BC MOLDOVA AGROINDBANK SA

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

(FREE TRANSLATION*)

*Translator's explanatory note: The translation of this document is provided as a free translation from Romanian which is the official and binding version.

BC MOLDOVA AGROINDBANK SA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENT

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INDEPENDENT AUDITOR'S REPORT
to the shareholders of BC Moldova Agroindbank S.A.

Opinion
We have audited the consolidated financial statements of BC Moldova Agroindbank S.A. (the Bank) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of 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.

Emphasis of matter
We draw attention to Note 42 to the consolidated financial statements, which describe the fact that management has prepared an analysis showing that no material uncertainty exists regarding the Group's ability to continue operations due to the ongoing impact of COVID-19. Our opinion is not modified in respect of this matter.

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

Key audit matter	Audit response
1 Provision for impairment of loans and advances to customers and lease receivables	
We focused on this matter due to the significance of loans and advances to customers and lease receivables and the significance of judgements and estimates required for calculation of the related impairment provision. The provision represents management's best estimate of losses within the loans and advances to customers/lease receivables.	We assessed the key methodologies and related models for calculation of the provision for loans/receivables for consistency with the requirements of IFRS. We assessed and tested (on a sample basis) the design and operating effectiveness of the controls over impairment data, the identification of overdue balances and the calculation of the provision.

Key audit matter	Audit response
Specific provisions are calculated on an individual basis for significant loans/receivables. For such provisions, judgement is required to determine when an impairment-event has occurred and then to estimate the expected future cash flows related to the loan/receivable. For all other loans/receivables, collective provisions are calculated on a portfolio basis for loans/receivables of a similar nature. Such provisions are calculated using statistical models estimating the impact of current economic and credit conditions on loans/receivables portfolios. The design of and inputs to the models are subject to management judgement. Refer to Notes 8 and 9 of the accompanying consolidated financial statements.	We tested (on a sample basis) loans/receivables, which had not been identified by management as potentially impaired and formed our own judgement as to whether that was appropriate. We tested (on a sample basis) loans/receivables for which the individual provision was calculated. We tested whether the impairment event had been identified in a timely manner, re-performed discounted cash flows calculations, examined the expected future cash flows used by management, challenged the assumptions and compared management estimates to external evidence where available. We tested (on a sample basis) the basis and operation of collective provisioning models and the data and assumptions used. Our work included comparison of the principal assumptions made with our own knowledge of industry practice and actual experience, testing of the models though re-performance, and various analytical procedures.

Key audit matter	Audit response
2 Valuation of financial instruments not quoted in an active market	
A significant part of the Group's investments in securities consists of instruments not quoted in an active market (Level 2 and Level 3 instruments). The fair value of these instruments is determined by valuation models that may use complex assumptions and rely on unobservable inputs (Level 3). The significance and subjectivity of these valuations make them a key audit matter. Refer to Note 7 of the accompanying consolidated financial statements.	We assessed the design of models and the sources of significant assumptions used in determining fair value. For a sample of individually significant instruments, we inspected the models and assumptions used, and/or performed an independent valuation assessment using alternative valuation methods and assumptions, where available. We also assessed whether the Group's disclosures in relation to the valuation of such financial instruments, including disclosures regarding significant Level 3 inputs used and sensitivity of the value to changes in these inputs, are compliant with applicable IFRS requirements.

Key audit matter	Audit response
3 Valuation of non-current assets held for sale and investment property	
At 31 December 2019, the Group's aggregate net value of non-current assets held for sale and investment property was 83,978 thousand lei. The valuation of these assets utilises unobservable inputs and assumptions. Changes in these inputs and assumptions may have a significant impact on the valuation. The significance and subjectivity of these valuations make them a key audit matter. Refer to Notes 11 and 13 of the accompanying consolidated financial statements.	We assessed the selection of valuation methods and the design of valuation models, as well as the sources of significant assumptions. We also tested the determination of the lower of cost and net realisable value for a sample of individually significant non-current assets held for sale. Where management involved valuation specialists, we assessed their qualification and objectivity. For a sample of individually significant assets, we involved valuation specialist to assist us in assessing the reasonableness of the methodology and assumptions.

Other matter
This report is made solely to the Group's shareholders. Our audit work has been undertaken so that we might state to the Group's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's shareholder, for our audit work, for this report, or for the opinion we have formed.

Other information
Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

BDO Audit Consulting SRL

BDO Audit & Consulting S.R.L.
45B A. Puskin str., 4th floor
MD-2005, Chisinau, Republic of Moldova
30 March 2020

Eugeniu Raietchi
Licensed Auditor
License AIF 0015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts are expressed in thousand MDL, if not stated otherwise)

	Note	2019 MDL'000	2018 MDL'000
Interest income	24	1,385,221	1,296,066
Interest expense	24	(375,955)	(376,445)
Net interest income		**1,009,266**	**919,621**
Fee and commission income	25	497,390	419,046
Fee and commission expense	25	(191,467)	(146,339)
Net fee and commission income		**305,923**	**272,707**
Net foreign exchange gains	26	272,047	238,184
Other operating income	27	29,785	30,001
Gains/losses from revaluation of investment property		(45)	48
Personnel expenses	28	(448,522)	(411,723)
Amortization expenses	12, 14	(154,640)	(98,248)
Other operational expenses	29	(284,007)	(278,672)
Pre-provision operating profit		**729,807**	**671,918**
Impairment and provision release/(charge), net	30	75,126	(65,379)
Operating profit before tax		**804,933**	**606,539**
Income tax expense	19	(95,277)	(70,093)
Net profit for the year		**709,656**	**536,446**
Profit attributable to:			
Equity holders of the Bank		709,565	536,364
Non-controlling interests		91	82
Net profit for the year		**709,656**	**536,446**

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

BC MOLDOVA AGROINDBANK SA

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in thousand MDL, if not stated otherwise)

	Note	2019 MDL'000	2018 MDL'000
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Changes in fair value of debt instruments classified as financial assets at fair value through other comprehensive income	7	3,269	(26,964)
Deferred tax related to debt instruments classified as financial assets at fair value through other comprehensive income	19	(392)	3,236
Items that will never be reclassified to profit or loss:			
Changes in fair value of equity instruments classified as financial assets at fair value through other comprehensive income	7	32,930	9,798
Reclassification to Retained earnings of the gain obtained from equity instruments	7	-	(258)
Deferred tax related to changes in fair value of equity instruments classified as financial assets at fair value through other comprehensive income	19	(6,398)	(572)
Revaluation of land and buildings	12	(25)	15
Deferred tax related to the revaluation of land and buildings	19	(1,615)	1,520
Other comprehensive income for the year		**27,769**	**(13,225)**
Total comprehensive income for the year		**737,425**	**523,221**
Total comprehensive income attributable to:			
Equity holders of the Bank		737,334	523,139
Non-controlling interests		91	82
Total comprehensive income for the year		**737,425**	**523,221**
Earnings per share			
(expressed in MDL per share)	21	**683.83**	**516.91**

The consolidated financial statements were authorized for issue on 30 March 2020 by the Executives of the Group represented by:

President of the Management Board

Mr. Serghei Cebotari

Chief Accountant

Mrs. Carolina Semeniuc

BC MOLDOVA AGROINDBANK SA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019
(All amounts are expressed in thousand MDL, if not stated otherwise)

	Note	31.12.2019 MDL'000	31.12.2018 MDL'000
ASSETS			
Cash on hand	4	940,199	1,103,882
Balances with National Bank of Moldova	5	5,813,652	5,400,244
Due from banks	6	1,995,723	1,720,607
Financial assets at fair value through other comprehensive income	7	1,270,306	1,647,666
Loans and advances to customers	8	13,388,307	11,563,088
Lease receivables	9	141,478	111,100
Financial assets at amortized cost	10	771,523	900,370
Non-current assets held for sale	11	11,559	13,319
Property and equipment and right-of-use assets	12	1,265,803	1,015,912
Investment property	13	72,419	72,464
Intangible assets	14	70,081	66,362
Other assets	15	222,428	118,705
Total assets		25,963,478	23,733,719
LIABILITIES			
Due to banks	16	72,435	28,210
Borrowings	17	724,168	627,684
Due to customers	18	20,304,659	18,646,955
Contingent commitments provisions		9,470	9,749
Deferred tax liability	19	45,609	34,451
Current tax liability		27,614	14,734
Other liabilities	20	356,528	465,350
Total liabilities		21,540,483	19,827,133
EQUITY			
Ordinary shares	21	207,527	207,527
Share premium		104,537	104,537
Financial assets at fair value through other comprehensive income revaluation reserve		93,445	64,036
Property and equipment revaluation reserve		194,318	196,630
Retained earnings		3,822,722	3,333,501
Total equity attributable to equity holders of the Bank		4,422,549	3,906,231
Non-controlling interests		446	355
Total equity		4,422,995	3,906,586
Total equity and liabilities		25,963,478	23,733,719

The consolidated financial statements were authorized for issue on 30 March 2020 by the Executives of the Bank represented by:

President of the Management Board
Mr. Serghei Cebotari

Chief Accountant
Mrs. Carolina Semeniuc

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts are expressed in thousand MDL, if not stated otherwise)

	Attributable to equity holders of the Group							
	Ordinary shares MDL'000	Share premium MDL'000	Financial assets at fair value through other comprehensive income revaluation reserve MDL'000	Property and equipment revaluation reserve MDL'000	Retained earnings MDL'000	Total capital attributable to the Group MDL'000	Non-controlling interests MDL'000	Total equity MDL'000
Balance as at 1 January 2019	207,527	104,537	64,036	196,630	3,333,501	3,906,231	355	3,906,586
Total comprehensive income								
Net profit for the year	-	-	-	-	709,565	709,565	91	709,656
Other comprehensive income	-	-	29,409	(1,640)	-	27,769	-	27,769
Total comprehensive income for the year	-	-	29,409	(1,640)	709,565	737,334	91	737,425
Transaction with shareholders								
Dividends paid (Note 21)	-	-	-	-	(221,016)	(221,016)	-	(221,016)
Other transactions	-	-	-	(672)	672	-	-	-
Balance as at 31 December 2019	207,527	104,537	93,445	194,318	3,822,722	4,422,549	446	4,422,995

As at 31 December 2019 the reserves amounted to MDL'000 448,425 (2018: MDL'000 421,300) and include reserve from revaluation of assets at fair value through other comprehensive income, legal reserves and reserve from revaluation of property and equipment, which are non-distributable. Starting from 2012, according to the National Bank of Moldova requirements, an additional reserve was created by the Group. This reserve is determined as the difference between the allowances for impairment of loans and conditional commitments in accordance with IFRS and the value computed, but non- accounted for of allowances for impairment of loans and conditional commitments in accordance with prudential regulations of the National Bank of Moldova (2019: MDL'000 267,764 and 2018: MDL'000 259,400). Legal reserves and reserve recorded in accordance with prudential regulations of the National Bank of Moldova are included in the retained earnings column.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts are expressed in thousand MDL, if not stated otherwise)

	Attributable to equity holders of the Group							
	Ordinary shares MDL'000	Share premium MDL'000	Financial assets at fair value through other comprehensive income revaluation reserve MDL'000	Property and equipment revaluation reserve MDL'000	Retained earnings MDL'000	Total capital attributable to the Group MDL'000	Non-controlling interests MDL'000	Total equity MDL'000
Balance as at 1 January 2018	**207,527**	**104,537**	**78,796**	**208,736**	**3,065,046**	**3,664,642**	**12,501**	**3,677,143**
Transition to IFRS 9	-	-	-	-	(68,942)	(68,942)	-	(68,942)
Balance as at 1 January 2018, restated	**207,527**	**104,537**	**78,796**	**208,736**	**2,996,104**	**3,595,700**	**12,501**	**3,608,201**
Total comprehensive income								
Net profit for the year	-	-	-	-	536,364	536,364	82	536,446
Other comprehensive income	-	-	(14,760)	1,535	-	(13,225)	-	(13,225)
Total comprehensive income for the year	-	-	**(14,760)**	**1,535**	**536,364**	**523,139**	**82**	**523,221**
Transaction with shareholders								
Dividends paid (Note 21)	-	-	-	-	(221,016)	(221,016)	-	(221,016)
Other transactions	-	-	-	(13,641)	22,049	8,408	(12,228)	(3,820)
Balance as at 31 December 2018	**207,527**	**104,537**	**64,036**	**196,630**	**3,333,501**	**3,906,231**	**355**	**3,906,586**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts are expressed in thousand MDL, if not stated otherwise)

	Note	2019 MDL'000	2018 MDL'000
Cash flows from operating activities			
Interest received		1.388,303	1,309,319
Interest paid		(375,130)	(381,643)
Commissions received		483,751	409,393
Commissions paid		(183,266)	(138,819)
Income received from trading in foreign currencies	26	293,186	252,391
Recoveries of loans previously written-off	7	94,466	15,965
Other operating income received		24,626	14,304
General and administrative expenses paid		(287,538)	(268,239)
Personnel expenses paid		(455,277)	(415,943)
Cash flows from operating activities before changes in operating assets and liabilities:		**983,121**	**796,728**
Net (increase) / decrease in operating assets:			
Due from banks		(240,255)	(177,703)
Financial assets at amortized cost		31,009	242,651
Loans and advances to customers		(1,800,914)	(1,951,567)
Lease receivables		(32,825)	7,971
Other assets		(91,200)	113,760
Net increase / (decrease) in operating liabilities:			
Due to banks		349,549	(42,345)
Due to customers		1,616,043	1,362,489
Other liabilities		(99,946)	152,748
Net cash from operating activities before tax		**714,582**	**504,732**
Income tax paid		(71,852)	(71,893)
Net cash from operating activities		**642,730**	**432,839**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts are expressed in thousand MDL, if not stated otherwise)

	Note	2019 MDL'000	2018 MDL'000
Cash flows from investing activities			
Purchase of property and equipment and intangible assets	12, 14	(315,058)	(236,468)
Financial assets at fair value through other comprehensive income		402,060	(246,655)
Proceeds from sale of investments in associates		1,364	312
Net cash used in investing activities		**88,366**	**(482,811)**
Cash flows from financing activities			
Repayment of loans and borrowings		(335,266)	(286,573)
Proceeds from loans and borrowings		124,034	193,778
Dividends paid	21	(313,051)	(132,329)
Net cash used in financing activities		**(524,283)**	**(225,124)**
Effect of exchange rate fluctuation		(84,426)	(16,955)
Net increase in cash and cash equivalents	23	**122,397**	**(292,051)**
Cash and cash equivalents as at 1 January		**7,942,134**	**8,234,185**
Cash and cash equivalents as at 31 December	23	**8,064,531**	**7,942,134**

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

(All amounts are expressed in thousand MDL, if not stated otherwise)

1 GENERAL INFORMATION ABOUT THE GROUP

Reporting entity

Moldova Agroindbank Group (the "Group") includes the parent Bank, BC Moldova Agroindbank S.A. (the "Bank") and its subsidiaries based in the Republic of Moldova. The consolidated financial statements of the Group for the year ended on 31 December 2019 comprise the financial statements of BC Moldova Agroindbank SA and its subsidiaries (hereinafter referred to as the "Group"), which form the Group. The subsidiaries comprise the following entities:

Entities	Field of activity	31.12.2019	31.12.2018
MAIB- Leasing SA	Financial lease	100%	100%
Moldmediacard SRL	Processing of card payments	99%	99%

The Group's fields of activity are: banking through BC Moldova Agroindbank SA (the "Bank"), leasing and financing through MAIB-Leasing SA, and processing of card transactions through Moldmediacard SRL.

The Group has 2,479 employees as at 31 December 2019 (2,461 employees as at 31 December 2018).

BC Moldova Agroindbank SA

BC Moldova Agroindbank SA was incorporated in 1991 as a joint stock commercial bank. The Bank is licensed by the National Bank of Moldova to conduct all types of transactions in national and foreign currency on the territory of the Republic of Moldova and on international markets.

The activity is carried out both through the head office, as well as through 66 branches and 93 agencies, located throughout the Republic of Moldova (as at 31 December 2018: 66 branches and 127 agencies). The segmentation is presented in Note 36.

The Bank's shares are listed on the Moldovan Stock Exchange, having the symbol MD14AGIB1008.

The Bank's number of employees as at 31 December 2019 was 2,448 (31 December 2018: 2,427 employees).

The registered address of the Bank is 9/1 Constantin Tanase Street, Chisinau, Republic of Moldova.

(All amounts are expressed in thousand MDL, if not stated otherwise)

1 GENERAL INFORMATION ABOUT THE GROUP (CONTINUED)

BC Moldova Agroindbank SA (continued)

As at 31 December 2019 and 31 December 2018, the bank's shareholders structure was as follows:

	31 December 2019	31 December 2018
HEIM Partners Limited	41.09%	41.09%
Civil society of Bank shareholders and their affiliates*	9.86%	11.17%
UCCC "Moldcoop" and other entities acting in concert	2.52%	2.52%
Individuals holding ≥ 1%, directly or indirectly	19.26%	17.95%
Others**	27.27%	27.27%
Total	**100.00%**	**100.00%**

*As at 31 December 2019 the Civil society of the Bank's shareholders and its affiliates included 11 members (2018: 13 members) of which 1 (2018: 1 member) was member of the executive management and the other 10 members were affiliated persons (2018: 12 members).

**None of the shareholders included in the "Others" category owns a share equal to or greater than 1% in the Bank's shareholder capital. Other Bank's shareholders comprise 2,998 (31 December 2018: 2,998 shareholders) of which 2769 shareholders are individuals and 219 are legal entities (31 December 2018: 2,773 individuals and 225 legal entities).

In October 2018, HEIM Partners Limited, founded by the consortium of investors which comprise European Bank for Reconstruction and Development, Invalda INVL, one of the most important asset management groups in baltic states based in Vilnius (Lithuania) and investment funds Emerging Europe Growth Fund III, LP (USA,) EEGF III Netherlands, L.P. (USA) managed by Horizon Capital acquired 41.09% of the share capital of BC "Moldova-Agroindbank" S.A. as a result of the sale-purchase transaction performed on the regulated market.

The effective beneficiaries of HEIM Partners Limited are the following individuals, Lithuanian citizens: Mr Alvydas Banys, Ms Baniene Daiva, Mr Darius Sulnis, Ms Irena Ona Miseikiene, Ms Indre Miseikyte. According to the Decision of the Executive Committee of the National Bank of Moldova no. 145 dated 19.06.2018 "On prior approval for the acquisition of qualified holding in the share capital of BC "Moldova-Agroindbank" SA, HEIM Partners Limited, obtained the prior approval for acquiring this qualified holding in the amount of 41.09% of the share capital of the Bank.

