, being continuously adjusted depending on the trends of the crises and the decisions issued by the authorities, aimed to:

- Ensuring business continuity;

- Protecting the bank's assets and shareholders' interests;
- Protecting the bank's customers;
- Protecting employees.

d. Liquidity risk management

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

ALM and Treasury Middle Office Department is monitoring short, medium and long-term liquidity. Current (intraday) liquidity is monitored by the Treasury based on received information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Thus, Treasury maintains a portfolio of short-term liquid assets, largely composed of short-term liquid investment securities, loans and advance to banks and other interbank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

On a short, medium and long-term basis the liquidity is monitored by ALM unit, which is reporting to ALCO current liquidity situation and funding needs for the future.

All efforts are concentrated on identification of liquidity risk sources, assessing risk exposures and setting appropriate limits to reduce the possible consequences of liquidity risk.

The Bank assesses liquidity and liquidity risk through the following activities:

- Analyzing the structure of assets from the perspective of liquidity and capitalization possibilities;
- Analysis of liabilities from the perspective of stability in conditions of liquidity crisis;
- Calculation and monitoring of liquidity indicators, both from the regulator (NBM) and internally developed, including liquidity buffers;
- Establishing minimum limits for liquidity indicators;
- Funding Plan developing.

e. Interest rate risk management

The Bank's operations are subject to risk of interest rate fluctuations to the extent that interest-bearing assets and interest-bearing liabilities mature at different times or in different amounts. Risk management activities are aimed for optimizing net interest income, as long as market interest rate levels are consistent with the Bank's business strategies.

In order to assess the interest rate risk, the Bank takes into account the effect of a fluctuation of +/- 200 basis points on the present value of cash flows related to interest rate sensitive assets and liabilities, which is influencing the sensitivity of the economic value of equity (EVE), as well as the effect on the Net Interest Income during one calendar year.

In order to support the sensitivity calculation, the Bank is using GAPs between interest rate sensitive assets and liabilities by maturity bands. Allocation per each band is done according to the closest date between the maturity date and the interest adjustment date.

f. Strategic risk management

Strategic risk is the risk of divergence from planned financial and operational results due to unplanned and unforeseen obstacles, events or cycles of actions.

The bank's profitability management policy is to ensure maximum profitability, under normal or crisis conditions, in the context of maintaining other risks within the limits of the Bank's risk appetite.

The economic context of 2023 being characterized by high volatility required an intensification of strategic risk management activities throughout the year, namely:

In order to increase customer satisfaction in the use of its services, OTP Bank continues to implement tools that ensure the optimization of service processes, including their digitalization.

In this regard, this year the Bank launched the implementation of the project to connect to the MConnect interoperability platform, which is the technological solution developed by the Government of the Republic of Moldova to facilitate and streamline data exchange and interoperability within the public and private sectors.

The integration with MConnect also will facilitate the development of the digital OnBoarding channel and online KYC update.

During 2023, OTP Bank S.A. launched several financing programs to support SMEs. Among them is listed the **Government Program for supporting entrepreneurs "373"** which was implemented in July 2023 through the Organization for the Development of Entrepreneurship (ODE) and aims to ensure access to financing for Small and Medium Enterprises (with annual turnover up to 100 million lei), for investment projects, by partially compensating the interest rate for eligible investment loans.

Through the **Program "373"**, by ODA the interest on investment loans is compensated to ensure that the interest paid by the beneficiary, does not exceed **7% annually** - for the loans in national currency. Interest on loans is compensated for all loan maturity, but not more than 7 years.

Within the **Program "373"**, clients can benefit for financing up to 15 million lei with a minimum 10% down payment from value of the investment project and a grace period up to 3 years without administration and early repayment fees.

In 2023, OTP Bank S.A. continued supporting **entrepreneurs who have a business in agriculture** through **providing professional guidance** and **advantageous solution** for fast and efficient lending solutions, aligned to the needs and specifics of the activity of **agricultural companies**, inclusively through the financing concept dedicated to farmers - **AgroFactory**.

Additionally, OTP Bank S.A. was in solidarity with the farmers and aligned with the decision supported by the entire banking community, not to charge additional payments for credit restructuring for farmers with a difficult financial situation.