1 GENERAL INFORMATION ABOUT THE GROUP (CONTINUED)

MAIB-Leasing SA

MAIB-Leasing SA is a private equity entity founded by B.C. Moldova Agroindbank SA. ("MAIB") in September 2002 as a joint-stock company. The company leases various types of vehicles, commercial, industrial, agricultural and office equipment, as well as real estate property. The Company, also grants financing to car dealers and loans to individuals and legal entities.

The Company operates through in the Republic of Moldova and as at 31 December 2019 has 17 employees (19 employees as at 31 December 2018). The registered address of the Company is 49 Tighina Street, Chisinau, Republic of Moldova.

Moldmediacard SRL

Moldmediacard SRL is a private equity entity founded in March 2000. The business line of the Company is the selection, implementation, development and exploitation of systems implying the processing of card transactions and incorporation in the international card transaction system.

The Company operates in the Republic of Moldova and as at 31 December 2019 has 14 employees (15 employees as at 31 December 2018). The registered address of the Company is 9 Miron Costin Street, Chisinau, Republic of Moldova.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as endorsed by the International Accounting Standards Board ("IASB"), effective as at the Group's annual reporting date, 31 December 2019 . The consolidated financial statements of the Group as at 31 December 2019 cannot be amended after their approval by the Bank 's Board of Directors.

The consolidated financial statements (hereinafter referred to as "Financial statements") have been prepared considering the going concern assumption and items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The financial statements are presented in Moldovan lei ("MDL"), rounded to the nearest value expressed in thousand Moldovan lei, which is the Group's functional and presentation currency.

These consolidated financial statements were prepared on historical cost basis, except for:

- certain financial investments and debt instruments, which are measured at fair value;
- buildings and land which are measured at the revalued amount.

Significant accounting judgments and estimates

The preparation of financial statements in accordance with IFRS implies the use of certain critical accounting estimates. It also implies that the management expresses its judgment in the process of applying the Group's accounting policies, in terms of reported values for assets, liabilities, income and expenses. The estimates and associated judgments are based on past experience and other factors deemed to be relevant under the given circumstances, the result of which forms the basis of judgments used in assessing the carrying value of assets and liabilities for which no other measurement sources are available. Actual results may differ from these estimated values.

The estimates and underlying assumptions are reviewed continuously. The review of the accounting estimates are recognized in the period in which they are revised, if the review affects only that period, or in the period when the estimate is reviewed and future periods, if the review affects both current and future periods.

Information about estimates used in the application of the accounting policies which have a significant impact on the consolidated financial statements , as well as the estimates involving a significant degree of uncertainty , are described in Note 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Implementation of new or reviewed standards and interpretations

The following standards and new interpretations became effective for the Group from 1 January 2019:

•Impact of initial application of IFRS 16: Leases

The standard is effective for annual periods that begin on or after 1 January 2019. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The new standard eliminated the classification of lease either as operating or as finance leases and introduced a single lessee accounting model. Lessees are required to recognize assets and liabilities of all leases with a term of more than 12 months, unless the underlying assets of low value and separately recognize in the profit and loss account depreciation of the asset arising from leases, respectively the interest related to the lease liabilities. Lessor accounting is substantially unchanged, so a lessor continues to classify leases as either operating leases or finance leases and account for those two types of leases differently.

The Group has applied IFRS 16 using the modified retroactive method, the date of initial application being 1 January 2019. According to this method, was recognized the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

Until the application of IFRS 16, all leases held by the Group were classified as operating leases. In applying IFRS 16, the Group used a uniform recognition and measurement approach for leases, except for short-term and insignificant contracts. The Group's policy regarding leases is presented in Note 2.25.

At the first application of IFRS 16, the Group used the following practical solutions:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the exception for those lease contracts, which the lease term ends within 12 months of the date of initial application;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application .

Applying IFRS 16 Leases, the Group recognized in the financial statement the rights of use and the related obligations of 75 contracts with the term from one year to 10 years, as presented in the table below:

	MDL'000
Operating lease right-of-use assets	114,776
Operating lease liabilities	(114,776)

The discount rates for lease payments range from 0.54% - 1.18% for foreign currency contracts and 4.25% - 6.72% for contracts in national currency.

The application of IFRS 16 had no impact on the Group's retained earnings and capital.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Implementation of new or reviewed standards and interpretations (continued)

•Amendments to IFRS 9: Prepayment features with negative compensation (amendments)

These amendments allow for the measurement at amortized cost of some loans and debt securities that can be prepaid at a value below the amortized cost, e.g. at a fair value or a value that includes a reasonable compensation for early termination of the contract, equal to the current value of the effect of the market interest rate increase in relation to the residual lifetime of the said instrument. These amendments did not have a significant impact on the financial statements of the Group.

•Amendments to IAS 28: Long-term interests in associates and joint ventures (amendments)

The amendments clarify that the reporting entities should apply IFRS 9 with respect to long-term borrowings, preferential shares and similar instruments included in a net investment based on the equity method prior to diminishing the book value by the loss of the entity resulting from the investment made, which exceeds the investor's interest in ordinary shares. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These amendments did not have a significant impact on the financial statements of the Group.

•IFRIC INTERPRETATION 23: Uncertainty over income tax treatments

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. These amendments did not have a significant impact on the financial statements of the Group.

•Amendments to IAS 19: Plan amendment, curtailment or settlement (amendments)

The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These amendments have not yet been endorsed by the EU. The Group does not expect that these amendments will have a significant impact on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Implementation of new or reviewed standards and interpretations (continued)

•Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017)

The amendments scope of application impacted four standards: according to IFRS 3, the buyer should revalue its previous joint participation interest when gaining control of the business. On the other hand, IFRS 11 states clearly that the investor should not revalue its previous participation interest when gaining control of a joint participation, this is similar to the requirements applicable when a related entity becomes a joint venture and vice versa.

IAS 12 amendment explains that an entity recognizes the impact of income tax related to dividends when the entity has recognized the transactions or events that had generated the respective distributable profit in the statement of profit or loss or in other items of comprehensive income. Therefore, it is clear that this requirement applies in all circumstances since the payments related to financial instruments classified as shareholders' equity represent profit distributions, and not only in those circumstances where the fiscal outcome is a result of different tax rates applied on distributed, respectively undistributed profits.

The reviewed IAS 23 includes explicit guidelines according to which the borrowings obtained for financing a specific asset are excluded from the category of borrowing costs eligible for capitalization only until the approximate completion of the respective asset.

These amendments did not have a significant impact on the Group's financial statements.

(b) Standards issued but not yet effective

•Amendments to IFRS 3: Business combinations (amendments)

The amendments revise the definition of a business. A business must have the inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). The presence of an organized workforce is a condition for the classification as a business, even if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets. These Amendments have not yet been endorsed by the EU. The Group does not expect that these amendments will have a significant impact on the Group's financial statements.

•Amendments to IAS 1 Presentation of financial statements and IAS 8 accounting policies, changes in accounting estimates and errors: definition of 'material' (amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the definition of "material" and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. The amendments ensure that the definition of material is consistent across all IFRS Standards. Information

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards issued but not yet effective (continued)

is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. These Amendments have not yet been endorsed by the EU. The Group does not expect that these amendments will have a significant impact on the Group's financial statements.

•Amendments to Conceptual Framework in IFRS standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The reviewed conceptual framework for financial reporting includes a new chapter on measurement, guidance on reporting financial performance, improved definitions - particularly of a liability, - and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

•Amendments to IFRS 17 "Insurance Contracts"

The IASB issued IFRS 17 "Insurance Contracts" in May 2017. The standard regulates the recognition, evaluation, presentation and disclosures related to insurance contracts. IFRS 17 will replace IFRS 4 "Insurance Contracts" as of January 1, 2021, and will be applicable to all insurance contracts (life, non-life, insurance, reinsurance), as well as certain types of collateral and financial instruments of discretionary participation. At the reporting date, this standard is not applicable to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation

The consolidated financial statements comprise the financial statements of BC Moldova Agroindbank SA and its subsidiaries: MAIB Leasing SA and Moldmediacard SRL - as at 31 December of each year.

Subsidiaries

Subsidiaries are those investees that the Group controls because the Group (i) has power to direct relevant activities of investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees in order to affect the amount of shareholders' returns

The subsidiaries are consolidated from the date on which the control is transferred to the Group and cease to be consolidated on the date on which the Group transfers the control to a third party.

The financial statements of the subsidiaries are prepared for the same reporting year as for the parent Group, using consistent accounting policies. The list of the Group's subsidiaries is presented in Note 1.

Transactions eliminated on consolidation

Intra-Group balances and transactions, as well as unrealized income and expenses arising from intra-Group transactions, are fully eliminated in the consolidated financial statements. Unrealized profits resulted from transactions with related entities and jointly controlled entities are eliminated .

Unrealized losses are eliminated similarly as unrealized profits, but only to the extent that there is no evidence of impairment.

Non-controlling interests

Non-controlling interest is that part of the net assets and of a subsidiary attributable to interests that are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Group's equity.

The Group measures non-controlling interest that represents present ownership interest and entitles the Group to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis at the non-controlling interest's proportionate share of net assets of the acquire.

(All amounts are expressed in thousand MDL, if not stated otherwise)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency translation

Transactions in foreign currency are recorded into the functional currency at the exchange rate on the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the closing exchange rate.

The year-end and average exchange rates were:

	2019		2018	
	USD	Euro	USD	Euro
Average for the period	17.5751	19.6741	17.5751	19.6741
Year end	17.2093	19.2605	17.2093	19.2605

Exchange differences arising on the settlement of transactions at exchange rates different from those at the date of the original transaction and unrealized foreign exchange differences arising on translation of unsettled foreign currency denominated monetary assets and liabilities are recognized in the "Foreign exchange gains, net" line of the statement of profit or loss.

2.4 Financial instruments

Recognition of financial instruments

Initial measurement

The Group recognizes a financial asset or a financial liability on the statement of its financial position at the transaction date. The transaction date is the date when the Group undertake to buy or to sell an asset.

Upon initial recognition, the Group has to measure a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability, which is not measured at fair value through profit or loss, the transaction costs, which are directly attributable to the purchase or issuance of the financial asset or financial liability.

When the Group uses the accounting at the settlement date for an asset that subsequently is measured at amortised cost, the asset shall be initially recognised at its fail value on the date of transaction.

Upon initial recognition, the Group has to measure the receivables at the price of their transaction (according to the definition referred to in IFRS 15) when the receivable does not comprise a component of significant financing as per IFRS 15 (or when the entity applies a practical solution as per Paragraph 63 of IFRS 15).

Upon initial recognition, the Group classifies the financial assets either at amortized cost or at fair value through other comprehensive income, or at fair value through profit or loss, and financial liabilities classify them either at amortized cost or at fair value through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (continued)

Classification of financial instruments

The Group shall classify the financial assets into the two categories stated below:
(a) the Group Business Model for managing the financial assets; and
(b) characteristics of the financial asset contractual cash flow.

The **financial assets** can be **measured at amortised cost** if both conditions stated below are met:
(a) the financial asset is held within a Business Model, which main objective is to hold financial assets to collect contractual cash flows; and
(b) the financial asset contractual terms generate, at certain dates, cash flows, which are exclusively principal payments and interest payments related to the principal amount due.

A **financial asset** has to be measured **at its fair value through other comprehensive income** if both conditions stated below are met:
(a) the financial asset is held within a Business Model, which objective is attained both by collecting the contractual cash flows and by selling the financial assets; and
(b) the financial asset contractual terms generate, at certain dates, cash flows, which are exclusively principal payments and interest payments related to the principal amount due.

If financial assets do not observe the criteria according to which the contractual cash flows need to be Solely Payments of Principal and Interest, such assets are required to be measured at fair value.

A **financial asset** has to be measured **at a fair value through profit or loss**, except for the case when it is measured at amortised cost or at fair value through other comprehensive income. Nonetheless, the Group can make an irrevocable choice on initial recognition for certain investments in equity instruments, which otherwise would be measured at fair value through profit or loss to present the subsequent changes in the fair value of other comprehensive income.

The Group shall classify all **financial liabilities** as subsequently measured **at amortised cost**, except for:

(a) the **financial liabilities** measured **at fair value through profit or loss**. Such liabilities, including derivatives, which are liabilities, have to be subsequently measured at fair value.

(b) the financial liabilities that arise when a transfer of a financial asset does not meet the conditions to be derecognised or is carried using the continuing involvement approach.

Reclassification

Should the Group change its Business Model for the management of its financial assets, then the Group shall reclassify all the financial assets affected.

The Group does not reclassify its financial liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (continued)

Reclassification between "fair value through profit or loss" and "amortised cost" is needed for liability instruments should the Group's Business Model objective for those financial assets change, so that the measurement of the previous model would no longer be applicable. Such changes of the Business Model shall be carried out following certain internal or external modifications, and shall be significant for the Group activity and be shown/demonstrated to external users.

However, should a change be required, it shall be carried out prospectively as of the date of reclassification, without recalculating the gains or losses or the previously recognised interest income.

Effective Interest Method

Interest income and expenses related to financial investments are recognized in the income statement at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over a relevant period. The effective interest rate is the exact rate which adjusts the estimated future cash flows payable or receivable throughout the expected life of the financial instrument , except for:

(a) financial assets purchased or issued impaired due to the credit risk. For those financial assets, the entity has to apply the Effective Interest Rate adjusted depending on the credit for the financial asset amortised cost upon initial recognition.

(b) financial assets, which are not purchased or issued impaired due to the credit risk, but which subsequently have become impaired financial assets due to the credit risk. For those financial assets, the entity has to apply the Effective Interest Rate for financial asset amortised cost during the subsequent reporting periods.

Changing the Contractual Cash Flows

When contractual cash flows of a financial asset are renegotiated or modified, and their renegotiation or modification does not lead to asset derecognition, the Group recalculates the financial asset gross carrying amount and recognise a gain or a loss due to the change in the profit or loss. The financial asset carrying amount must be recalculated as the present value of renegotiated or modified contractual cash flows, which are discounted at the financial asset original effective interest rate(or the adjusted Effective Interest Rate depending on the credit for financial assets purchased or issued impaired as a result of credit risk). Any incurred costs or commissions shall adjust the carrying amount of the modified financial asset and shall be amortised over the remaining term of the modified financial asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (continued)

Elimination

The Group shall reduce the financial asset direct gross carrying amount when there are no reasonable estimates in terms of financial asset recovery either in part or in full. An elimination represents an event of derecognition.

Investments in associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The investments in associates shall be recognised initially at fair value in the Group financial statements, and subsequently shall be measured at fair value through other comprehensive income. Based on the Group's Business Model, as well as on the purpose the Group makes investments in capital instruments, the Group may take an irrevocable decision to classify the investments into the category "at fair value through other comprehensive income".

Investments in state securities and National Bank of Moldova certificates

Depending on the Business Model, the investments in state securities are classified by the Bank into one of the following categories:

-at amortised cost;

-at fair value through profit or loss;

-at fair value through other comprehensive income.

Identification and measurement of impairment of financial assets

At each reporting date, the Group assesses the amount of the expected loss / provision relating to a financial instrument based on the credit risk evolution associated with that financial instrument.

The Group recognises expected losses for the financial instruments, which it has not designated as being measured at fair value through profit or loss.

The Group uses an impairment model based on the changes in the quality of the financial instruments since their initial recognition, as presented below:

(a) a financial instrument whose credit risk has not increased significantly since the initial recognition date is classified in "Stage 1". Their expected credit loss (ECL) is measured as an amount equal to the life-time ECL resulting from the potential events of non-payment during the upcoming 12 months or less if the financial instrument has a shorter maturity, the exposure at the reporting date and Loss Given Default (LGD);

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (continued)

Identification and measurement of impairment of financial assets (continued)

(b) if there is a substantial increase in credit risk since initial recognition, the financial instrument is transferred to "Stage 2", but is still not considered to be impaired. The Group recognises a provision for loss as a value equal to the expected life-time credit losses calculated at the estimated exposure in accordance with payment schedule applying the conditional probability of default (PD) for the corresponding maturity and the LGD, until the respective financial instruments are derecognised, classified into "Stage 1" or "Stage 3";

(c) if impairment signs are identified, the financial instrument is transferred to "Stage 3". The Group recognises a provision for loss as a value equal to expected credit losses over the life of the instrument at each reporting period, taking into account a probability of default of 100% and the LGD, until the respective financial instruments are derecognised or are classified into "Stage 1" or "Stage 2".

The Group considers the link between the PD developments and different economic/macroeconomic factors (GDP, EURIBOR, CHIBID, CHIBOR, inflation rate, unemployment rate, index of industrial production volume, etc.), having integrated valid correlations into the Impairment Methodology by determining and applying a PD adjustment factor for a 12-month period.

For the financial assets that are considered significant, the Group applies individual treatment, regardless of the stage in which the asset was classified, calculating the ECL as the difference between the cash flows to be received discounted using the original EIR. In this case scenarios weighted for all probable cash flows shall be taken into account, namely: asset contractual flows, flows resulting from the sales of collateral and other credit improvements.

Individual assessment is mandatory for the Customers, which exposure exceeds MDL 10 million and which were classified into "Stage 3" at the time of valuation.

The method of portfolio segmentation and calculation of indicators used in the process of ECL estimation are described in Note 37.7.

The placements in state securities with the maturity term of up to 90 days are considered as "liquid" instruments – equivalent to cash; no provisions are created for such securities for the losses generated by their impairment.

The placements in state securities with the maturity term exceeding 90 days and state bonds are considered as risk-free securities.

To estimate losses related to the credit risk on exposures related to the placements in state securities issued by governments of other countries, the Group uses the lowest rating provided by at least one of the agencies Standard & Poor's, Moody's and Fitch-IBCA of the origin country to determine the PD and LGD established in accordance with BASEL III provisions for uncovered sovereign exposures.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (continued)

Identification and measurement of impairment of financial assets (continued)

The Group uses a simplified approach in measuring the provision for losses of an amount equal to the lifetime ECL for trade receivables or assets arising from transactions falling that are subject to IFRS 15.

Impairment of financial assets at fair value through other comprehensive income

At each reporting date, the Group assesses if there is evidence of impairment of the financial assets or group of financial assets. In the case of investments in daughter companies, a significant or prolonged decline in the fair value of securities below their cost is considered to determine whether the assets are impaired.

If such evidence exists, the accumulated loss – calculated as the difference between the acquisition cost and the present fair value, less any impairment loss for that financial asset previously recognised in profit or loss is removed from equity and recognised in other comprehensive income. Impairment losses recognised in profit or loss and the statement of other comprehensive income on equity investments are derecognised through profit or loss and the statement of other comprehensive income. If, in a subsequent period, the fair value of the debt instrument classified as available for sale increases, and the increase can be objectively related to an event, which occurred after the impairment loss has been recognised in the profit or loss, the impairment loss is in the profit or loss and the statement of other comprehensive income.