Also, in 2023, OTP Bank S.A. continued to support **entrepreneurs who have a business in agriculture** through the **special AGRO Leasing Offer from OTP Bank with 0% commissions.**

When it comes to modern agriculture, success depends on technology and efficiency. Thus, as part of the offer, farmers could access in leasing the most modern technologies and equipment, such as tractors, combines, processing equipment or update the administrative fleet, without investing large amounts of money from their own capital and without additional commissions.

Opting for leasing financing from OTP Bank S.A., clients can manage their cash flow more efficiently, have more flexibility in asset management and can benefit from significant tax advantages!

In addition, from September to December 2023, the Bank launched a **Lending campaign for SMEs** with an annual turnover up to 30 million lei, regardless of the field of activity - trade, manufacturing or agriculture.

In this sense, on 33 years since its foundation, OTP Bank came with top offers for customers, such as:

- **3 months – fixed interest from 7% annually for loans in lei;**
- **3 months – FREE Basic package.**

The offer was dedicated to the Bank's clients who needed additional resources to keep their business moving and/or for strategic investments.

OTP Bank S.A. constantly develops financial solutions with an approach adapted to **small and medium-sized businesses**, which offers a preliminary financing decision in a maximum of 1 business day, thereby facilitating access to credit resources and leasing financing.

During 2023, activities and projects were carried out, with the support and expertise of the Group, aimed at boosting sales and supporting excellence in customer service, improving commercial indicators and maintaining the level of motivation and involvement of sales teams.

At the same time, commercial actions dedicated to promoting and selling the Bank's products and services were expanded. Thanks to the Bank@Work project, the Bank's presence was expanded by increasing the number of branches involved in consulting & servicing clients in the salary projects.

In 2023, the Bank continued to improve the "OTP Internet & Mobile Banking" service, so in November 2023 another software token solution was installed which is PSD2-compliant and enables Quick/momentary login/authorization of payments without the Token application, by entering the access code or biometrics.

Corporate Banking activity

The commercial activity aimed at the bank's relationship with Large Corporate customers continued to grow, generating consistent profitability in 2023, supported by both lending operations and our other products and services.
In this market segment, represented by the most important national and multinational companies present in the country, the rigors regarding the quality of the bank's products are very high, and success is represented by agility, responsibility and the ability to offering products that best respond to customer needs. The fact that we have maintained our position as a reference bank in this line of business confirms once again the trust of our customers.

OTP Bank's achievements in the corporate business have been confirmed with "Corporate Banking Market Leader 2023" award by the prestigious Euromoney magazine. This is the second year in a row that our performance in this area has been recognized by Euromoney. We dedicate this award to our clients, who make us strive to become better every year.
Among the successes of the Large Corporate team in 2023, related to achieving the strategic goals of digitization and business volume expansion, the following can be highlighted:

- 99% of corporate customers use the bank's internet banking solution;
- 98% of corporate customers' payments were processed through the bank's internet banking solution;
- 25% increase in the number of transactions processed through the bank's internet banking solution;
- significant increase in the volume of payments made by corporate customers: +17.5%;
- solid increase in the volume of funds attracted from corporate customers: +45%.

The sectors of the national economy that we prioritized for funding in 2023 were agriculture and processing, telecommunications, trade and infrastructure development. At the same time, OTP Bank maintained its position as a local partner of international banks and International Financial Institutions, participating together in the most relevant syndicated financing transactions on the market.

Our concern remains the continuous adaptation of our products and services to the needs of the Bank's corporate clients by applying modern financing solutions and cash-management products in line with the latest trends in

Leasing activity

The leasing activity, has a small decreased volume, similar to the local market, the main reason being as the geopolitical situation in the region and increasing interest rates for EUR. Leasing product is considered a good viable solution for business area; OTP Leasing still remains one of the top leasing service providers, offering financing into business segment.

At the end of the Q3.23, OTP Bank has ranked as 4th on the local leasing market with a market share of 13% (for total market, including individuals). OTP Bank maintained as stable portfolio volume of active leasing contracts and has financed assets in total amount of 163 Mio MDL.

In the same time, in 2023 were performed an important work within Leasing IT Tool, we have approved for implementation Charisma leasing soft, once with launch in the next year this IT Tool will allow the presence of the OTP Leasing products into the Consumer market.

Relationship with International Financial Institutions

The OTP Bank S.A. partnership with International Financial Institutions (IFIs) vividly progressed, given the important role that IFIs play in supporting sustainable business development in the Republic of Moldova, leveraging their significant potential in business financing, mobilizing and crowding private sources of funds for country economy development.

The OTP Bank's focus is oriented on developing joint frameworks of collaboration with multilateral development IFIs, extending direct financial assistance in the form of loans, grants, risk-sharing instruments in support and strengthen companies, and for development of the country's priorities.

OTP Bank S.A. is a trusted partner for many IFIs, continuing to engage with a growing number of financial projects, working with over 30 of programs launched in Moldova, through bilateral collaboration with the local Executive Authorities and the IFIs, to aid the SMEs with the necessary liquidity to carry out their activity. In 2023, OTP Bank has disbursed over EUR 20 Mil. to its clients focused on new investment projects and creating or maintaining viable jobs.

Furthermore, after successful assimilation of EUR 35 Mil. under EU4busines EBRD Credit Line program and EUR 14.82 Mil. under EaP SMEC phase I, in December 2022 OTP Bank S.A. has signed with EBRD a new loan agreement under EaP SMEC phase II facility with Grant component, increasing its loans Portfolio with EUR 15 Mil. As a further matter, OTP Bank is still **the only financial institution in the country offering financial leasing with a Grant component.**

Likewise, OTP Bank continued actively to promote funding programs among Young Entrepreneurs and Women in Business activating in rural area, facilitating their access to funding under special conditions with discounted price and Grant Component, which was possible thanks to International Fund for Agriculture Development (IFAD) developed program.

The bank has a fruitful collaboration with EIB (Fruit Garden of Moldova) and IFAD Implementation Unit (dedicated to support agro-industrial companies), where the final borrowers benefit from various advantages as Grants (addressed to support Women in Business), Taxes and Duty exemptions, and free technical assistance.

Correspondent Banks

OTP Bank S.A. proves to be a strong and reliable partner, by performing of the related international trade foreign currency payments of the clients, via its accounts held in 12 foreign globally representative banks and a wide network of correspondent connections through RMA relations (SWIFT keys). The historically established correspondent relations with first-class foreign banks facilitate cross-border payments both in terms of security and efficiency, as well as through the speed of transaction processing and the avoidance of high costs related to the receipts applied by intermediate correspondent banks.

Through services provided by correspondent banks clients have possibility to process payments in more than 120 currencies that enable them to trade across the world, having several advantages such as: protection against currency risk, lack of additional taxes to the standard ones, fast execution of payments and without limitations of minimum / maximum amounts.

OTP Bank S.A. opts to maintain mutually beneficial and long-lasting relationships, while also committed to providing quality services, in line with the level of expectations and needs expressed by customers.

In the context of strict regulations, both at the local level and due to the rigorous policy of the OTP Group, each existing or potential correspondent bank is subject to a complex, thoroughly and prudently conducts the due diligence examination by preparing an exploring analysis, assessing and evaluating theirs system of ways and means applied against money laundering and terrorism financing, according to national and international requirements to ensure that the banking partner is safe and of impeccable reputation.

Digital solutions in Cash Management

In 2023, the effort of the Cash Management team was allocated to the strengthening of the "International Account Management" service (MT101/MT940/MT950/MT942) dedicated to International Corporations that are represented by local offices operating in the Republic of Moldova.

Since there is a constant interest for this product, and in order to widen the connection possibilities of International Corporations with OTP Bank, a new collaboration agreement was signed with a first-class International Bank. Now, the automatic processing of payments (local and cross border, treasury, FX) as well as the receipt of statements, allows customers to become autonomous in the managing of payments, with access to the bank accounts information subscribed to this service without the intervention of bank operators and the support of the bank.

At the same time, within the digitalization and process simplification initiatives with the involvement of cross-functional teams, the team contributed to the migration to a new way of logging in and authenticating of the operations initiated in "OTP Internet & Mobile Banking" by integrating advanced technologies, ensuring a simplified flow for the Bank's clients, but with an increased degree of security and safety.

Trade Finance and Factoring

OTP Bank S.A is actively supporting the foreign trade activities of the clients by providing a full product package that reduces to a minimum the risks and help them explore and conquer new markets offering a full range of Trade Finance that reperesent risk mitigation instruments, as Letters of Credit, Forfaiting, International Guarantees or Stand-By Letters of Credit, as well financing through Letter of Credit disounting and Forfaiting.