Elimination of financial assets

The Group directly reduces the gross carrying amount of a financial asset when there are no reasonable estimates of recovering the full or part of the financial asset. Eliminated assets with a value of more than MDL 1,000 are recorded in the memorandum accounts and are the subject of the pursuit until the full reimbursement or until the termination of their pursuit is decided.

Renegotiated loans

When possible, the Group attempts to restructure loans rather than take over the collateral. This may involve expanding the payment schedule and renegotiating lending conditions. Management of the Group continuously reviews the renegotiated loans to ensure that all requirements are met and subsequent payments will take place. Renegotiated loans are classified more rigidly and classified at least in "Stage 2" for a 6-month follow-up period. Upon the expiration of the tracking period, they can be classified more favourably, provided that the contractual obligations are respected and no other factors of deterioration have been identified.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legal right to offset the amounts recognized and there is intent to realize or offset them on a net basis or the realization of the asset and settlement of the liability simultaneous.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leasing

Finance leases (the Group as a Lessor)

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

A lease agreement is recognised at the commencement date of the lease period. The commencement of the lease period is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of assets, liabilities, income and expenses resulting from the lease agreement, as appropriate).

The Group presents the assets held under a finance lease in the statement of financial statement as a receivable at an amount equal to the net investment in the lease. Net investment in the lease is the gross investment in lease discounted at the interest rate implicit in the lease agreement.

For finance leases, the gross investment is the aggregate amount of minimum lease payments plus the unguaranteed residual value. The difference between the gross investment in the lease and the net cost of acquisition of the leased object (the financed amount less commissions, costs, advances and granting fees) is recognized as unearned finance income. The finance lease income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable. The unearned income is presented as a reduction of gross investment in lease. The initial direct costs related to lease agreements are included in the initial value of the finance lease receivable and these reduce the amount of income recognized over the lease term. The lease receivables are subsequently measured at amortized cost using the effective interest method.

Operating leases (the Group as a Lessee)

At the commencement date, the Group as a lessee recognizes a right-of-use asset and a lease liability.

At the initial measurement , the Group measures the right-of-use asset at cost. The cost of the right-of-use shall comprise:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the lessee; and

(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

At the commencement date , the Group as a lessee measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If this rate cannot be readily determined, the Group as a lessee uses the lessee's incremental borrowing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leasing (continued)

At the initial measurement of the operating leases, the Group will clarify lease contracts, as lessee in accordance with IFRS 16 Leases only those contracts, which meet the following conditions:

- contract value exceeds 100,000 lei (one hundred thousand lei);

- contract term of more than 1 year.

If the interest rate implicit is not set in the lease contract, the Group will use as an incremental borrowing rate, the average rate on deposits attracted by the Group from individuals after currencies and maturities.

The depreciation of the right of use asset is carried out linearly throughout the life of the lease.

The expenses related to the lease payments of the contracts that are not recognized and measured according to IFRS 16, will be classified in the profit or loss account as lease expenses.

Operating leases (the Group as a Lessor)

A lease contract is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

If it is clear from the characteristics of the contract that the lease does not transfer substantially all the risks and benefits related to ownership of an underlying asset, then the lease is classified as operating.

The Group as lessor recognizes the lease payments related to the operating leases as income on either a straight-line basis.

Leases where lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss and other comprehensive income statement on a straight-line basis over the lease term. The assets that are received in operating lease are not recognised in the financial statement of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Non-current assets held for sale

Non-current assets classified as held for sale are assets whose carrying amount will be recovered principally through a sale transaction rather than through their continuous use. An asset is considered as a fixed asset held for sale if the following conditions are met:

- must be available for immediate sale in its actual condition;
- management must be committed to a plan to sell the asset;
- sale of the asset is highly probable;
- the asset value is recovered through sale and not by its continuous use.

The probability of sale is justified by means of a sales plan at the level of the Group' s management and by the active involvement of the Group in identifying a buyer.

If the asset is reclassified from tangible assets according to IAS 16, the period between the date of reclassification and the date of sale should not exceed 12 months; the valuation of the asset classified as available-for-sale shall consider the lower value between the book value and the fair value, minus the sales-related costs.

2.7 Property and equipment

All items of property and equipment are initially recognized at cost. The cost includes expenses directly attributable to the acquisition of the asset. When certain components of property and equipment have different useful lives, they are accounted as distinct elements (major components) of property and equipment.

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, except for the categories "Buildings" and "Land" – which are stated at revalued amount.

Land and buildings are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When buildings and land are revalued, any accumulated depreciation at the revaluation date is proportionately restated with the modification of the gross carrying amount of the asset, so that the carrying amount of the asset after revaluation, would be equal to its revalued amount. The revaluation surplus included in other comprehensive income in respect of revalued assets is transferred to retained earnings when the asset is derecognized.

Repairs and maintenance are expensed and reported to operating expenses as incurred. The costs of tangible assets in progress are capitalized if the criteria for tangible asset recognition are met, notably: they generate future economic benefits. Tangible assets in progress are recognized as tangible assets at the moment of reception and deployment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property and equipment (continued)

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

The depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as stated in the table below. The leasehold improvements are depreciated over the lease term. Land and assets under construction are not depreciated.

Property and equipment	Years
Buildings	33-50
Improvements of lease-hold assets	4-15
ATMs	4
Furniture and equipment	4-8
Computers	4
Vehicles	7

2.8 Intangible assets

Intangible assets represent costs incurred for acquisition of computer software, licenses and other intangible assets and are amortized using the straight-line method over the best estimate of their useful lives, that is up to 20 years. The amortization expense on intangible assets is recognised in the statement of profit or loss.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable software products controlled by the Group, and that will probably generate economic benefits exceeding costs, beyond one year, are recognized as intangible assets. Direct costs include the costs related to the services provided by the software developer and provider.

Intangible assets in progress are not amortized at the moment of deployment.

2.9 Investment property

Investment property are buildings owned by the Group, either held by the Group under a financial lease agreement, or available buildings of the Group held for lease on the basis of one or more operating lease agreements, as well as land held for capital appreciation rather than for sale, including agricultural land, as well as land held for undetermined future use. Investment properties are considered as long-term investments and are initially recognized at cost, including trading cost at initial value, and are subsequently measured at fair value. Thus, gain or loss caused by a change in fair value of the investment property is recognized in profit or loss as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Due to banks

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

2.11 Borrowings

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

2.12 Due to customers

Due to customers are non-derivative liabilities to individuals, state or legal entities and are carried at amortized cost. Due to state customers are due to public authorities, which are current accounts of the Moldovan Ministry of Finance and deposit accounts of the Social Insurance Fund. These are stated at amortized cost, using the effective interest rate method.

2.13 Cash and cash equivalents

For the statement of cash flows, cash and cash equivalents comprise cash on hand, current accounts and short-term placements at other banks, treasury bills and other short-term highly liquid investments, with original maturity of less than 90 days. Cash on hand, current accounts and short-term placements are measured at amortized cost. Treasury bills and other highly liquid investments are measured at amortized cost.

2.14 Ordinary shares and share premium

Ordinary shares represent consideration from shareholders equal to nominal value of issued shares. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the nominal value of shares issued is recorded as share premium in equity.

2.15 Impairment of non-financial assets

The Group assesses at each reporting date whether there are indications of assets impairment. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) 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. An impairment loss on assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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 minus costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Financial guarantees

Financial guarantees agreements are contracts which enforce the issuer to make specific payments in order to repay a loss incurred by the holder because a specific debtor fails to make repayments at maturity in accordance with the terms of the debt instrument. Such financial guarantees are granted to banks, financial institutions and other entities on behalf of clients to secure loans, overdraft facilities and other bank facilities.

In the ordinary course of business, the Group issues 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 Group's liability under each guarantee is measured at the higher of the amount initially recognized, less, when appropriate, cumulative amortization recognized in the statement of profit or loss, and the best estimate of expenses 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 statement of profit or loss as "Impairment losses on loans and receivables". The premium received is recognized in the statement of profit or loss as "Commission income" on a straight line basis over the life of the guarantee.

2.17 Contingencies

Contingent liabilities are not recognised in the financial statements but they are disclosed in notes, unless the possibility of an outflow of resources embodying economic benefits is remote.

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

2.18 Provisions

Provisions are recognized when the Group has a present legal obligation as a result of past events, and it is probable that an outflow of economic resources may be required in the future to settle the obligation, such obligation being measured reliably.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Contingent commitments provisions

When determining the amount of provisions for financing commitments and guarantees, the Group applies methods similar as for calculating balance sheet exposures. The Group uses the BASEL standardized approach when determining the conversion factor (CCF) used and the assessment of expected part of the loan commitment that will be transposed into a balance sheet exposure.

2.20 Interest income and expenses

Interest income and expense for all interest-bearing financial instruments, are recognized in the statement of profit or loss. Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss applied at the net carrying value of the asset.

Commission directly attributable to the financial asset or liability upon origination are included in the measurement of the effective interest rate and are recognized as interest income or expenses throughout the financial instrument.

Fees for loan and lease commitments that are likely to be granted are deferred (together with direct costs) and are recognized as an adjustment to the effective interest rate on loans and leases.

2.21 Other operating income and expenses

Other operating income, as well as operating expenses, are recognized on an accrual basis.

2.22 Commission income and expense

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party - such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction. Other fee and commission income arising from the financial services provided by the Bank including investment management services, brokerage services, and account service fees are recognized as the related service is provided in the income statement. Other fee and commission expenses relate mainly to transaction and service fees, which are registered as expenses as the services are received.

2.23 Pension costs and employees' benefits

Employee benefits include wages, salaries and social security contributions. The Group makes contributions to the Republic of Moldova state funds for social insurance, medical insurance and unemployment benefits, which are calculated on the basis of salaries of all employees of the Group. The Group does not operate any other retirement plan and has no other obligation to provide further benefits to current or former employees. Benefits and the related contributions are recognized as expense as the services are rendered.

2.24 Gains from foreign exchange operations

Gains from foreign exchange operations include net realized gains from trading assets and liabilities in foreign currencies and the foreign currency translation differences.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (meaning that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in letter (a).
- (vii) A person referred to in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A *related party transaction* represents a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Taxation

Income tax expense for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income. Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantially enacted at the end of reporting period, and any adjustment to tax payable in respect of prior periods. The adjustments which influence the fiscal base of the current tax are: non-deductible expenses, non-taxable income, similar expense/ income items and other tax deductions.

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

The deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The tax rate used to calculate the current and deferred tax position at 31 December 2019 is 12% (2018: 12%).

The deferred tax assets and liabilities are offset at the Group level.

2.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decisions maker. Segments whose revenue, result or assets are 10% or more of all segments are reported separately. The information on segments is presented in Note 36.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements in accordance with the International Financial Reporting Standards requires management to make estimates and assumptions in determining the amounts and balances reported in the financial statements and notes to the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on the management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances, lease receivables and other receivables

The Group regularly reviews its loan portfolios to assess impairment. Management uses estimates based on historical loss experience for assets with the same credit risk characteristics and objective evidence of impairment similar to those in its portfolio which are adjusted with the expected impact of the evolution of the macroeconomic factors correlated with them.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Estimation of the impact of changes in the factors used for estimating allowances for impairment losses is presented in Note 37.7.

Fair value of financial assets at fair value through other comprehensive income

When the fair value of financial assets cannot be determined from market information, it is determined using asset techniques, including models of discounting cash flows.

The data for these models are taken from the observations made on the market, where possible, but if this is not possible, a degree of judgment is needed to establish fair values.

Estimates include considerations such as liquidity risk, credit risk and volatility. Changes in estimates of these factors may affect the reported value of financial assets. If the fair value cannot be reliably determined the available for sale equity investments are held at cost.

Financial assets at amortised cost

Financial assets can be measured at amortised cost if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Fair value of financial instruments

The Group measures the fair value of financial instruments using one of these methods of hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1that are observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active.
- Inputs other than quoted prices that are observable for the asset or liability.

Level 3: Valuation techniques based on the input data which cannot be observed on the market for the active or liability. This category includes all instruments whose valuation method does not include observable and unobservable data and has a significant influence on the assessment instrument. This category includes instruments that are valued based on market quotes for similar instruments where unobservable adjustments or assumptions are required to reflect difference between the instruments.

The objective of valuation techniques is determining fair value, which reflects the price that would be obtained in a transaction in normal market conditions, for the financial instrument at the date of the consolidated financial statements.

Valuation models that use a significant number of unobservable data require a higher proportion of estimates and judgments by management in determining fair value. Estimates and judgments by management is usually required to select the most appropriate valuation model, determining future cash flows of the instrument under valuation, determining the probability of default of the counterparty, and selecting prepayments and discount rates. The portion of this kind of instruments in the Group's portfolio is insignificant.

Please see Note 33 for presentation of fair value of financial instruments and the sensitivity of these at the entries used.

4 CASH ON HAND

	31.12.2019 MDL'000	31.12.2018 MDL'000
Cash, including:	940,199	1,103,882
- commemorative and jubilee coins	94	108
	940,199	**1,103,882**

5 BALANCES WITH NATIONAL BANK OF MOLDOVA

	31.12.2019 MDL'000	31.12.2018 MDL'000
Current account	4,455,945	4,329,009
Mandatory reserves	1,357,707	1,071,235
	5,813,652	**5,400,244**

Current account and mandatory reserves

The Group holds the mandatory reserves in accordance with the calculus base and the required reserve ratio established by the Council of Administration of NBM. For means attracted in MDL and in nonconvertible currencies the reserves are held in MDL; for means attracted in USD the reserves are held in USD; for funds attracted in EUR and other convertible currencies the reserves are held in EUR.

The balance reserved in USD and EUR on mandatory reserve accounts amounted to USD'000 23,502 and EUR'000 49,493 respectively (2018: USD'00018,706 and EUR'000 38,449). For the means attracted with a maturity of less than 2 years the required reserve rate is 42.5% (2018: 42.5%), and for funds attracted in freely convertible currency the reserve rate is 17% (2018: 14%). For the means attracted with a maturity of over 2 years it is nil (2018: 0%).

According to the decision of the Executive Committee of the NBM dated 11.12.2019, starting with 16 January and until 15 April, the reservation norm for the means attracted in MDL and FCY is to be gradually reduced, by 0.5 pp per month until 41%, and the reservation rate for the means attracted in FCY is to be increased by 1 pp per month, up to 20%.

The interest paid by NBM on the mandatory reserves during 2019 varied between 0% and 0.24% per annum (2018: 0.22%-0.25% per annum) for reserves in foreign currency and 2.76% – 2.85% per annum (2018: 3.89%-3.22% per annum) for reserves in MDL.

The required reserves have to be kept at an average limit at the 15th of each month. The limit should be established at the average level throughout the period of 30/31 days. During the reporting dates to NBM (15 of each month) these can be used in any volumes needed by the Group.

6 DUE FROM BANKS

	31.12.2019 MDL'000	31.12.2018 MDL'000
Current accounts	1,928,189	1,608,752
Placements	67,770	111,874
Less: allowance for impairment losses	(236)	(19)
	1,995,723	**1,720,607**

Current accounts and deposit balances are in foreign currencies with foreign banks such as Raiffeisen Bank International AG (Austria), Bank of New York (USA), LBBV (Germany), Sberbank (Russia), etc. (2018: KBC (Belgium), Bank of New York (USA), Sberbank (Russia), Raiffeisen Bank International AG (Austria), etc.).

The Group's cash on current accounts with banks is not restricted.

The Group's deposits constitute restricted deposits in amount of MDL'000 67,548, represent placements for clients and under membership agreements signed with Visa, MasterCard, American Express.

At 31 December 2018 the Group had deposits at KBC (Belgium) in amount of MDL'000 51,459 and restricted deposits in amount of MDL'000 60,396.

The credit quality analysis of amounts due from banks is presented below:

Rating	Rating agency	31.12.2019 MDL'000	31.12.2018 MDL'000
AA	Fitch	-	257,584
AA- / Aa3	Standard&Poor's, Moody's	687,165	-
A+/ A1	Standard&Poor's, Fitch, Moody's	22,338	754,166
A	Standard&Poor's, Fitch	-	21,858
A-	Fitch	1,252,004	632,194
BBB+	Standard&Poor's	22,537	20,744
BBB	Standard&Poor's, Fitch	3,099	8,581
BBB- / Baa3	Moody's	4,997	3,236
Rating BB and lower	Standard Poor's, Moody's	1,603	21,655
No rating	-	1,980	589
Total		**1,995,723**	**1,720,607**

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.12.2019 MDL'000	31.12.2018 MDL'000
Equity instruments at fair value through other comprehensive income	184,482	151,552
Debt instruments at fair value through other comprehensive income	1,085,824	1,496,114
	1,270,306	**1,647,666**

Equity instruments at fair value through other comprehensive income:

	2019 MDL'000	2018 MDL'000
Balance at 1 January	**151,552**	**142,403**
*Disposals	-	(699)
Additions	-	50
Increase/ (decrease) in fair value	32,930	9,798
Balance at 31 December	**184,482**	**151,552**

*During 2018 the Group came out of the share capital of Garantinvest S.R.L. at the value determined as a result of the distribution of assets with the Company's final liquidation, namely MDL'000 699.

In 2018, the Group subscribed a nominal ordinary voting share with the nominal value in amount of MDL'000 50, issued and placed at the foundation of the "Depozitarului Central Unic al Valorilor Mobiliare " S.A., which represents 0.2049% of the share capital of the entity.

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Equity instruments at fair value through other comprehensive income (continued)

	Field of activity	Ownership % 2019	Ownership % 2018	31.12.2019 MDL'000	31.12.2018 MDL'000
Visa Inc.	Transaction processing	0.001%	0.001%	97,336	68,595
IM Glass Container Prim SA	Glass manufacturing	16.89%	16.89%	56,395	51,696
IM Glass Container Company SA	Glass manufacturing	17.43%	17.43%	28,613	29,154
IM Biroul de Credit SRL	Bureau of credit histories	6.70%	6.70%	1,019	1,019
S.W.I.F.T. SCRL	Transaction processing	0.01%	0.01%	931	900
Depozitarul Central Unic al Valorilor Mobiliare	Registrar services, depositary and clearing	0.20%	0.20%	50	50
Depozitarul Național de Valori Mobiliare al Moldovei SA	Depositary services, clearing	5.30%	5.30%	131	131
Bursa de Valori din Moldova	Auctions and brokerage	2.56%	2.56%	7	7
IM Piele SA	Leather manufacturing	12.80%	12.80%	-	-
				184,482	**151,552**

All financial assets at fair value through other comprehensive income, except I.M. "Glass Container Company" S.A., I.M. " Glass Container Prim " S.A., Visa Inc. and S.W.I.F.T. SCRL are recognized as at 31 December 2019 at historical cost because the fair value cannot be determined reliably, the lack of cost / efficiency in determining it and a small threshold of significance in their value, as well as the absence of any changes in the financial condition of the issuer.