Having established relationships with first-class banks and being included in the EBRD and IFC trade facilitation programs, OTP Bank offers Trade Finance products ot the highest international standards, being awarded for the 8th year in a row by the EBRD as "The most active issuing bank in Moldova in 2022".

In 2023 for the first time, OTP Bank acted as conforming bank unde EBRD TFP, facilitating the acces of international companies in important infrastructure projects in Moldova.

OTP Bank is one of the few banks on the market offering export factoring helping local exporter to boost competitiveness in the global marketplace. In 2023, second year after launching, our market share from total export business from Moldova under FCI * two-factor System reached more than 70%. For the next year there is ongoing the project for digitalization by implementation of a performant IT solution. This will enable our bank to provide best-in-class asset-based receivable financing services for our clients and grow supply chain finance solutions.

**Factors Chain International*

Capital Markets Activity

OTP Bank S.A. carries out numerous activities on the international and local Moldavian capital markets with involvement in securities operations, operations of attraction and placement of funds on interbank market, as well as monetary operations of the National Bank of Moldova.

FOR IDENTIFICATION PURPOSES
ERNST & YOUNG
Signed...
Date...22/03/2024

OTP Bank S.A. always was and remains an active participant of the Moldovan securities market. The bank invests its own resources in State Securities (SS), National Bank of Moldova Certificates (NBC), and offers intermediation services to its clients who can benefit from a full range of investment products.

In 2023, based on the availability of liquidity, the Bank's total investments in SS and NBC compared to 2022 increased by 8.7 times (for NBC was fixed an increase by 10.5 times, and for SS – an increase of approximatively 1.7 times). At the same time, as a result of management of the available liquid assets within the aforementioned operations, and despite to the decrease in interest rates during the year, the obtained income constituted a 3.6 times increase, compared to the level of the last year. The average volume of SS portfolio maintained for the Bank's clients was over 630 million MDL, representing an increase of about 36% compared to 2022.

The Global Transaction Banking Department has performed various operations of placements and borrowing of resources in local and foreign currency for the purpose of more efficient management of the bank liquidity. The annual volume of overnight deposits placed at NBM had a decrease of approx. 27%, respectively, the total volume of income decreased by approx. 3.6 times compared to the level of 2022. The turnover of monetary transactions with foreign currency (especially overnight deposit placements in USD) had an increase of 30%, and the income obtained (also due to the increase in interest rates) increased by 3.6 times compared to last year.

Monetary Market (Forex)

In 2023, the foreign exchange market marked a high level of volatility determined by geopolitical effects as well as macroeconomic effects. Therefore, the active intervention of the National Bank of Moldova occurred through monetary policy instruments, which influenced the structural changes of assets and liabilities.

In this context, OTP Bank marked a marginal decrease in the volume of Forex transactions by +2.5% compared to the previous year.

At the same time, against the backdrop of the concentration of the competitive environment, OTP Bank generated a net banking income from Forex transactions of MDL 334.3 million, which marked an increase of over +9.7% compared to the previous year.

NON-FINANCIAL STATEMENT

Through the established Corporate Social Responsibility (CSR) policy, OTP Bank S.A. strengthens its role in society: a reliable partner for its employees, customers and suppliers, bringing positive change to the economy, the environment and communities.

Concern for the environment, responsible consumption and sustainable solutions are a priority, and the Bank acts consciously and with a sense of responsibility regarding the impact of its actions. Thus, in 2023, OTP Bank S.A. developed an ESG strategy (environmental, social and governance factors) in line with the Group's vision, in collaboration with responsible subdivisions of the Group, focused around the Bank's portfolio of products and services.

The actions that will guide OTP Bank Moldova in the implementation of the ESG Strategy will focus on three areas:

1. **Responsible Financial partner:** with the aim of financing the gradual transition to a green, low-carbon economy and offering a range of sustainable products and balanced financing options. This strategic direction refers to increasing the product portfolio with green credit and other financing solutions, developing digital products and channels and active ESG risk management practices in banking.
2. **Responsible Employer:** investment in employee well-being and development, inclusion and diversity, and employee involvement in decision-making through active ESG management tactics, integrated into the governance model and continuous;

3. **Socially responsible actor:** by setting ambitious targets, in terms of their own actions to adopt responsible consumption within the organization and reduce CO_2 emissions from their fleet. Creating a positive social impact, not only by offering responsible products and communication campaigns, but also by continuing CSR activities - protecting the environment, supporting active and healthy living, culture and art, health and through the Financial Education Foundation's educational project "OK".

OTP Bank has always been concerned with contributing to the development of the community in which it operates, supporting financial education, the medical and sports sectors, promoting culture and the arts, as well as volunteering.

In 2023, OTP Bank Moldova sponsored social initiatives of 21 associations or institutions in various fields, with the largest share of financial education projects - 65%, followed by sports - 18%, art and culture – 8% and support to local communities – 6%. In 2024 the Bank will direct a larger share of its efforts towards environmental protection and sustainability, and supporting the healthcare.

Financial Education

One of the priorities for 2023 in CSR activity was to support financial education. Through "OK" Foundation for Financial Education, in four years of activity, over 17,500 children, youth and adults, in 36 regions of the country benefited from free financial literacy programes. At the same time, 40 national and international partnerships have been established. At the beginning of the school year, OTP Bank together with the Foundation team donated 100 backpacks with school supplies to primary school students from vulnerable families. As part of the Global Money Week campaign, a series of activities were carried out, such as: Financial Education Marathon (webinars for students), training "About real estate investments", educational videos, contests and prizes, etc.

To support women in business, two editions of "Financial Management for Women in Business" were organized in collaboration with the EBRD Moldova Team, with the financial support of the Government of Sweden (Embassy of Sweden in Chisinau). The beneficiaries of the project were 65 businesses run by women, client OTP Bank.

Partnerships and collaborations:

- Financial Management for SME (EFSE, EU4Business in Moldova, OK Foundation, OTP Bank), over 100 participants, OTP Bank experts
- Financial Academy (EBRD, EBA), over 100 participants, EBRD experts
- „Bani la feminin” în partnership with UN Woman & Investitii.MD, Proactive.md
- Summer camp for teenagers organized in Vadul lui Voda in partnership with the American Peace Corps
- Summer camps and MoneyCamp for chindren and youth in Chisinau, Cahul, Ungheni, Balti.
- Green Entrepreneurship (USM, Rezina Business Incubator).

Culture and art

OTP Bank continues to be a dedicated partner of culture and art, supporting institutions of national importance, such as the National Art Museum of Moldova and from 2023 - "Luceafarul" Republican Theatre. A special edition of the European Night of Museums was organized in 2023, which gathered a very large number of visitors thanks to the diverse cultural program with and a varied programme of visual arts, music and poetry. Two children's theatre performances were organised for more than 400 employees' children.

Investment in Health

OTP Bank continues to honour its commitment to support the country's public health institutions. Our interest in strengthening the technical capacities of hospitals has proven its effectiveness in critical moments for the health of citizens, such as the pandemic period. With the support of the "Valeriu Ghereg" Medical Foundation, OTP Bank S.A. was able to donate:

- Two units of pneumatic surgical tourniquets for the IMSP Traumatology and Orthopedics Clinical Hospital in Chisinau;
- a PCR Amplifier for the Republican Clinical Hospital "Timofei Moșneaga" IMSP, for the Laboratory Investigations Department, an indispensable equipment for performing kidney transplant procedures.

Sport as a lifestyle

The promotion of a healthy lifestyle and the practice of sports were reflected through social initiatives supported by OTP Bank, such as Chisinau International Marathon which gathered over 80 employees on the running track; the Hospice Bike Tour to support cancer patients in terminal stages; AIR Cup football tournament, as well as participation with the Business League football team, where OTP Bank was an Official Sponsor.

In line with one of its CSR pillars - promoting sport and an active lifestyle, OTP Bank supports Moldovan football being the Main Partner of "ZIMBRU - 1947" Children's Football Academy for 4 years already. Almost 500 children train and develop their football skills in the Academy.

Environment

Concern for environmental protection and responsible consumption of resources has shaped several important projects. OTP Bank has taken under its care an elm plantation in the Botanical Garden in Chisinau. With the Bank's financial support and the work of its proactive employees, the rehabilitation of the elm plantation was achieved. More over, an eco relaxation area was created, with a rustic fountain, all under the aegis of OTP Bank.