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

The fair value of equity investment in Visa Inc. was determined based on the price quoted on the NYSE stock exchange, this technique being the Level 1 in the hierarchy.

The carrying value of equity investment in S.W.I.F.T. SCRL is the value confirmed by the General Meeting of Shareholders of S.W.I.F.T. SCRL based on the financial statement of the Company.

It is impossible to determine the fair value of the Group's investment in the equity of Î.M. "Piele" SA based on cash flow or other financial data since this company ceased its activity. The Group's management decided to maintain the amount of the impairment allowance at full cost of the investment, as accounted for as at 31 December 2012.

Fair value of investments in I.M. „Glass Container Company" S.A. and I.M. „Glass Container Prim" S.A was determined based on the valuation performed by an external assessor.

The fair value of the Group's equity investment in Î.M. "Glass Container Company" S.A. and Î.M. „Glass Container Prim" S.A. were estimated using the discounted cash flows method. The estimates were made based on the companies' forecasted financial ratios for the following 4 years (2020 – 2023), an annual long-term growth rate of 5% based on the inflation rate forecasted by the National Bank of Moldova for the following periods and projected growth in cash flows based on the assumption that inflation will be the main factor that will lead to price changes and as a result increase in generated revenues; and a discount rate for the net cash flows determined by applying the weighted average cost of capital method (WACC).

Other Group's investments, such as equity investments in IM Biroul de Credit SRL, Depozitarul National de Valori Mobiliare al Moldovei, Depozitarul Central Unic al Valorilor Mobiliare and Bursa de Valori a Moldovei SA were acquired by the Group in order to ensure its participation on the local market, according to the regulatory requirements for stock exchange market and constitutes a lever for promoting and diversifying the Group's products/services.

Refer to Note 33 for the fair value measurement disclosures.

Debt instruments at fair value through other comprehensive income:

	2019 MDL'000	2018 MDL'000
Balance at 1 January	**1,496,114**	**1,278,317**
Disposals	(1,346,618)	(1,272,815)
Additions	931,286	1,505,020
Increase/(decrease) in fair value	5,042	(14,408)
Balance at 31 December	**1,085,824**	**1,496,114**

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

State securities were classified as fair value through other comprehensive income in order to have a reserve should the Bank require cash and sell them on the secondary market. The final maturity of these state securities is 19 April 2024.

Composition of debt instruments at fair value through other comprehensive income:

	31.12.2019 MDL'000	31.12.2018 MDL'000
Treasury bills	548,329	761,105
Government bonds	537,495	735,009
	1,085,824	**1,496,114**

As at 31 December 2019 the treasure bills issued by the Ministry of Finance of the Republic of Moldova had a maturity of 91 to 365 days, with an annual interest rate ranging between 4.50 % and 7.07% (2018: 4.24 % and 6.40% per annum). As at 31 December 2019 government bonds issued by the Ministry of Finance of the Republic of Moldova had a maturity of 730 to 1,826 days, with an annual interest rate ranging between 5.99 % and 6.90% (2018: 4.32 % and 8.35% per annum).

8 LOANS AND ADVANCES TO CUSTOMERS

	31.12. 2019 MDL'000	31.12. 2018 MDL'000
Corporate customers	7,662,918	6,946,737
Retail entities	1,974,100	1,919,016
Individuals	4,589,528	3,538,413
Total loans, gross	**14,226,546**	**12,404,166**
Less: total allowances for impairment losses on loans, including:	(838,239)	(841,078)
- Allowances on loans – portfolio of corporate customers	(666,552)	(697,810)
- Allowances on loans – portfolio of retail entities	(61,000)	(60,745)
- Allowances on loans – portfolio of individuals	110,687)	(82,523)
Total loans, net	**13,388,307**	**11,563,088**

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The concentration of risk in economic sectors for customers' loan portfolio for 2019 and 2018 is presented below :

Corporate	Stage 1	Stage 2	Stage 3	31.12.2019 Total MDL'000
Agriculture/ Food industry	2,197,835	160,751	29,544	2,388,130
including:				
agriculture	*454,369*	*12,664*	-	*467,033*
food industry	*1,743,466*	*148,087*	*29,544*	*1,921,097*
including wine production	*775,097*	*29,747*	-	*804,844*
Non-food industry	304,374	362,197	12,668	679,239
Trade	2,684,537	117,960	155,565	2,958,062
Transport	285,014	18,161	-	303,175
Telecommunications	343,543	-	-	343,543
Construction and real estate	337,416	34,496	54,219	426,131
Energy sector	-	-	228,501	228,501
Financial institutions and organizations	42,085	171,170	-	213,255
Other	119,000	3,882	-	122,882
Total	**6,313,804**	**868,617**	**480,497**	**7,662,918**

Corporate	Stage 1	Stage 2	Stage 3	31.12.2018 Total MDL'000
Agriculture/ Food industry	1,435,368	577,340	29,587	2,042,295
including:				
agriculture	244,991	-	-	244,991
food industry	1,190,377	577,340	29,587	1,797,304
including wine production	222,154	577,339	-	799,493
Non-food industry	223,543	309,757	157,862	691,162
Trade	2,367,255	165,907	155,903	2,689,065
Transport	140,896	149,045	-	289,941
Telecommunications	363,712	-	-	363,712
Construction and real estate	347,465	-	91,356	438,821
Energy sector	-	-	213,882	213,882
Financial institutions and organizations	208,703	-	-	208,703
Other	9,156	-	-	9,156
Total	**5,096,098**	**1,202,049**	**648,590**	**6,946,737**

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The concentration of risk in economic sectors for customers' loan portfolio for 2019 and 2018 is presented below (continued):

Retail entities	**Stage 1**	**Stage 2**	**Stage 3**	**31.12.2019 Total MDL'000**
Agriculture/ Food industry	456,247	345,861	44,534	846,642
including:				
agriculture	440,984	326,998	31,887	799,869
food industry	15,263	18,863	12,647	46,773
including wine production	8,439	7,598	-	16,037
Non-food industry	57,445	30,122	268	87,835
Trade	540,773	317,863	11,344	869,980
Transport	10,994	20,442	4	31,440
Telecommunications	93	88	2	183
Construction and real estate	21,311	33,075	21	54,407
Energy sector	-	1,044	-	1,044
Financial institutions and organizations	21,196	701	-	21,897
Other	50,234	10,420	18	60,672
Total	**1,158,293**	**759,616**	**56,191**	**1,974,100**

Retail entities	**Stage 1**	**Stage 2**	**Stage 3**	**31.12.2018 Total MDL'000**
Agriculture/ Food industry	728,667	36,275	36,690	801,632
including:				
agriculture	700,102	33,640	24,531	758,273
food industry	28,565	2,635	12,159	43,359
including wine production	16,303	-	-	16,303
Non-food industry	63,399	9,180	677	73,256
Trade	854,268	15,696	18,321	888,285
Transport	27,269	103	1	27,373
Telecommunications	726	-	1	727
Construction and real estate	48,245	4,273	125	52,643
Energy sector	1,458	-	-	1,458
Financial institutions and organizations	15,612	70	343	16,025
Other	57,294	163	160	57,617
Total	**1,796,938**	**65,760**	**56,318**	**1,919,016**

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The concentration of risk in economic sectors for customers' loan portfolio for 2019 and 2018 is presented below (continued):

Individuals	**Stage 1**	**Stage 2**	**Stage 3**	**31.12.2019 Total MDL'000**
Mortgage	2,276,720	251,617	21,542	2,549,879
Consumer loans - secured	302,169	46,191	10,826	359,186
Consumer loans - unsecured	1,289,258	143,371	31,755	1,464,384
Credit cards	203,278	8,870	3,931	216,079
Total	**4,071,425**	**450,049**	**68,054**	**4,589,528**

Individuals	**Stage 1**	**Stage 2**	**Stage 3**	**31.12.2018 Total MDL'000**
Mortgage	1,775,185	43,211	24,887	1,843,283
Consumer loans - secured	322,977	16,153	13,101	352,231
Consumer loans - unsecured	1,074,108	45,813	19,277	1,139,198
Credit cards	156,235	45,390	2,076	203,701
Total	**3,328,505**	**150,567**	**59,341**	**3,538,413**

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The table below presents the credit quality and maximum exposure to credit risk based on the internal credit rating system and classification for 2019 and 2018:

	Stage 1	Stage 2	Stage 3	31.12.2019 Total MDL'000
Corporate				
Performing				
Standard	4,371,226	252,027	-	4,623,253
Supervised	1,942,578	511,194	8,251	2,462,023
Non-performing	-	105,396	472,246	577,642
Less: Allowances for impairment losses, of which:				
assessed collectively	(84,989)	(10,689)	(9,176)	(104,854)
assessed individually	(89,309)	(150,549)	(321,840)	(561,698)
Total	**6,139,506**	**707,379**	**149,481**	**6,996,366**
Retail entities				
Performing				
Standard	1,098,342	597,119	510	1,695,971
Supervised	57,521	144,739	-	202,260
Non-performing	2,430	17,758	55,681	75,869
Less: Allowances for impairment losses, of which:				
assessed collectively	(10,980)	(12,787)	(16,512)	(40,279)
assessed individually	-	(5,425)	(15,296)	(20,721)
Total	**1,147,313**	**741,404**	**24,383**	**1,913,100**
Individuals				
Performing				
Standard	3,781,298	316,324	1,332	4,098,954
Supervised	241,092	82,112	3,124	326,328
Non-performing	49,035	51,613	63,598	164,246
Less: Allowances for impairment losses, of which:				
assessed collectively	(35,221)	(27,894)	(47,572)	(110,687)
assessed individually	-	-	-	-
Total	**4,036,204**	**422,155**	**20,482**	**4,478,841**

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The credit quality and maximum exposure to credit risk based on the internal credit rating system and classification (continued):

	Stage 1	Stage 2	Stage 3	31.12.2018 Total MDL'000
Corporate				
Performing				
Standard	3,554,378	385,015	-	3,939,393
Supervised	1,527,759	817,034	-	2,344,793
Non-performing	13,961	-	648,590	662,551
Less: Allowances for impairment losses, of which:				
assessed collectively	(61,387)	(6,173)	-	(67,560)
assessed individually	(50,244)	(219,277)	(360,729)	(630,250)
Total	**4,984,467**	**976,599**	**287,861**	**6,248,927**
Retail entities				
Performing				
Standard	1,554,674	14,809	-	1,569,483
Supervised	241,072	41,114	675	282,861
Non-performing	1,192	9,837	55,643	66,672
Less: Allowances for impairment losses, of which:				
assessed collectively	(20,422)	(6,338)	(16,704)	(43,464)
assessed individually	-	(1,087)	(16,194)	(17,281)
Total	**1,776,516**	**58,335**	**23,420**	**1,858,271**
Individuals				
Performing				
Standard	3,198,895	1,872	-	3,200,767
Supervised	102,209	104,503	1,896	208,608
Non-performing	27,401	44,192	57,445	129,038
Less: Allowances for impairment losses, of which:				
assessed collectively	(32,011)	(12,780)	(37,732)	(82,523)
assessed individually	-	-	-	-
Total	**3,296,494**	**137,787**	**21,609**	**3,455,890**

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Ageing analysis of portfolio by days in arrears and stages during 2019:

	Stage 1			Stage 2			Stage 3			Total
	0 - 30 days	> 30 days ≤ 90 days	> 90 days	0 - 30 days	> 30 days ≤ 90 days	> 90 days	0 - 30 days	> 30 days ≤ 90 days	> 90 days	
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Corporate customers	6,313,804	-	-	868,617	-	-	1,783	8,251	470,463	7,662,918
Retail entities	1,158,293	-	-	734,971	24,645	-	1,736	453	54,002	1,974,100
Individuals	4,071,425	-	-	397,707	52,342	-	4,978	6,221	56,855	4,589,528
Total loans, gross	**11,543,522**	-	-	**2,001,295**	**76,987**	-	**8,497**	**14,925**	**581,320**	**14,226,546**
Less: allowances for impairment losses on loans, including:	(220,499)	-	-	(189,113)	(18,231)	-	(5,129)	(10,766)	(394,501)	(838,239)
assessed collectively	(131,190)	-	-	(38,565)	(12,805)	-	(3,422)	(10,766)	(59,072)	(255,820)
assessed individually	(89,309)	-	-	(150,548)	(5,426)	-	(1,707)	-	(335,429)	(582,419)
Total loans, net	**11,323,023**	-	-	**1,812,182**	**58,756**	-	**3,368**	**4,159**	**186,819**	**13,388,307**

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Ageing analysis of portfolio by days in arrears and stages during 2018:

	Stage 1			Stage 2			Stage 3			Total
	0 - 30 days	> 30 days ≤ 90 days	> 90 days	0 - 30 days	> 30 days ≤ 90 days	> 90 days	0 - 30 days	> 30 days ≤ 90 days	> 90 days	
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Corporate customers	5,096,098	-	-	1,202,049	-	-	288,889	-	359,701	6,946,737
Retail entities	1,796,938	-	-	41,418	24,342	-	1,491	749	54,078	1,919,016
Individuals	3,328,505	-	-	104,517	46,050	-	8,371	7,974	42,996	3,538,413
Total loans, gross	**10,221,541**	**-**	**-**	**1,347,984**	**70,392**	**-**	**298,751**	**8,723**	**456,775**	**12,404,166**
Less: allowances for impairment losses on loans, including:	(164,064)	-	-	(231,571)	(14,084)	-	(140,590)	(5,515)	(285,254)	(841,078)
assessed collectively	(113,820)	-	-	(11,207)	(14,084)		(5,653)	(5,515)	(43,268)	(193,547)
assessed individually	(50,244)	-	-	(220,364)	-	-	(134,937)	-	(241,986)	(647,531)
Total loans, net	**10,057,477**	**-**	**-**	**1,116,413**	**56,308**	**-**	**158,161**	**3,208**	**171,521**	**11,563,088**

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The movement in the impairment allowance during 2019 - 2018 is presented below:

	Corporate customers MDL'000	Retail entities MDL'000	Individuals MDL'000	Total MDL'000
Balance as at 1 January 2019	**697,810**	**60,745**	**82,523**	**841,078**
Reclassification, as a result of changing the customer category	(6,860)	6,860	-	-
Impairment charge	(21,283)	(6,601)	28,182	298
Amounts written off as uncollectible	-	-	-	-
Foreign exchange differences	(3,115)	(4)	(18)	(3,137)
Balance as at 31 December 2019	**666,552**	**61,000**	**110,687**	**838,239**

	Corporate customers MDL'000	Retail entities MDL'000	Individuals MDL'000	Total MDL'000
Balance as at 1 January 2018	**914,989**	**115,392**	**71,751**	**1,102,132**
Impairment charge	49,108	2,670	18,475	70,253
Amounts written off as uncollectible	(251,011)	(56,689)	(7,663)	(315,363)
Foreign exchange differences	(15,276)	(628)	(40)	(15,944)
Balance as at 31 December 2018	**697,810**	**60,745**	**82,523**	**841,078**

The impairment expenses differ from the figure disclosed in the statement of profit or loss, due to the recoveries of loans previously written off as uncollectible amounting to MDL'000 93,659 (2018: MDL'000 15,191). The amount of the recoveries was credited directly to the release of the impairment charge in the statement of profit or loss for the year.

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The analysis in changes of allowances for impairment losses on loans during 2019 – 2018 is presented below:

Corporate customers	**Stage 1**	**Stage 2**	**Stage 3**	**31.12.2019 Total MDL'000**
As at 1 January 2019	**111,631**	**225,450**	**360,729**	**697,810**
Increases due to initiation and purchase	41,450	10,231	-	51,681
Decreases due to derecognition	(20,697)	(481)	-	(21,178)
Variations due to changes in credit risk (net)	42,315	(73,549)	(27,412)	(58,646)
Amounts written off as uncollectible	-	-	-	-
Foreign exchange differences	(401)	(413)	(2,301)	(3,115)
As at 31 December 2019	**174,298**	**161,238**	**331,016**	**666,552**

Retail entities	**Stage 1**	**Stage 2**	**Stage 3**	**Total MDL'000**
As at 1 January 2019	**20,422**	**7,425**	**32,898**	**60,745**
Increases due to initiation and purchase	13,680	1,438	195	15,313
Decreases due to derecognition	(1,582)	(2,186)	(4,589)	(8,357)
Variations due to changes in credit risk (net)	(21,472)	11,523	3,252	(6,697)
Amounts written off as uncollectible	-	-	-	-
Foreign exchange differences	(68)	12	52	(4)
As at 31 December 2019	**10,980**	**18,212**	**31,808**	**61,000**

Individuals	**Stage 1**	**Stage 2**	**Stage 3**	**Total MDL'000**
As at 1 January 2019	**32,011**	**12,780**	**37,732**	**82,523**
Increases due to initiation and purchase	17,710	974	481	19,165
Decreases due to derecognition	(3,284)	(1,926)	(8,413)	(13,623)
Variations due to changes in credit risk (net)	(11,210)	16,066	17,784	22,640
Amounts written off as uncollectible	-	-	-	-
Foreign exchange differences	(6)	-	(12)	(18)
As at 31 December 2019	**35,221**	**27,894**	**47,572**	**110,687**

8 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The analysis in changes of allowances for impairment losses on loans during 2019 – 2018 is presented below (continued):

Corporate customers	Stage 1	Stage 2	Stage 3	31.12.2018 Total MDL'000
As at 1 January 2018	**256,820**	**95,914**	**562,255**	**914,989**
Increases due to initiation and purchase	37,666	4,252	-	41,918
Decreases due to derecognition	(2,096)	(5,153)	(25)	(7,274)
Variations due to changes in credit risk (net)	(177,860)	133,964	58,150	14,254
Amounts written off as uncollectible	-	-	(251,011)	(251,011)
Foreign exchange differences	(2,899)	(3,527)	(8,640)	(15,066)
As at 31 December 2018	**111,631**	**225,450**	**360,729**	**697,810**

Retail entities	Stage 1	Stage 2	Stage 3	Total MDL'000
As at 1 January 2018	**21,887**	**6,165**	**87,340**	**115,392**
Increases due to initiation and purchase	11,800	789	-	12,589
Decreases due to derecognition	(1,654)	(1,087)	(4,366)	(7,107)
Variations due to changes in credit risk (net)	(11,316)	1,694	6,810	(2,812)
Amounts written off as uncollectible	-	-	(56,689)	(56,689)
Foreign exchange differences	(295)	(136)	(197)	(628)
As at 31 December 2018	**20,422**	**7,425**	**32,898**	**60,745**

Individuals	Stage 1	Stage 2	Stage 3	Total MDL'000
As at 1 January 2018	**21,949**	**12,458**	**37,344**	**71,751**
Increases due to initiation and purchase	15,653	1,612	2,821	20,086
Decreases due to derecognition	(2,774)	(2,004)	(9,447)	(14,225)
Variations due to changes in credit risk (net)	(2,814)	715	14,713	12,614
Amounts written off as uncollectible	-	-	(7,663)	(7,663)
Foreign exchange differences	(3)	(1)	(36)	(40)
As at 31 December 2018	**32,011**	**12,780**	**37,732**	**82,523**

9 LEASE RECEIVABLES

The Group is the lessor in finance lease agreements in EUR, USD and MDL, having as lease objects vehicles, commercial, industrial, agricultural and office equipment, as well as industrial, commercial and residential buildings.

The table below presents the structure of lease receivables.

	31.12. 2019 MDL'000	31.12. 2018 MDL'000
Legal entities	64,479	68,201
Individuals	94,574	62,174
Total lease receivables, gross	**159,053**	**130,375**
Less: allowances for impairment losses on finance lease receivables total, including:		
- Allowances – lease receivables legal entities	(9,177)	(12,332)
- Allowances – lease receivables individuals	(8,398)	(6,943)
Total lease receivables, net	**141,478**	**111,100**

9 LEASE RECEIVABLES (CONTINUED)

The concentration of risk in economic sectors for customers' lease receivables portfolio during 2019 – 2018 is presented below:

	Stage 1	**Stage 2**	**Stage 3**	**31.12.2019 Total MDL'000**
Individuals	66,351	2,615	25,608	94,574
Legal entities:				
Industry and construction	12,817	355	3,457	16,629
Trade	10,322	502	2,323	13,147
Services	19,162	706	4,216	24,084
Agriculture	3,123	848	318	4,289
Transport	3,243	-	3,087	6,330
Total:	**115,018**	**5,026**	**39,009**	**159,053**

	Stage 1	**Stage 2**	**Stage 3**	**31.12.2018 Total MDL'000**
Individuals	34,382	2,523	25,269	62,174
Legal entities:				
Industry and construction	14,410	29	9,152	23,591
Trade	9,421	584	2,834	12,839
Services	14,432	-	4,964	19,396
Agriculture	3,116	-	322	3,438
Transport	3,854	-	5,083	8,937
Total:	**79,615**	**3,136**	**47,624**	**130,375**

(All amounts are expressed in thousand MDL, if not stated otherwise)

9 LEASE RECEIVABLES (CONTINUED)

Ageing analysis of portfolio by days in arrears and stages as at 31 December 2019 and31 December 2018:

2019	**Stage1**			**Starge2**			**Starge3**			**Tota**
										MDL'oo
	0 - 30 days	> 30 days ≤ 90 days	> 90 days	0 - 30 days	> 30 days ≤ 90 days	> 90 days	0 - 30 days	> 30 days ≤ 90 days	> 90 days	
Legal entities	48,666	-	-	390	2,021	-	250	-	13,152	64,47
Individuals	66,351	-	-	-	2,615	-	58	-	25,550	94,57
	115,017	**-**	**-**	**390**	**4,636**	**-**	**308**	**-**	**38,702**	**159,05**
Less: Allowances for impairment losses, from which										
Assessed collectively	(446)	-	-	(5)	(640)	-	(8)	-	(2,492)	(3,591
Assessed individually	(41)	-	-	-	(103)	-	-	-	(13,840)	(13,984
	114,530	**-**	**-**	**385**	**3,893**	**-**	**300**	**-**	**22,370**	**141,47**

2018	**Stage1**			**Starge2**			**Starge3**			**Tota**
										MDL'oo
	0 - 30 days	> 30 days ≤ 90 days	> 90 days	0 - 30 days	> 30 days ≤ 90 days	> 90 days	0 - 30 days	> 30 days ≤ 90 days	> 90 days	
Legal entities	45,234	-	-	-	613	-	-	555	21,799	68,20
Individuals	34,382	-	-	-	2,523	-	700	-	24,569	62,17
	79,616	**-**	**-**	**-**	**3,136**	**-**	**700**	**555**	**46,368**	**130,37**
Less: Allowances for impairment losses, from which										
Assessed collectively	(756)	-	-	-	(456)	-	(5)	-	(3,472)	(4,68
Assessed individually	-	-	-	-	-	-	(32)	-	(14,554)	(14,58
	78,860	**-**	**-**	**-**	**2,680**	**-**	**663**	**555**	**28,342**	**111,10**

9 LEASE RECEIVABLES (CONTINUED)

Movements in allowance for impairment losses on finance lease receivables during 2019 and 2018 are presented below:

	Legal entities	Individuals	Total
	MDL'000	MDL'000	MDL'000
As at 1 January 2019	12,332	6,943	19,275
Impairment expenses	(3,047)	1,516	(1,531)
Foreign exchange differences	(108)	(61)	(169)
As at 31 December 2019	9,177	8,398	17,575

	Legal entities	Individuals	Total
	MDL'000	MDL'000	MDL'000
As at 1 January 2018	13,659	8,992	22,651
Impairment expenses	(835)	(1,759)	(2,594)
Foreign exchange differences	(492)	(290)	(782)
As at 31 December 2018	12,332	6,943	19,275

9 LEASE RECEIVABLES (CONTINUED)

The analysis in changes of allowances for impairment losses on finance lease receivables during 2019 and 2018 is presented below:

Legal entities	Stage 1	Stage 2	Stage 3	31.12.2019 Total MDL'000
As at 1 January 2019	510	145	11,677	12,332
Increases due to initiation and purchase	193	191	-	384
Decreases due to derecognition	(237)	(145)	(4,195)	(4,577)
Variations due to changes in credit risk (net)	(154)	17	1,283	1,146
Foreign exchange differences	(16)	(4)	(88)	(108)
As at 31 December 2019	**296**	**204**	**8,677**	**9,177**

Individuals	Stage 1	Stage 2	Stage 3	Total MDL'000
As at 1 January 2019	**244**	**313**	**6,386**	**6,943**
Increases due to initiation and purchase	149	405	-	554
Decreases due to derecognition	(70)	(42)	(7)	(119)
Variations due to changes in credit risk (net)	(131)	(128)	1,340	1,081
Foreign exchange differences	(2)	(3)	(56)	(61)
As at 31 December 2019	**190**	**545**	**7,663**	**8,398**

Legal entities	Stage 1	Stage 2	Stage 3	31.12.2018 Total MDL'000
As at 1 January 2018	**859**	**71**	**12,729**	**13,659**
Increases due to initiation and purchase	321	143	-	464
Decreases due to derecognition	(281)	(22)	(816)	(1,119)
Variations due to changes in credit risk (net)	(369)	(41)	230	(180)
Foreign exchange differences	(20)	(6)	(466)	(492)
As at 31 December 2018	**510**	**145**	**11,677**	**12,332**

Individuals	Stage 1	Stage 2	Stage 3	Total MDL'000
As at 1 January 2018	**426**	**1,723**	**6,843**	**8,992**
Increases due to initiation and purchase	100	80	-	180
Decreases due to derecognition	(124)	(222)	(1,260)	(1,606)
Variations due to changes in credit risk (net)	(147)	(1,255)	1,069	(333)
Foreign exchange differences	(11)	(13)	(266)	(290)
As at 31 December 2018	**244**	**313**	**6,386**	**6,943**

10 FINANCIAL ASSETS AT AMORTISED COST

The structure of debt instruments at amortised cost for 2019 and 2018 is presented in the table below:

	31.12.2019 MDL'000	31.12.2018 MDL'000
Treasury bills	16,499	4,991
Government bonds	14,826	46,329
Certificates issued by the NBM	740,198	849,050
	771,523	**900,370**

As at 31 December 2019 the treasury bills issued by the Ministry of Finance of the Republic of Moldova had a maturity of 182 to 364 days, with an annual interest rate ranging between 4.00% (2018: 4.00%).

As at 31 December 2019 the Group had certificates issued by the National Bank of Moldova in the Group portfolio with an annual interest rate of 5.5% (as at 31 December 2018: 6.5%)

11 NON-CURRENT ASSETS HELD FOR SALE

As at 31 December 2019 the Group has classified foreclosed collateral as assets held for sale at book value of MDL'000 10,602 (2018: MDL'000 12,362) and property and equipment classified as held for sale in accordance with IFRS 5 provisions in the amount of MDL'000 957 (2018: MDL'000 957).

Non-current assets held for sale include residential and commercial real estate property, cars and equipment taken into possession from lessees, as a result of forced interruption of leasing agreements as a result of overdue payments.

Type	31.12.2019 MDL	31.12.2018 MDL
Foreclosed collateral	**10,902**	**13,129**
Real estate	*9,904*	*10,856*
Vehicles	*716*	*1,227*
Special equipment	-	*764*
Equipment	*282*	*282*
Non-current assets held for sale	**957**	**957**
Allowance for impairment	(300)	(767)
Non-current assets held for sale, net	**11,559**	**13,319**

12 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Revalued					Cost	
	Land and buildings	Furniture and equipment	Vehicles	Other assets	Right-of-use assets	Assets under construction	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
As at 1 January 2019							
Cost/revalued amount	644,641	606,958	43,527	31,513	-	325,940	1,652,579
Accumulated depreciation	(187,881)	(405,343)	(21,737)	(21,706)	-	-	(636,667)
Net book value	**456,760**	**201,615**	**21,790**	**9,807**	**-**	**325,940**	**1,015,912**
Year ended 31 December 2019							
Net value as at 1 January	**456,760**	**201,615**	**21,790**	**9,807**	**-**	**325,940**	**1,015,912**
Impact of initial application of IFRS 16 at 1 January 2019	-	-	-	-	114,766	-	114,766
Additions	-	711	550	-	22,150	255,661	279,072
Revaluations	(25)	-	-	-		-	(25)
Transfers	7,457	70,847	1,904	5,673	-	(85,881)	-
Disposals, net	(1,010)	(202)	(3,740)	(46)	(3,117)	(3,435)	(11,550)
Depreciation charge	(11,516)	(76,074)	(4,056)	(5,377)	(35,349)	-	(132,372)
Net book value	**451,666**	**196,897**	**16,448**	**10,057**	**98,450**	**492,285**	**1,265,803**
As at 31 December 2019							
Cost/revalued amount	649,418	632,725	36,918	36,890	130,009	492,285	1,978,245
Accumulated depreciation	(197,752)	(435,828)	(20,470)	(26,833)	(31,559)	-	(712,442)
Net book value	**451,666**	**196,897**	**16,448**	**10,057**	**98,450**	**492,285**	**1,265,803**

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

	Revalued	Cost				
	Land and buildings MDL'000	Furniture and equipment MDL'000	Vehicles MDL'000	Leasehold improvements MDL'000	Assets under construction MDL'000	Total MDL'000
As at 1 January 2018						
Cost/revalued amount	649,757	508,067	34,265	27,363	224,408	1,443,860
Accumulated depreciation	(185,636)	(354,772)	(20,434)	(19,003)	-	(579,845)
Net book value	**464,121**	**153,295**	**13,831**	**8,360**	**224,408**	**864,015**
Year ended 31 December 2018						
Net value as at 1 January	**464,121**	**153,295**	**13,831**	**8,360**	**224,408**	**864,015**
Additions	-	45	872	-	244,971	245,888
Revaluations	15	-	-	-	-	15
Transfers	15,818	106,731	13,753	4,150	(140,452)	-
Disposals, net	(11,755)	(63)	(3,252)	-	(2,987)	(18,057)
Depreciation charge	(11,439)	(58,393)	(3,414)	(2,703)	-	(75,949)
Net book value	**456,760**	**201,615**	**21,790**	**9,807**	**325,940**	**1,015,912**
As at 31 December 2018						
Cost/revalued amount	644,641	606,958	43,527	31,513	325,940	1,652,579
Accumulated depreciation	(187,881)	(405,343)	(21,737)	(21,706)	-	(636,667)
Net book value	**456,760**	**201,615**	**21,790**	**9,807**	**325,940**	**1,015,912**

12 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS T (CONTINUED)

In its activity, the Group rents buildings and office spaces. Except for contracts with a low value and/or term of less than 1 year, these contracts are reflected as assets related to the right of use as a part of tangible assets. The only asset class on which the Group has the right to use are buildings.

As at 31 December 2019, the cost of the Group's fully depreciated but still used property and equipment amounted to MDL'000 302,866 (as at 31 December 2018: MDL'000 309,530). All depreciation calculated during 2019 and 2018 was recognized in the income statement.

Property and equipment are valued at cost less accumulated depreciation and impairment losses, with the exception of the category "Land and buildings", which in 2016 was revalued at fair value in accordance with IAS 16 provisions.

The evaluation was carried out by independent appraisers, who has a recognized professional qualification, experience and a positive reputation in the real estate market. Fair values have been estimated using appropriate valuation techniques and are based on observable market prices in an active market.

As at 31 December 2019 the book value of land and buildings would have been MDL'000 599,179 (31 December 2018: MDL'000 473,133) if these assets had been valued at cost less depreciation.

13 INVESTMENT PROPERTY

	2019 MDL'000	2018 MDL'000
As at 1 January	**72,464**	**72,356**
Additions	-	60
Revaluation	(45)	48
As at 31 December	**72,419**	**72,464**

14 INTANGIBLE ASSETS

	2019 MDL'000	2018 MDL'000
Balance as at 1 January		
Cost	204,434	179,588
Accumulated amortization	(138,072)	(115,773)
Net book value	**66,362**	**63,815**
Year ended 31 December		
Net value as at 1 January	**66,362**	**63,815**
Additions, including:	25,987	24,846
Goodwill	-	2,497
Disposals	-	-
Amortisation charge	(22,268)	(22,299)
Net book value	**70,081**	**66,362**
As at 31 December		
Cost	230,421	204,434
Accumulated amortization	(160,340)	(138,072)
Net book value	**70,081**	**66,362**

All amortization calculated during 2019 and 2018 was recognized in the income statement.

Intangible assets are initially recognized at cost and subsequently are measured at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized on a straight-line basis throughout their useful lives.

14 INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2019, the cost of intangible assets fully amortized in 85 units (2018: 84 units) reached MDL'000 22,241 (2018: MDL'000 32,863).

The intangible assets include the T24 automated banking system with the book value as at 31 December 2019 of MDL'000 32,345 (2018: MDL'000 35,168), which according to the contractual provisions will be used by the Group until 30.09.2030.

In 2015, the Group launched the American Express Acceptance and Issuance Project. The book value of the license at 31 December 2019 amounted to MDL'000 2,694 (2018: MDL'000 5,184).

15 OTHER ASSETS

	31.12.2019 MDL'000	31.12.2018 MDL'000
Other non-financial assets		
Prepayments	128,386	56,369
Low-value items and materials in stock	12,046	12,107
Receivables due from budget	441	221
Other cancelled fees	592	584
	141,465	**69,281**
Other financial assets		
Receivables related to cancelled finance lease agreements	43,709	43,335
Receivables from other financial institutions	39,919	39,265
Financing contracts	9,663	12,758
Receivables from insurance companies	1,119	1,134
Other assets	91,470	38,060
	185,880	**134,552**
Less: impairment losses for other assets	(104,917)	(85,128)
	222,428	**118,705**

Receivables from other financial institutions represent receivables arising from clearing operations related to Visa, Mastercard and American Express systems in amount of MDL'000 33,169 (2018: MDL'000 34,296), receivables due to international money transfer systems in amount of MDL'000 6,750 (2018: MDL'000 4,968). According to Moody's and Standard&Poor's rating agency Visa International system has the "Aa3" and "AA-" ratings, while MasterCard Incorporated: "A1" and "A+" ratings.

15 OTHER ASSETS (CONTINUED)

Receivables related to cancelled finance lease agreements represent early terminated finance lease contracts due to the lessees' breaches of the contractual clauses. The Group has recognized the difference between the fair value of the repossessed lease objects and the carrying amount of the finance lease receivables as assets, as the Group can claim these amounts from lessees in accordance with the provisions of the finance lease contracts. For certain agreements in 2018 the Group is in process of taking into possession the lease objects or the available collateral, while for others it had already foreclosed all lease objects, but it sues for the recovery of those amounts which were not covered by the value of the repossessed lease objects.

Financing contracts represent loans granted to car dealers, legal entities for investment and real estate projects, working capital needs and other purposes, and also to individuals - mortgages and consumer. The financing contracts are secured by movable items (as vehicles for car dealers) and mortgage (for other debtors).

Receivables related to cancelled leasing agreements, financing, credit sales

The Group uses the following credit quality categories to manage the credit risk of financing, cancelled lease agreements, credit sale and other receivables:

- Neither past due nor impaired - if payments are made regularly and in accordance with contract terms;
- Past due, but not impaired
  - Past due 30 days - if payments are overdue up to 30 days;
  - Past due 31-90 days - if payments are overdue from 31 to 90 days;
- Impaired- if payments are overdue more than 90 days.

Movement in impairment allowance for receivables from sales on credit during 2019 and 2018 was as follows:

	2019 MDL'000	2018 MDL'000
Balance as at 1 January	**2,421**	**21,629**
Impairment charge	2,133	74
Write-off and other reclassifications	(6)	(19,282)
Balance as at 31 December	**4,548**	**2,421**

15 OTHER ASSETS (CONTINUED)

Movement in impairment allowance for receivables related to cancelled finance lease agreements during 2019 and 2018 was as follows:

	2019 MDL'000	2018 MDL'000
Balance as at 1 January	**82,707**	**56,661**
Adjustment to transition to IFRS 9	-	(511)
Impairment charge	20,572	10,677
Write-off and other reclassifications	(2,910)	15,880
Balance as at 31 December	**100,369**	**82,707**

The value of net impairment losses differs from the value presented in the consolidated statement of profit or loss and other comprehensive income in 2019 and 2018, the result of the recovery of amounts written-off previously as non-recoverable in amount of MDL'000 807 (2018: MDL'000 776). The recovery value of those was credited directly to the "Impairment and provision net expenses" line in the statement of profit or loss and other comprehensive income for the year.