Local communities

Together with the public association "The Moldova Project", OTP Bank sponsored a library, a play and education centre for children from vulnerable cathegory in Jevreni, Criuleni district. Thousands of children from the village and surrounding villages now have access to a space for play and reading, training and free creative workshops.

Also in 2023, we supported the sports association for children with special needs Special Olympics Moldova to participate in the Special Olympics in Berlin, Germany, by providing sports equipment and plane tickets for 30 team members. In March of the same year, OTP Bank financially supported the social partner "AO Sunshine" which organized a celebratory event for Down Syndrome Day.

The end of the year was highlighted by the successful and popular "I am Santa" campaign which brought together over 200 employees to give gifts to almost 300 children from orphanages and vulnerable families.

OTP Bank became the Main Partner of the "Winter Story" charity concert, headlined by Calancea's LUPII and Osoianu's Sisters with the aim to help the elderly and children from disadvantaged families, promoting Moldovan culture and traditions. About 1000 children and 500 elderly people have benefited from social aid during hikes organized in various localities within the framework of this project.

The social campaign #I'mSantaChristmas continues for the third year, gathering over 200 volunteers, OTP Bank employees. The concept of the campaign is to provide Christmas presents to children from foster homes, socially vulnerable families. This year the help offered by the employees was directed towards foster care centres in four regions of the country. During four editions of the campaign, over 1000 children from different regions of the country received help and gifts.

In August 2023, OTP Bank supported cultural and leisure activities by becoming the Official Partner, together with Visa, of Summer Fest - the largest and most popular music festival in Moldova, with over 50,000 participants enjoying performances and artists from different countries.

The highest award in the nomination "Socially Responsible Trademark" at the National Trademark 2023 competition - "Golden Mercury" confirms OTP Bank's status as a socially responsible company that invests in the welfare of communities through sponsorships and donations, supporting impactful social initiatives and projects.

Responsible employer

In 2023, 110 new employees joined our team. This means that OTP Bank Moldova currently counts a total of 1066 employees, out of which 877 are active. Our staff gender ratio is 819 women and 247 men.

Developing in a dynamic and challenging environment, OTP Bank remains committed to implementing responsible human resources policies, designed to support the development of a sustainable environment characterized by ethics, professionalism and support:

- Investing in the development and continuous training of employees;
- Fair pay and career advancement opportunities based on merit;
- Talent retention;
- Equal rights, treating employees with respect and fairness, without discrimination;
- Support through traiing and involvement in the Bank's activites;
- Health and safety in the workplace;
- Work in quality conditions and endowment with modern equipment.

The OTP Bank's strategy in the field of human resources is oriented towards consolidating the status of leading employer on the local market, having as priorities the following strategic directions:

a) Training and continuous development of bank employees through the implementation of new training programs, tools and modern means of professional and personal development;
b) Supporting internal mobility and developing career programs;
c) Development of organizational culture and continuous improvement of the working environment and conditions;
d) Increasing team commitment and promoting the values that unite us;
e) Promoting constructive collaboration through transparent communication focused on sustainable development of the team.

a. Training and continuous development of employees

As a strategic partner of business, the Human Resources and Institutional Communication Department builds its strategy and focuses its efforts to maintain the image of an employer of reference, by implementing various programs and initiatives aimed at motivating and retaining employees, offering career growth and professional development opportunities.

During 2023, over 26,000 hours of training were organized, of which 17,166 hours were conducted offline and 8,948 hours were delivered online:

26.114 **TRAINING HOURS** delivered

3.264 **DAYS** of training

29.9 **HOURS** of training / **PER EMPLOYEE**

Promoting the principles of **ethics** and **professional conduct**, as well as a culture of effective **risk management**, continues to be one of the company's prerogatives and is supported by regular online and offline training.

Thus, this year, at the initiative of the **Human Resources and Institutional Communication Department**, in order to promote risk culture within the Bank, in collaboration with the teams of the **Risk Management Division**, the **Compliance Department** and the **Audit Department**, a new training program **"Internal Control and Risk**

Awareness" was developed and implemented. At the end of the program, **32 employees** from different subdivisions of the Bank, selected through an open competition, created the Community of Ambassadors for the promotion of the role of control functions within their teams. The training sessions were held in the Continuing Education Resource Centre of the State University of Moldova (USM), thus offering the possibility of participation to USM professors interested in the program.