16 DUE TO BANKS

	Currency	Maturity	31.12.2019 MDL'000	31.12.2018 MDL'000
Borrowings from and current accounts of other banks				
Current accounts of other banks	USD	Non - applicable	2,051	2,658
	MD	Non - applicable	21,920	2,387
			23,971	**5,045**
Loans and borrowings for financing the lease activity				
FinComBank S.A	EUR	September 2019	-	28
Comerțbank S.A.	EUR	December 2020	3,277	7,053
Moldindconbank S.A	EUR	June 2025	41,427	8,127
Banca Comerciala Română	EUR	March 2021	3,760	7,957
			48,464	**23,165**
			72,435	**28,210**

As at 31 December 2019 and 31 December 2018 the Group pledged the right to collect receivables under finance lease agreements and financing contracts and repossessed assets to secure the contracted loans and borrowings as follows:

	31.12.2019 MDL'000	31.12.2018 MDL'000
Moldindconbank S.A	58,402	13,643
Banca Comercială Română	26,167	26,099
FinComBank S.A	-	18,686
Comertbank S.A	4,076	9,791
	88,645	**68,219**

17 BORROWINGS

	Currency	Maturity	31.12.2019 MDL'000	31.12.2018 MDL'000
Borrowings from International Financial Institutions:				
Rural Investment and Services Project (RISP)	MDL/USD /EUR	01.04.2026	72,653	96,968
International Fund for Agricultural Development (IFAD)	MDL/USD /EUR	16.03.2026	254,587	238,635
Project for Competitiveness Improvement (PCI)	MDL/USD /EUR	01.04.2026	49,079	85,891
Kreditanstalt fur Wiederaufbau	MDL/USD /EUR	15.07.2025	41,291	32,192
Millennium Challenge	MDL/USD /EUR	25.02.2022	2,865	6,274
Filiere du Vin	EUR	02.06.2025	80,250	108,924
European Bank for Reconstruction and Development	EUR	26.09.2023	96,057	-
European Bank for Reconstruction and Development	EUR	26.05.2020	69,371	-
			666,153	**568,884**
Borrowings from other organizations to finance the leasing activity				
Extra-K SA			58,015	58,800
			724,168	**627,684**

For loans contracted under agreements between the Government of the Republic of Moldova and International Financial Institutions, repayment schedules are set for each individual project. The agreements have no financial covenants which require regular calculation and reporting.

18 DUE TO CUSTOMERS

	31.12.2019 MDL'000	31.12.2018 MDL'000
Legal entities		
Current accounts, including:		
Corporate customers	1,626,709	1,563,712
Retail customers	3,016,803	2,560,881
	4,643,512	**4,124,593**
Term deposits, including:		
Corporate customers	285,131	342,742
Retail customers	586,482	783,104
	871,613	**1,125,846**
	5,515,125	**5,250,439**
Individuals		
Current accounts	3,760,986	3,003,138
Term deposits	11,028,548	10,393,378
	14,789,534	**13,396,516**
	20,304,659	**18,646,955**

As at 31 December 2019 current accounts of legal entities and individuals include restricted deposits under guarantee agreements in the amount of MDL'000 63,346 (31 December 2018: MDL'000 84,314).

The Group's term deposit portfolio includes certain deposits with no rights to withdraw deposits prior to maturity. Should such deposits be withdrawn prior to maturity, the interest rate is decreased to the rate applied for demand deposits and is recalculated for the whole term of the deposit.

19 TAXATION

	31.12.2019 MDL'000	31.12.2018 MDL'000
Current income tax expenses	92,524	68,275
Deferred income tax expense	2,753	1,818
Income tax expenses for the year	**95,277**	**70,093**

19 TAXATION (CONTINUED)

Current income tax is calculated on the taxable income for the statutory financial statements. For tax purposes, the deductibility of certain expenses, for example entertainment costs, philanthropic, sponsorship and other expenses, expenses unconfirmed documentary are limited to a percentage of profit specified in the tax law.

The reconciliation of the income tax expense is presented in the table below:

	31.12.2019 MDL'000	31.12.2018 MDL'000
Profit before tax	804,933	606,539
Tax calculated at applicable rate of 12% (2018:12%)	96,592	72,785
Tax effect of:		
Non-taxable income	(10,433)	(12,183)
Non-deductible expenses	9,162	9,659
Philanthropic, sponsorship and other expenses	(44)	(168)
Income tax expense for the year	**95,277**	**70,093**

19 TAXATION (CONTINUED)

2019	Balance at 1 January MDL'000	Recognized in profit or loss MDL'000	Recognized in other comprehensive income MDL'000	Deferred tax assets MDL'000	Deferred tax liabilities MDL'000	Net balance at 31 December MDL'000
Current accounts and deposits with banks	114	(1)	-	113	-	113
Loans to customers	53	(53)	-	-	-	-
Lease receivables	255	265	-	520	-	520
Financial assets at fair value through other comprehensive income, including:	(5,215)	(3,118)	(6,790)	-	(15,123)	(15,123)
the revaluation of equity investments	*(5,564)*	*(3,118)*	*(6,398)*	-	*(15,080)*	*(15,080)*
the revaluation of debt investments	*349*	-	*(392)*	-	*(43)*	*(43)*
Non-current assets held for sale	(21)	(56)	-	-	(77)	(77)
Property and equipment	(27,261)	167	(1,615)	-	(28,709)	(28,709)
Investment property	(2,553)	(2,623)	-	-	(5,176)	(5,176)
Intangible assets	17	(5)	-	12	-	12
Other assets	(10)	100	-	90	-	90
Borrowings	62	(45)	-	17	-	17
Tax losses	-	2,165	-	2,165	-	2,165
Other liabilities	108	451	-	559	-	559
Total deferred tax assets (liabilities)	**(34,451)**	**(2,753)**	**(8,405)**	**3,476**	**(49,085)**	**(45,609)**

19 TAXATION (CONTINUED)

2018	Balance at 1 January MDL'000	Recognized in profit or loss MDL'000	Recognized in other comprehensive income MDL'000	Deferred tax assets MDL'000	Deferred tax liabilities MDL'000	Net balance at 31 December MDL'000
Current accounts and deposits with banks	116	(2)	-	114	-	114
Loans to customers	179	(126)	-	53	-	53
Lease receivables	303	(48)	-	255	-	255
Financial assets at fair value through other comprehensive income, including:	(7,879)	-	2,664	-	(5,215)	(5,215)
the revaluation of equity investments	*(4,992)*	-	*(572)*	-	*(5,564)*	*(5,564)*
the revaluation of debt investments	*(2,887)*	-	*3,236*	*349*	-	*349*
Non-current assets held for sale	(58)	37	-	-	(21)	(21)
Property and equipment	(27,381)	(1,400)	1,520	-	(27,261)	(27,261)
Investment property	(2,434)	(119)	-	-	(2,553)	(2,553)
Intangible assets	22	(5)	-	17	-	17
Other assets	92	(102)	-	-	(10)	(10)
Borrowings	85	(23)	-	62	-	62
Tax losses	-	-	-	-	-	-
Other liabilities	137	(29)	-	108	-	108
Total deferred tax assets (liabilities)	**(36,817)**	**(1,818)**	**4,184**	**609**	**(35,060)**	**(34,451)**

20 OTHER LIABILITIES

	31.12.2019 MDL'000	31.12.2018 MDL'000
Other non-financial liabilities		
Other taxes payable	26,001	22,381
Other financial liabilities		
Dividends payable	79,465	171,500
Lease liabilities	97,929	-
Trade payables	3,107	3,947
Due to insurance companies (subsidiary)	-	23
Settlements with other financial institutions	53,788	147,224
Advances from customers on future lease agreements	1,547	1,890
Payables to employees	1,010	900
*Other liabilities	93,681	117,485
	356,528	**465,350**

*Other liabilities include creditors of unidentified amounts MDL'000 5,560 (2018: MDL'000 6,992), payments received for transfer by destination MDL'000 5,049 (2018: MDL'000 19,326), transactions with securities MDL'000 28,096 (2018: MDL'000 26,306), payments related to E-Commerce MDL'000 11,719 (2018: MDL'000 11,972), settlements related to Paying Agent MDL'000 8,968 (2018: MDL'000 9,342), reserved amounts for salary projects MDL'000 506 (2018: MDL'000 885) and other liabilities MDL'000 33,783 (2018: MDL'000 42,662).

Liabilities related to operating leases include the following:

	2019 MDL'000
Lease payments:	
Short-term	38,106
Long-term	63,553
	101,659
Less: Interest expense on lease liabilities:	
Short-term	(1,497)
Long-term	(2,233)
	(3,730)
Total liabilities recognized in the balance sheet:	
Short-term	36,609
Long-term	61,320
	97,929

20 OTHER LIABILITIES (CONTINUED)

During 2019, the Group recorded depreciation of assets related to leasing contracts of MDL'000 35,349 (see Note 12), interest expenses on operating leasing contracts of MDL'000 1,917 (see Note 24) and expenses on short-term leasing contract and small value assets of MDL'000 8,153 (see note 29). The analysis of the maturity bands of non-discounted cash flows arising from leases recognized in the statement of financial position is presented in Note 37.5 "Liquidity risk".

21 SHARE CAPITAL AND EARNINGS PER SHARE

As at 31 December 2019 the share capital comprises 1,037,634 authorized ordinary shares, with a nominal value of MDL 200 per share (31 December 2018: 1,037,634).

During 2019 the Group declared and distributed dividends from the net profit of the year ended 31 December 2018 in the amount of MDL'000 221,016 or MDL 213 per share, (2018: MDL'000 221,016 or MDL 213 per share).

	Ordinary Shares in circulation	Net profit MDL'000	Earnings per share MDL	Diluted earnings per share MDL
31 December 2018	1,037,634	536,364	516.91	516.91
31 December 2019	1,037,634	709,565	683.83	683.83

22 OWN FUNDS

At Group level only the parent-bank is subject to externally imposed capital requirements.

Within the Group, starting from 30 July 2018, the parent Bank shall report the own funds ratio calculated in accordance with the requirements of CRD IV/CRR Basel III and the requirements of the National Bank of Moldova.

The requirements for the own funds ratio at 31December 2019 represent min 17.00%, including capital buffer requirements. As at 31 December 2018 the minimum capital requirement was 16.25%

The parent Bank complies with the requirements of the established own funds.

	31.12.2019 MDL'000	31.12.2018 MDL'000
Common equity Tier 1	3,053,998	3,082,182
Additional Tier 1 Capital	-	-
Tier 2 Capital	-	-
Total own Funds:	**3,053,998**	**3,082,182**
Risk exposure quantum		
Credit risk	13,637,673	11,606,212
Operational risk	2,250,179	2,118,948
Market risk	-	125,936
Settlement/ delivery risk	-	-
Total risk exposure quantum	**15,887,852**	**13,851,096**
Common equity Tier 1 ratio	19.22%	22.25%
Tier 1 Capital ratio	19.22%	22.25%
Total own funds ratio	19.22%	22.25%

23 CASH AND CASH EQUIVALENTS

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

	31.12.2019 MDL'000	31.12.2018 MDL'000
Cash on hand	940,199	1,103,882
Balances with National Bank of Moldova	4,455,945	4,329,009
Current accounts and overnight deposits with banks	1,928,189	1,660,193
Certificates issued by the National Bank of Moldova	740,198	849,050
	8,064,531	**7,942,134**

24 NET INTEREST INCOME

	2019 MDL'000	2018 MDL'000
Interest income		
Loans and advances to customers	1,108,603	981,030
Loans and advances to banks	170,839	129,520
Debt instruments at fair value through other comprehensive income	78,743	90,294
Debt instruments at amortised cost	15,332	83,873
Financial assets held to maturity	11,704	11,349
	1,385,221	**1,296,066**
Interest expense		
Due to customers (individuals)	(316,687)	(303,136)
Due to customers (companies)	(37,175)	(48,111)
Due to banks and other organizations	(20,176)	(25,198)
Operating lease	(1,917)	-
	(375,955)	**(376,445)**
Net interest income	**1,009,266**	**919,621**

All interest income and interest expenses are calculated using the effective interest rate (EIR).

25 NET FEE AND COMMISSION INCOME

	2019 MDL'000	2018 MDL'000
Fee and commission income		
Cash transactions	108,158	97,404
Processing of clients' payments	67,924	61,678
Transactions with debit cards	185,796	141,144
Commissions on salary transferred to debit cards	16,761	13,558
Money transfer services	18,000	17,202
Cash delivery service	5,780	6,138
Commission from direct debit transactions	7,718	6,822
Commissions on guarantees and letters of credit	6,052	6,702
Service fees on client accounts	35,978	33,316
Commissions from other services to clients	45,223	35,082
	497,390	**419,046**
Fee and commission expense		
Transactions with debit cards	(61,705)	(45,044)
Processing centres services	(98,852)	(73,537)
Commissions charged by correspondent banks	(6,050)	(2,461)
Commissions for cash transactions	(11,811)	(12,142)
Cash withdrawal related to debit cards	(3,463)	(3,288)
Others*	(9,586)	(9,867)
	(191,467)	**(146,339)**
Net fee and commission income	**305,923**	**272,707**

26 NET FOREIGN EXCHANGE GAINS

	2019 MDL'000	2018 MDL'000
Gains from trading in foreign currencies	293,186	252,391
Foreign exchange translation losses	(21,139)	(14,207)
Net result	**272,047**	**238,184**

27 OTHER OPERATING INCOME

	2019 MDL'000	2018 MDL'000
Penalties received	18,968	15,670
Income from unpaid and expired dividend liabilities	1,336	806
Gains from disposal of other assets	1,061	1,492
Income from rent	1,389	1,552
Gain on disposal of property and equipment	674	2,065
Dividend income	714	312
Other income	5,643	8,104
	29,785	**30.001**

28 PERSONNEL EXPENSES

	2019 MDL'000	2018 MDL'000
Salaries and bonuses	319,452	298,452
Social insurance and contributions	62,787	66,743
Medical insurance contributions	15,711	14,597
Table Tickets	20,420	5,149
Other personnel expenses	30,152	26,782
	448,522	**411,723**

The Group makes contributions to the State social insurance fund of the Republic of Moldova, calculated as a percentage of the gross salary and other compensations. These contributions are charged to the consolidated statement of profit or loss in the period in which the related salary is earned by the employee.

29 OTHER OPERATIONAL EXPENSES

	2019 MDL'000	2018 MDL'000
Rent	8,152	41,954
Advertising and charity	31,437	35,342
Repairs and maintenance	37,497	33,162
Contributions to the Deposit Guarantee Fund	23,972	22,226
Maintenance of intangible assets	16,342	13,839
Utilities	12,826	14,266
Safeguarding of assets and security	11,596	11,023
Postage and telecommunication	9,153	8,585
Transportation	8,230	7,996
Stationery and supplies	11,072	11,626
Business promotion	6,538	7,748
Professional services	17,727	12,691
Remuneration of Group Council and Censors Committee	11,984	17,630
Dealing and informational services	4,098	3,508
Inventory	7,390	6,005
Travel	2,853	3,239
Insurance	4,826	3,067
Training	2,437	2,928
Other fees and commissions	342	337
Expenses for debt collection services	1,370	1,400
Write down of assets	1,241	1,681
Customers compensation costs*	26,985	-
Impairment expenses of non-financial receivables	2,133	-
Other expenses**	23,806	18,419
	284,007	**278,672**

*In 2019, there was a case of breaking the safes located in one of the Bank's branches. Despite the fact that the Bank does not bear contractual liability for the integrity of the assets held by the customers in the safes, in order to meet customers' needs, the Bank Board decided, as an exception, to compensate each affected customer in the amount of money declared to be kept in the safe, but not more than MDL 500,000.

At the moment of issuing these financial statements, the Bank does not have information on the results of ongoing investigations carried out by law enforcement authorities.

**Other expenses include property tax, penalties paid, amounts relating to cash transactions and certain marketing expenses.

30 IMPAIRMENT AND PROVISION NET EXPENSES

Impairment of interest bearing assets includes impairment of:

	Note	31.12.2019 MDL'000	31.12.2018 MDL'000
Loans and advances	8	(93,361)	55,062
Finance lease receivables	9	(1,531)	(2,594)
Other assets	15	19,765	9,975
Conditional commitments	31	(216)	2,950
Current accounts and deposits at banks	6	217	(14)
		(75,126)	**65,379**

31 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The aggregate amount of guarantees, commitments and other off-balance sheet items existing as at 31 December 2019 and 31 December 2018 is:

	2019 MDL'000	2018 MDL'000
Letters of credit	16,220	976
Guarantees	390,229	248,474
Financing commitments and other	1,488,111	964,366
	1,894,560	**1,213,816**

In the normal course of business, the Group issues guarantees and letters of credit on behalf of its customers. The credit risk on guarantees is similar to that arising from granting of loans. In the event of a claim on the Group as a result of a customer's default on a guarantee, these instruments also present a degree of credit risk to the Group. The Group considers that provision in amount of MDL' 000 9,470 is required in relation to this risk at 31 December 2019 (2018: MDL' 000 9,749).

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

31 GUARANTEES AND OTHER FINANCIAL COMMITMENTS (CONTINUED)

The table below shows the expected maturity of the Group's guarantees and other financial commitments as at 31 December 2019 and 31 December 2018:

2019	Less than 1 month MDL'000	From 1 to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Total MDL'000
Letters of credit	15,257			963		16,220
Guarantees	296,495	20,714	31,303	41,717		390,229
Financing commitments	41,677	77,752	502,123	866,557	2	1,488,111
Total	**353,429**	**98,466**	**533,426**	**909,237**	**2**	**1,894,560**

2018	Less than 1 month MDL'000	From 1 to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Total MDL'000
Letters of credit	-	976	-	-	-	976
Guarantees	164,364	21,764	39,115	23,231	-	248,474
Financing commitments	42,283	176,197	285,144	460,741	1	964,366
Total	**206,647**	**198,937**	**324,259**	**483,972**	**1**	**1,213,816**

The movement in provisions for estimated losses from impairment of financing commitments and guarantees recorded in the statement of profit or loss during 2019 and 2018 are presented below:

31 GUARANTEES AND OTHER FINANCIAL COMMITMENTS (CONTINUED)

	Corporate MDL'000	Retail entities MDL'000	Individuals MDL'000	Total MDL'000
Balance as at 1 January 2019	**7,382**	**2,228**	**139**	**9,749**
Impairment charge on financing commitments	(1,690)	541	38	(1,111)
Impairment charge on guarantees	733	157	5	895
Foreign exchange differences	(52)	(11)	-	(63)
Balance as at 31 December 2019	**6,373**	**2,915**	**182**	**9,470**

	Corporate MDL'000	Retail entities MDL'000	Individuals MDL'000	Total MDL'000
Balance as at 1 January 2018	**5,081**	**1,753**	**118**	**6,952**
Impairment charge on financing commitments	2,783	549	-	3,332
Impairment charge on guarantees	(349)	(54)	21	(382)
Foreign exchange differences	(133)	(20)	-	(153)
Balance as at 31 December 2018	**7,382**	**2,228**	**139**	**9,749**

32 CAPITAL COMMITMENTS

As at 31 December 2019 and 31 December 2018, the Group had no capital commitments.

33 FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY

Fair value measurements are analyzed by the fair value level in the fair value hierarchy as described in Note 3. Management makes judgments in categorizing the financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against their impact on fair value of the valued instruments.

Recurring or non-recurring measurement of assets and liabilities at fair value

For assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition the Group uses evaluation techniques and inputs used to develop those measurements.

For recurring fair value measurement using significant unobservable inputs (Level 3), the effect of measurements are presented in profit or loss or other comprehensive income for the period.

33 FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY (CONTINUED)

The level in the fair value hierarchy into which the recurring fair value measurements are categorized as follows:

				2019				2018
	Level 1	Level 2	Level 3	Fair value MDL'000 Total	Level 1	Level 2	Level 3	Fair value MDL'000 Total
Financial assets								
Equity instruments at fair value through other comprehensive income	97,336	-	87,146	184,482	68,595	-	82,957	151,552
Debt instruments at fair value through other comprehensive income	-	1,085,824	-	1,085,824	-	1,496,114	-	1,496,114
Non-financial assets								
Lands and buildings	-	-	451,666	451,666	-	-	456,760	456,760
Investment property	-	72,419	-	72,419	-	72,464	-	72,464
Total assets recurring fair value measurements	**97,336**	**1,158,243**	**538,812**	**1,794,391**	**68,595**	**1,568,578**	**539,717**	**2,176,890**

(All amounts are expressed in thousand MDL, if not stated otherwise)

33 FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY (CONTINUED)

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows as at 31 December 2019 and 31 December 2018:

	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value
31 December 2019						
Equity instruments at fair value through other comprehensive income	87,146	Discounted cash flows	Weighted average cost of capital	12.61%-15.96% (13.74%)	+10%	(25,551)
					-10%	35,287
	97,336	Market value	Market price for the financial asset		±5%	±4,867
Lands and buildings	451,666	Market value	Market price for comparable properties (MDL/sq.m)	Lands – 29-4,137 (2,319) Buildings – 98-36,935 (14,186)	±10%	±45,167
31 December 2018						
Equity instruments at fair value through other comprehensive income	82,957	Discounted cash flows	Weighted average cost of capital	8.65%-13.01% (10.22%)	+10%	(34,399)
					-10%	64,540
	68,595	Market value	Market price for the financial asset		±5%	±3,430
Land and buildings	456,760	Market value	Market price for comparable properties (MDL/sq.m)	Lands – 29-4,137 (2,319) Buildings – 98-36,935 (14,186)	±10%	±45,676

33 FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY (CONTINUED)

The above tables disclose sensitivity to valuation inputs for financial assets, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognized in other comprehensive income, total equity.

There were no changes in valuation technique for level 1, 2 and 3 recurring fair value measurements during the year ended 31 December 2019 (31 December 2018: none).

The sensitivity of fair value measurement disclosed in the above table shows the direction that an increase or decrease in the respective input variables would have on the valuation result. For investments available for sale, increases in the WACC multiple would lead to a decrease in estimated value.

Level 3 valuations are reviewed on an annual basis by Corporate Investments Department which report to the Management Board. The Group involves an external valuer who hold a recognized and relevant professional qualification and who have recent experience in the valuation of assets in a similar category. The Corporate Investments Department considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the financial services industry.

33 FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY (CONTINUED)

	2019						2018			
	Carrying value MDL'000	Level 1	Level 2	Level 3	Fair value MDL'000 Total	Carrying value MDL'000	Level	Level 2	Level 3	Fair value MDL'000 Total
Financial assets										
Accounts with NBM	5,813,652	-	5,813,652	-	5,813,652	5,400,244	-	5,400,244	-	5,400,244
Due from banks	1,995,723	-	1,995,723	-	1,995,723	1,720,607	-	1,720,607	-	1,720,607
Loans to customers:	13,388,307	-	-	13,532,296	13,532,296	11,563,088	-	-	12,092,363	12,092,363
corporate customers	6,996,366	-	-	7,262,533	7,262,533	6,248,927	-	-	6,442,433	6,442,433
retail entities	1,913,100	-	-	1,993,591	1,993,591	1,858,271	-	-	1,912,577	1,912,577
individuals	4,478,841	-	-	4,276,172	4,276,172	3,455,890	-	-	3,737,353	3,737,353
Lease receivables	141,478	-	-	156,260	156,260	111,100	-	-	120,215	120,215
Financial assets at amortized cost	771,523	-	771,496	-	771,496	900,370	-	899,914	-	899,914
Other financial assets	85,511			85,511	85,511	51,845			51,845	51,845
Total	**22,196,194**	**-**	**8,580,871**	**13,774,067**	**23,354,938**	**19,747,254**	**-**	**8,020,765**	**12,264,423**	**20,285,188**

33 FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY (CONTINUED)

	2019					2018				
	Carrying value MDL'000	Level 1	Level 2	Level 3	Fair value MDL'000 Total	Carrying value MDL'000	Level 1	Level 2	Level 3	Fair value MDL'000 Total
Financial liabilities										
Due to banks	72,435	-	-	72,435	72,435	28,210	-	-	28,210	28,210
Borrowings	724,168	-	-	727,675	727,675	627,684	-	-	627,880	627,880
Due to customers	20,304,659	-	-	20,424,913	20,424,913	18,646,955	-	-	18,609,947	18,609,947
Legal entities, including:	5,515,125	-	-	5,514,207	5,514,207	5,250,439	-	-	5,233,875	5,233,875
current accounts	4,643,512	-	-	4,643,512	4,643,512	4,124,593	-	-	4,124,593	4,124,593
term deposits	871,613	-	-	870,695	870,695	1,125,846	-	-	1,109,282	1,109,282
Individuals, including:	14,789,534	-	-	14,910,706	14,910,706	13,396,516	-	-	13,376,072	13,376,072
current accounts	3,760,986	-	-	3,760,986	3,760,986	3,003,138	-	-	3,003,138	3,003,138
term deposits	11,028,548	-	-	11,149,720	11,149,720	10,393,378	-	-	10,372,934	10,372,934
Other financial liabilities	330,527	-	-	330,527	330,527	442,968	-	-	442,968	442,968
Total	**21,431,789**	-	-	**21,555,550**	**21,555,550**	**19,745,817**	-	-	**19,709,005**	**19,709,005**

33 FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY (CONTINUED)

Cash and cash equivalents

The fair value of cash and cash equivalents equals to their carrying amount.

Net loans and lease receivables

Loans and lease receivables are reduced by the impairment allowance on loans and lease receivables. The estimated fair value of loans and lease receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Debt instruments at amortised cost

Debt instruments at amortised cost include only interest-bearing assets held to maturity. Fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations.

Borrowings, due to banks

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

34 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

The Group classifies financial assets in the following categories:
- Financial assets at fair value through profit or loss;

- Financial assets at fair value through other comprehensive income;

- Financial assets at amortised cost.

34 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY (CONTINUED)

The table below provides a reconciliation of financial assets under these measurement categories as at 31 December 2019:

31 December 2019	Financial assets at amortised cost MDL'000	Financial assets at fair value through other comprehensive income MDL'000	Total MDL'000
Assets			
Cash on hand and balances with National Bank	6,753,851	-	6,753,851
Due from banks	1,995,723	-	1,995,723
Loans and advances to customers:			
Corporate customers	6,996,366	-	6,996,366
Retail entities	1,913,100	-	1,913,100
Individuals	4,478,841	-	4,478,841
Financial assets at fair value through other comprehensive income	-	1,270,306	1,270,306
Lease receivables:			
Legal entities	55,302	-	55,302
Individuals	86,176	-	86,176
Financial assets at amortised cost	771,523	-	771,523
Other financial assets:			
Receivables related to cancelled lease agreements (leasing)	9,506	-	9,506
Due from providers (leasing)	9,334	-	9,334
Due from insurance companies (leasing)	1,119	-	1,119
Other financial assets	65,552	-	65,552
Total financial assets	**23,136,393**	**1,270,306**	**24,406,699**

34 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY (CONTINUED)

The table below provides a reconciliation of financial assets under these measurement categories as at 31 December 2018:

31 December 2018	**Financial assets at amortised cost MDL'000**	**Financial assets at fair value through other comprehensive income MDL'000**	**Total MDL'000**
Assets			
Cash on hand and balances with National Bank	6,504,126	-	6,504,126
Due from banks	1,720,607	-	1,720,607
Loans and advances to customers:			
Corporate customers	6,248,927	-	6,248,927
Retail entities	1,858,271	-	1,858,271
Individuals	3,455,890	-	3,455,890
Financial assets at fair value through other comprehensive income	-	1,647,666	1,647,666
Lease receivables:			
Legal entities	55,870	-	55,870
Individuals	55,230	-	55,230
Financial assets at amortised cost	900,370	-	900,370
Other financial assets:			
Receivables related to cancelled lease agreements (leasing)	11,364	-	11,364
Due from providers (leasing)	12,471	-	12,471
Due from insurance companies (leasing)	1,134	-	1,134
Other financial assets	26,876	-	26,876
Total financial assets	**20,851,136**	**1,647,666**	**22,498,802**

34 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY (CONTINUED)

As at 31 December 2019 and 31 December 2018 all financial liabilities of the Group were carried at amortised cost.

35 RELATED PARTIES

During the year a number of banking and non-banking transactions were entered into with related parties in the normal course of business.

These include extending of loans, accepting deposits, finance trade, payment settlement, foreign currency transactions and acquisition of services and goods from related parties.

The income and expense from above-mentioned transactions and balances arose from the ordinary course of business and were performed at normal commercial prices.

In the table below are disclosed the balances and transactions with the related parties during the years 2019 and 2018.

35 RELATED PARTIES (CONTINUED)

In the table below are disclosed the balances as at year ended 31 December:

Related parties			Loans (8.75-17.00%) MDL'000	Impairment loss on loans MDL'000	Lease receivables (9%-15%) MDL'000	Loans received (5.6%-11.55%) MDL'000	Deposits (0.10-6.75%) MDL'000	Guarantees issued by the Group MDL'000	Commitments to grant loans MDL'000
Civil society of Group shareholders and their affiliates and persons holding or controlling 1% or more of the Group's share capital	*Shareholders*	*2019*	943	6	-	-	215,343	-	200
		2018	1,682	21	-	169,140	-	3,200	1,712
Other directors (executive/ non-executive) and their affiliates	*Management*	*2019*	294,407	4,505	102	-	65,590	-	1,807
		2018	335	2	-	214,526	273	14,000	125
Total		***2019***	**295,350**	**4,511**	**102**	**-**	**280,933**	**-**	**2,007**
		2018	**2,017**	**23**	**-**	**383,666**	**273**	**17,200**	**1,837**

35 RELATED PARTIES (CONTINUED)

In the table below are disclosed the transactions for the year ended 31 December:

Related parties			Interest and commission income MDL'000	Interest and commission expenses MDL'000	Non-interest income MDL'000	Non-interest expenses MDL'000	Assets procurement MDL'000	Dividends received MDL'000
Civil society of Group shareholders and their affiliates and persons holding or controlling 1% or more of the Group's share capital	*Shareholders*	*2019*	98	6,905	527	11,087	10,496	156,608
		2018	2,338	3,362	1,870	15,254	1,895	67,600
Other directors (executive/ non-executive) and their affiliates	*Management*	*2019*	12,508	1,186	2,171	46,350		5,506
		2018	322	3,170	1,408	42,093	-	1,114
Total		***2019***	**12,606**	**8,091**	**2,698**	**57,437**	**10,496**	**162,114**
		2018	**2,660**	**6,532**	**3,278**	**57,347**	**1,895**	**68,714**

35 RELATED PARTIES (CONTINUED)

Key management remuneration

The executive management and non-executive members of Group Board of Directors received remuneration during the years 2019 and 2018, as follows:

	2019 MDL'000	2018 MDL'000
Executive management remuneration	26,951	25,259
Medical insurance contributions	1,212	1,136
Social fund	4,845	5,575
Total executive management	**33,008**	**31,970**
Board remuneration	9,402	13,402
Medical insurance contributions	352	603
Social fund	1,406	2,971
Total Board	**11,160**	**16,976**

36 SEGMENT REPORTING

Operating segments are structural units of the Group carrying out business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the members of the Management Board of the Group and by the heads of departments responsible for making operational decisions based on the reports prepared in the prescribed internal regulations.

(a) description of products and services from which each reportable segment derives its revenue

The Group is organised into the following reportable segments:

- Retail Banking - representing banking services to entities of small and medium-sized businesses and to individuals for private customer current accounts; financing of consumer loans and mortgages, pawn services, deposits, investment savings products, custody, credit and debit cards, electronic products, other services.

- Corporate Banking - this segment includes various types of financing current and investment activities of companies (loans, credit lines, guarantees, letters of credit etc.), maintenance of current accounts of companies, deposits placements, payroll, foreign currency transactions and financial instruments, provision of investment services.

- Treasury - this segment includes interbank transactions (FOREX operations, attracting and placing deposits and interbank loans, transactions with treasury bills, transactions with certificates issued by the NBM) on internal and external financial markets within established limits, as well as attracting loans and credit lines from banks and other international financial organisation.

- Other – this segment include Corporate Investments and subdivisions of support and management as well as subsidiary entities (Leasing and card transactions).

(b) Factors used by the Management to identify the reportable segments

The Bank's segments are strategic units, focused on different categories of clients. Taking into account the particularity of clients segmentation and the bank services provided, business units are managed separately.

36 SEGMENT REPORTING (CONTINUED)

For the presentation of information on reportable segments, due to not significant values, the assets, liabilities and profit or loss related to Corporate Investments Department and subsidiaries are included in „Other" category, which also includes units of support and management.

(c) Measurement of reportable segment profit or loss

For defining profit or loss on reportable segments, the Group apply internal regulations of distribution of revenue and expenses using internal system of pricing transfer and some allocation keys of indirect revenue and expenses.

(d) Geographical information

The Group has no significant income from foreign customers.

The Group has no long-term assets located in countries other than the Republic of Moldova.

(e) Major customers

The Group has no external customers with revenues exceeding 10 % of Group's total revenue.

36 SEGMENT REPORTING (CONTINUED)

The segment information for the reportable segments for the year ended at 31 December 2019 and 31 December 2018 is set below:

31 December 2019	Corporate banking MDL'000	Retail banking MDL'000	Treasury MDL'000	Other MDL'000	Total MDL'000	Adjustments MDL'000	Total per statement of profit or loss MDL'000
Interest income	458,231	651,137	264,914	10,939	1,385,221	-	1,385,221
Interest income from inter segment sales	49,154	553,642	99,494	-	702,290	(702,290)	-
Total interest income	**507,385**	**1,204,779**	**364,408**	**10,939**	**2,087,511**	**(702,290)**	**1,385,221**
Interest expense on customer deposits and other borrowings	13,452	357,525	865	4,113	375,955	-	375,955
Interest expenses for inter segment sales	227,553	293,737	181,000	-	702,290	(702,290)	-
Total interest expenses	**241,005**	**651,262**	**181,865**	**4,113**	**1,078,425**	**(702,290)**	**375,955**
Net interest income	**266,380**	**553,517**	**182,543**	**6,826**	**1,009,266**	**-**	**1,009,266**
Total non-interest income	**94,778**	**410,991**	**5,230**	**16,131**	**527,130**	**-**	**527,130**
Total income	**361,158**	**964,508**	**187,773**	**22,957**	**1,536,396**	**-**	**1,536,396**

36 SEGMENT REPORTING (CONTINUED)

31 December 2019	Corporate banking MDL'000	Retail banking MDL'000	Treasury MDL'000	Other MDL'000	Total MDL'000	Adjustments MDL'000	Total per statement of profit or loss MDL'000
Net foreign exchange gains	107,708	183,693	(18,994)	(360)	272,047	-	272,047
Direct expenses of the cost centre	67,980	545,187	14,696	296,133	923,996	-	923,996
Depreciation and amortization	3,342	96,382	1,200	53,716	154,640	-	154,640
Indirect income (redistributed between segments)	(107,651)	89,048	18,603	-	-	-	-
Indirect expenses (of the administrative and support centre)	26,716	309,809	2,748	(339,273)	-	-	-
Pre-provision operating profit	**263,177**	**285,871**	**168,738**	**12,021**	**729,807**	-	**729,807**
Impairment and provision net expenses:	(73,138)	(2,210)	222	-	(75,126)	-	(75,126)
Operating profit before tax	**336,315**	**288,081**	**168,516**	**12,021**	**804,933**	-	**804,933**
Income tax expense	37,798	40,806	12,223	4,450	95,277	-	95,277
Net profit for the year	**298,517**	**247,275**	**156,293**	**7,571**	**709,656**	-	**709,656**

36 SEGMENT REPORTING (CONTINUED)

31 December 2018	Corporate banking MDL'000	Retail banking MDL'000	Treasury MDL'000	Other MDL'000	Total MDL'000	Adjustments MDL'000	Total per statement of profit or loss MDL'000
Interest income	411,142	572,336	302,745	9,843	1,296,066	-	1,296,066
Interest income from inter segment sales	51,604	514,272	102,049	-	667,925	(667,925)	-
Total interest income	**462,746**	**1,086,608**	**404,794**	**9,843**	**1,963,991**	**(667,925)**	**1,296,066**
Interest expense on customer deposits and other borrowings	19,592	351,872	-	4,981	376,445	-	376,445
Interest expenses for inter segment sales	211,640	235,575	220,710	-	667,925	(667,925)	-
Total interest expenses	**231,232**	**587,447**	**220,710**	**4,981**	**1,044,370**	**(667,925)**	**376,445**
Net interest income	**231,514**	**499,161**	**184,084**	**4,862**	**919,621**	**-**	**919,621**
Total non-interest income	**78,524**	**357,614**	**3,487**	**9,470**	**449,095**	**-**	**449,095**
Total income	**310,038**	**856,775**	**187,571**	**14,332**	**1,368,716**	**-**	**1,368,716**

36 SEGMENT REPORTING (CONTINUED)

31 December 2018	Corporate banking	Retail banking	Treasury	Other	Total	Adjustments	Total per statement of profit or loss
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Net foreign exchange gains	85,395	163,554	(10,517)	(248)	238,184	-	238,184
Direct expenses of the cost centre	54,146	497,090	16,699	268,799	836,734	-	836,734
Depreciation and amortization	3,066	45,800	1,077	48,305	98,248	-	98,248
Indirect income (redistributed between segments)	(88,438)	72,504	15,934	-	-	-	-
Indirect expenses (of the administrative and support centre)	24,196	287,452	2,305	(313,953)	-	-	-
Pre-provision operating profit	**225,587**	**262,491**	**172,907**	**10,933**	**671,918**	-	**671,918**
Impairment and provision net expenses:	49,963	21,384	(20)	(5,948)	65,379	-	65,379
Operating profit before tax	**175,624**	**241,107**	**172,927**	**16,881**	**606,539**	-	**606,539**
Income tax expense	21,877	34,606	12,088	1,522	70,093	-	70,093
Net profit for the year	**153,747**	**206,501**	**160,839**	**15,359**	**536,446**	-	**536,446**

The total segments revenue and net profit differs from the profit and revenue, disclosed in the statement of comprehensive income due to intersegment revenue / expenses which are not significant enough to be disclosed.