Promoting gender equality and supporting women's economic empowerment by developing and implementing gender-sensitive policies and initiatives, as well as eliminating discrimination against women and girls in all areas of activity, are principles that OTP Bank promotes in its day-to-day work.

In the context of OTP Bank's adherence to the Women's Empowerment Principles (WEPs) and the signing of the Memorandum of Understanding on Promoting Gender Equality with UN Women (September, 2023), the Human Resources and Institutional Communication Department organized, with the support of UN Women, a series of webinars aimed at supporting and promoting the WEPs:

- *Gender equality and inequality in different fields and stereotypes;*
- *Transformative masculinity;*
- *Sexual harassment in the workplace and forms of manifestation;*
- *Ensuring pay transparency in the workplace.*

Another prerogative of the Human Resources and Institutional Communication Department has been the development of **mentoring and leadership** culture through the implementation of a new training program: **The Mentoring Academy**.

The program ran from **March to June 2023**, during which **18 colleagues**, full of enthusiasm and energy, passionate about learning and their field of work, benefited from a varied agenda of trainings to improve their mentoring and leadership skills, and eventually become mentors for students doing their internship in our organization.

b. Supporting internal mobility and developing career programs

OTP Bank continues to support employee development by encouraging internal mobility through the establishment of a career development framework and the organization of development programs, focused on ensuring business continuity, by providing qualified staff for key Front Office positions. Thus, during the year 50 employees successfully completed training programs, giving them the opportunity for career advancement. Also **228 employees** have been transferred or been promoted to various fields of activity.

- CLIPRI School - program dedicated to the training of future Individual Client Counselors
- CLIPRO School - a specialized program for the training of future Legal Advisers

c. Development of organizational culture and continuous improvement of the working environment and conditions

During 2023, in order to improve organizational culture and strengthen an environment beneficial to employee health and performance, with a flexible work schedule geared towards establishing work-life balance, several HR projects and initiatives were implemented:

- *OTP Group Engagement Survey* – survey launched for the third consecutive year, centralized at OTP Group level and aimed at all employees. The results gave us an up-to-date picture of engagement indicators, job satisfaction and other important elements in relation to the people who constitute the OTP Group team;

- Developing team spirit by organizing internal, corporate and topical events involving colleagues open to development and collaboration:

    - Loyalty events for employees with more than 10 years of experience in the bank;
    - Employee reward events for individual performance;
    - *Leadership Team Meeting* - event dedicated to the leadership community;
    - *Managers Day* - event dedicated to all managers in OTP Bank;
    - *"Colour your dreams"* creative workshop for employees and their children to provide work-life balance;
    - *Digital Experience* - a series of webinars aimed at developing professional skills, organised and moderated by employees for employees.

- *Open Doors* - a monthly exercise to introduce colleagues and units of the Bank in which employees carry out their roles in order to facilitate understanding of activities and collaboration between teams;
- *OTP Hobby Club* – monthly online events on various non-banking topics of common interest to bank employees;
- *Loyalty Bonus* - to each employee with at least 3 years of work experience in the Bank was offered a financial support of **630 MDL;**
- The amount of the *Collective Bonus* was increased by **1000 MDL (from 5000 to 6000 MDL)**;
- Increase the value of the meal voucher from **55 to 70 MDL**. Exclusive item for OTP Bank employees;
- Material aid for certain categories of employees to pay bills during **January** and **February 2023**;
- Discounted balneotherapy treatment offers at sanatoriums in the Republic of Moldova.

These projects, along with others already in place, aim at continuous career development and predictability for each employee regarding their future within the company.

Respect for human rights and the fight against corruption

The bank's corporate governance framework and Human Resources policy are built on the current legislative framework for the protection and observance of human rights.

OTP Bank is committed to high standards of ethical behaviour and has a zero tolerance approach to corruption, violation of these principles is not appropriate for good corporate governance. In order to comply with the legislation on the prevention of corruption and ethical principles in all areas of activity, the bank has implemented anti-corruption policies and the Code of Ethics. These basic internal regulatory documents are supported by our ongoing investments in technology and training. During 2023, mandatory e-learning courses were successfully passed by employees, which testifies, to the successful training and awareness raising efforts. High ethical standards are being continuously promoted among Bank's employees and clients.