36 SEGMENT REPORTING (CONTINUED)

31 December 2019	Corporate banking MDL'000	Retail banking MDL'000	Treasury MDL'000	Other MDL'000	Total per statement of financial position MDL'000
ASSETS					
Cash on hand	-	-	-	940,199	940,199
Balances with National Bank of Moldova	-	-	5,813,652	-	5,813,652
Due from banks	-	-	1,995,723	-	1,995,723
Financial assets at fair value through other comprehensive income	-	-	1,085,824	184,482	1,270,306
Loans and advances to customers	6,996,366	6,391,941	-	-	13,388,307
Lease receivables	-	-	-	141,478	141,478
Financial assets at amortized cost	-	-	755,024	16,499	771,523
Non-current assets held for sale	-	-	-	11,559	11,559
Property and equipment and right-of-use assets	-	-	-	1,265,803	1,265,803
Investment property	-	-	-	72,419	72,419
Intangible assets	-	-	-	70,081	70,081
Other assets	1,740	16,478	-	204,210	222,428
Total assets	**6,998,106**	**6,408,419**	**9,650,223**	**2,906,730**	**25,963,478**

36 SEGMENT REPORTING (CONTINUED)

31 December 2019	Corporate banking MDL'000	Retail banking MDL'000	Treasury MDL'000	Other MDL'000	Total per statement of financial position MDL'000
LIABILITIES					
Due to banks	-	-	23,971	48,464	72,436
Borrowings	-	-	666,153	58,015	724,168
Due to customers	1,911,840	18,392,819	-	-	20,304,659
Conditional commitments provisions	6,373	3,097	-	-	9,470
Deferred tax liability	19,185	15,892	10,045	487	45,609
Other liabilities	4,580	75,252	-	304,310	384,142
Total liabilities	**1,941,978**	**18,487,060**	**700,169**	**411,276**	**21,540,483**

36 SEGMENT REPORTING (CONTINUED)

31 December 2018	Corporate banking MDL'000	Retail banking MDL'000	Treasury MDL'000	Other MDL'000	Total per statement of financial position MDL'000
ASSETS					
Cash on hand	-	-	-	1,103,882	1,103,882
Balances with National Bank of Moldova	-	-	5,400,244	-	5,400,244
Due from banks			1,720,607	-	1,720,607
Financial assets at fair value through other comprehensive income	-	-	1,496,114	151,552	1,647,666
Loans and advances to customers	6,248,927	5,314,161	-	-	11,563,088
Lease receivables	-	-	-	111,100	111,100
Financial assets at amortized cost	-	-	895,379	4,991	900,370
Non-current assets held for sale	-	-	-	13,319	13,319
Property and equipment	-	-	-	1,015,912	1,015,912
Investment property	-	-	-	72,464	72,464
Intangible assets	-	-	-	66,362	66,362
Other assets	2,081	16,226	-	100,398	118,705
Total assets	**6,251,008**	**5,330,387**	**9,512,344**	**2,639,980**	**23,733,719**

36 SEGMENT REPORTING (CONTINUED)

31 December 2018	Corporate banking MDL'000	Retail banking MDL'000	Treasury MDL'000	Other MDL'000	Total per statement of financial position MDL'000
LIABILITIES					
Due to banks	-	-	5,045	23,165	28,210
Borrowings	-	-	568,884	58,800	627,684
Due to customers	1,906,454	16,740,501	-	-	18,646,955
Conditional commitments provisions	9,610	139	-	-	9,749
Deferred tax liability	9,876	13,260	10,328	987	34,451
Other liabilities	4,801	166,205	-	309,078	480,084
Total liabilities	**1,930,741**	**16,920,105**	**584,257**	**392,030**	**19,827,133**

37 RISK MANAGEMENT

The risks are part of the Group's activities. Effective risk management is a key condition for success, especially during current economic conditions. The key objectives such as the maximization of the profitability, reduction of the risk exposure, compliance with regulations determined that the risk management process becomes more complex and vital.

The Group is exposed to the credit risk, inclusive regarding the partner banks (the risk related to counterparties), liquidity risk, market risk, that includes currency risk, interest rate risk associated with non-trading activity, operational risk, country and transfer risk.

37.1 Risk management structure

Risk management structure is based on actual requirements regarding the internal control system, general accepted practice, including recommendations of the Basel Committee for Banking Supervision.

The Board of Directors is responsible for approving the strategies, policies and general principles for addressing risks within the Group and risk limits, the task which is delegated to Bank`s Executive, including within specialized committees such as the Management Board, the Credit Committee, the Asset Liability Management Committee.

The Bank`s Risk Committee is a permanent body with advisory functions, the main purpose of which is to ensure the organization of an efficient system for a permanent identification and assessment of risks related to the Group's activity and to oversee the implementation of Group`s risk strategies.

37.2 Basic principles of risk management

The Group's risk management strategy aims to ensure that capital is adequately tailored to the Group's risk appetite as well as to the forecasted budget ratios in conditions of controlled risk to ensure both continuity in the Group's operations and the protection of the interests of shareholders and customers. The Group adopts a risk appetite according to appropriate risk management strategies and policies, correlated with the overall business strategy, the Bank's equity and risk management experience.

Risk management is performed through structured application of management culture, policies, procedures and practices to identify, evaluate, monitor, and reduce risk. Risk monitoring and control is primarily driven by the limit system, which the Group has imposed on every significant risk. The limits are continuously monitored, ensuring communication to the Bank's Management Board/ Asset and Liability Management Committee/ Risk Committee members, Bank's Council. Taking into account environmental changes, market trends and/ or increasing some risk indicators, the Group intervenes and imposes limits or other control and management measures. The risk limits imply, first of all, the Group's tolerance and risk appetite.

37 RISK MANAGEMENT (CONTINUED)

37.2 Basic principles of risk management (continued)

The Group has developed its own internal model for assessing and quantifying the size of the capital needed to cover the main types of risk to which it is exposed to, namely the credit, currency, interest rate risks associated with the banking and operational portfolios. The same time, the Group uses securement and operations to hedge its exposures at risk through instruments available on the market.

The stress testing process is an integral part of the risk management system within the Group. The Group conducts regular stress tests, the results obtained are reported to the Bank's Management Board, the ALCO Committee, the Risk Committee, and eventual the Bank Council with further approval of relevant decisions, if needed, in order to avoid adverse events to the Group. The Internal Audit Department assesses the effectiveness of stress testing scenarios conducted within the Group for all risks related to banking activity, taking into account possible events or changes in market conditions that may affect the Group's activity.

In order to ensure effective risk management and obtain objective information on the status and extent of risks, the Group's risk exposures are monitored on an ongoing basis, with daily information being presented and analyzed in this respect. Monthly and quarterly reports detailed with Group exposure, compliance with risk limits and risk parameters, and the possible impact scenarios in those cases are presented to the Bank's Executives, including specialized committees such as ALCO, the Credit Committee.

Quarterly, a comprehensive report is submitted to the Bank's Risk Committee and Council, allowing members of the committee to make their own opinion on the Group's exposure to the risk and the effectiveness of their management system.

37.3 Country and transfer risk

Country risk is the risk determined by the eventual negative impact of economic, social and political conditions and events in a foreign country on the Group's activity.

Transfer risk is the risk that it will be impossible for a foreign entity to convert certain financial liabilities in the necessary currency to settle the payment due to the deficiency of the respective currency as a result of restrictions imposed in that country.

The country risk management system within the Group provides for the application and improvement of the internal model for evaluation and assessing of the risk category established for the country, on the basis of the analysis of complex factors, including the international rating assigned by the international rating agencies stipulated in the internal normative acts. Based on them the risk categories and the exposure limits of the bank toward each country are established. The review and adjustment of the approved limits is done periodically, but not less than once a year.

Compliance with country limits is monitored continuously by informing in the pre-set periodicity the Bank's Management Board, the Bank's Risk Committee and the Bank's Board on the level of Group's exposure to the country and transfer risk.

37 RISK MANAGEMENT (CONTINUED)

37.3 Country and transfer risk (continued)

Group's country exposure as at 31 December:

	2019		2018	
Country risk category	**MDL'000**	**%**	**MDL'000**	**%**
I	1,988,440	99.37	1,690,536	98.04
II	11,632	0.58	11,817	0.68
III	109	0.01	21,650	1.26
IV	817	0.04	384	0.02
Total	**2,000,998**	**100**	**1,724,387**	**100**

Category I includes countries with international rating AAA-AA, category II: A-BBB, category III: BB-B, category IV: less than B.

The Group considers as acceptable the level of country risk, given that most of the financial resources exposed to country risk relate to states with a high solvency, and namely I risk category - 99.37%.

The Group periodically assesses the credit quality of its exposure to country risk and performs various stress scenarios based on the severity of the assumed circumstances, estimating the size of potential losses if the conditions will occur and the impact on the Group's capital. Developments in the global and regional economy and trends and their forecasts are continuously analyzed, in order to react promptly and effectively to minimize risks.

37.4 Market risk

Market risk represents the risk of registering financial losses and /or the worsening of the financial position of the Group, as a result of the unfavourable fluctuations in the price of the Group's portfolio, determined by the changes in the risk factors such as: interest, exchange rates, volatility, etc.

The Group is exposed to interest rate and currency risks. The objective of market risk management is to monitor and keep in line with regulatory requirements, the business model and the Group's risk appetite the exposures on the financial instruments in the portfolio while optimizing the return on those investments.

37 RISK MANAGEMENT (CONTINUED)

37.4 Market risk (continued)

37.4.1 Currency risk

Currency risk is the risk of potential losses due to exchange rate changes (price) of the respective currency on exchange market.

The Group manages the exchange rate risk through its prudent management of the open currency positions, the management and monitoring process being based on VAR methodology, the internal system of indicators and limits applied, maintenance of a balanced structure of assets and liabilities in foreign currency, applying stress scenarios to exchange rate developments and analysis of the impact on earnings and capital.

In order to calculate the equity requirement for the total net position in foreign currencies, the Group uses the standardized approach to currency risk in accordance with the regulations established by the NBM.

In order to estimate the market risk derived from changes in exchange rates of foreign exchange to the Moldovan Leu, the Bank uses the VAR method with a confidence interval of 95%, calculated on the basis of information on daily fluctuations of exchange rates, recorded during a two years period of observation.

VAR index (MDL'000)

	VAR limit	Effectively as at 31 December	Daily average	Maximum	Minimum
2019	2,600	240	406	2130	40
2018	2,600	985	362	1,396	26

To ensure effective monitoring of the currency risk and increase the Group's protection against possible adverse developments in the risk factors, the Group analyzes the sensitivity of its opened currency positions to the volatility of the exchange rates.

The table below reflects the potential effect (on account of profit/loss) from daily change of foreign exchange rates that Group mainly operates with and therewith significant exposure (given the size of balance sheet assets and foreign exchange liabilities): EUR and USD in relation to MDL.

The stress analysis is applied to open currency positions for each of the two currencies listed at 31 December 2019 and at 31 December 2019, given reasonable daily deviation increase/decrease in exchange rates of foreign currencies against the national currency.

The amount of open currency positions includes the balances of balance sheet and off-balance sheet assets and liabilities in foreign currency. Negative amount, possibly obtained under scenario reflects a potential net reduction in foreign currency differences gains, net, while a positive amount reflects a possible increase in the foreign currency differences gains, net:

37 RISK MANAGEMENT (CONTINUED)

37.4 Market risk (continued)

37.4.1 Currency risk (continued)

Open currency position	Nominal value MDL'000	FX rate %	Possible daily rate increase MDL'000	Income/ (loss) effect %	Possible daily rate decrease MDL'000
As at 31 December 2019					
EUR	(35,077)	15.00	(5,262)	(10.00)	3,508
USD	6,079	15.00	912	(15.00)	(912)
Total			**(4,350)**		**2,596**

Open currency position	Nominal value MDL'000	FX rate %	Possible daily rate increase MDL'000	Income/ (loss) effect %	Possible daily rate decrease MDL'000
As at 31 December 2018					
EUR	(80,729)	15.00	(12,109)	(10.00)	8,073
USD	(77,519)	15.00	(11,628)	(15.00)	11,628
Total			**(23,737)**		**19,701**

The nominal value of open foreign exchange position is calculated according to the provisions of the NBM and includes the assets and financial liabilities and the conditional commitments as at 31 December 2019 and 31 December 2018.

See Note 38 for the structure of Group's assets and liabilities per currencies.

37 RISK MANAGEMENT (CONTINUED)

37.4 Market risk (continued)

37.4.2 Interest rate risk associated with activities outside of non-trading portfolio (IRRBB)

Interest rate risk is the current or future risk of impairment of profits and equity as a result of adverse changes in interest rates.

The Group treats IRRBB as a significant risk, being properly monitored, measured and controlled, in order to limit potential losses caused by adverse interest rate fluctuations so that such losses do not threaten the Group's profitability, own funds or operational safety.

The Group manages the exposure to the IRRBB through the analysis of sensitive assets and liabilities within the interest rate review gap and through a system of limits and risk parameters approved by the Bank's Board within the internal regulations. The monitoring of the exposure to the interest rate risk of the banking portfolio and compliance with internal limits is performed at least once a month, within the Bank's Assets and Liabilities Management Committee.

The Group quantifies its exposure to interest rate risk in the banking portfolio, in terms of affecting the economic value of the bank (EVE) and net interest income (NII), as a result of applying the shocks to changes in interest rates on the yield curve.

Estimating the sensitivity of the economic value of assets and liabilities outside the non-trading portfolio is calculated by comparing their present value to the value obtained as a result of the application of the interest rate curve to each predefined stress scenario.

Estimating the impact of the change in net interest income is the difference between the expected gains in a baseline scenario and the expected gains in alternative ones, negative shock or crisis scenarios, in a perspective of business continuity over the next year by considering a constant balance sheet.

37 RISK MANAGEMENT (CONTINUED)

37.4 Market risk (continued)

37.4.2 Interest rate risk associated with activities outside of non-trading portfolio (IRRBB)

The table below shows the sensitivity of net interest income to a possible proportional change in interest rates within each maturity band in dependence of the interest revaluation range. The model does not evaluate the non-interest-bearing elements.

		Sensitivity of net interest income, MDL'000					
Increase in basis points		1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	+100	26,757	(1,611)	(5,813)	2,612	2	21,947
2019	+50	13,379	(805)	(2,907)	1,306	1	10,974
	+100	5,665	2,795	3,792	4,389	12	16,653
2018	+50	2,833	1,398	1,896	2,194	6	8,327

		Sensitivity of net interest income, MDL'000					
Decrease in basis points		1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
2019	-100	(26,757)	1,611	5,813	(2,612)	(2)	(21,947)
	-50	(13,379)	805	2,907	(1,306)	(1)	(10,974)
2018	-100	(5,665)	(2,795)	(3,792)	(4,389)	(12)	(16,653)
	-50	(2,833)	(1,398)	(1,896)	(2,194)	(6)	(8,327)

37.5 Liquidity risk

Liquidity risk is the current or future risk that affects profits and equity due to the Group's inability to meet its obligations at maturity.

The Group's liquidity risk management system foresees liquidity management in accordance with regulatory requirements, systematic monitoring and analysis of risk factors regarding the Group's current and long-term liquidity.

The Group aims to achieve an optimal balance between assets and liabilities on each maturity gap, by contracting a diversified and high quality portfolio of assets, ensuring sustainable and successful activity, and attracting financial resources with various maturities. An integral part of the liquidity risk management process represents the system of early warning indicators and liquidity position testing under crisis conditions.

The Group maintains and updates the Crisis Recovery Plan, which represents a risk management tool aimed for determining the procedures for early identification of vulnerabilities and measures to be taken in order to mitigate the negative impact of a possible crisis situation.

37 RISK MANAGEMENT (CONTINUED)

37.5 Liquidity risk (continued)

The table below sets out the remaining contractual cash flows until the maturity of the Group's non-derivative financial liabilities. The amounts disclosed in the table represent undiscounted cash flows at 31 December 2019:

31 December 2019	On demand MDL'000	Less than 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 yo 5 years MDL'000	Over 5 years MDL'000	Total MDL'000
Financial liabilities						
Due to banks	24,906	2,976	12,910	35,417	-	76,209
Borrowings	24,183	66,615	166,167	497,161	25,354	779,480
Due to customers	9,466,642	1,544,487	6,183,464	3,620,726	53,061	20,868,380
Liabilities related to operating leases	-	-	38,085	52,994	10,579	101,658
Other financial liabilities	232,598	-	-	-	-	232,598
Total undiscounted financial liabilities	**9,748,329**	**1,614,078**	**6,400,626**	**4,206,298**	**88,994**	**22,058,325**
Letters of credit	15,257	-	-	963	-	16,220
Financial guarantees	296,495	20,714	31,303	41,717	-	390,229
Financing commitments	41,677	77,752	502,123	866,557	2	1,488,111
Total	**10,101,758**	**1,712,544**	**6,934,052**	**5,115,535**	**88,996**	**23,952,885**

37 RISK MANAGEMENT (CONTINUED)

37.5 Liquidity risk (continued)

The table below sets out the remaining contractual cash flows until the maturity of the Group's non-derivative financial liabilities. The amounts disclosed in the table represent undiscounted cash flows at 31 December 2018:

31 December 2018	On demand MDL'000	Less than 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 yo 5 years MDL'000	Over 5 years MDL'000	Total MDL'000
Financial liabilities						
Due to banks	6,765	3,262	11,158	8,279	-	29,464
Borrowings	38,601	21,617	138,142	460,072	29,498	687,930
Due to customers	8,213,293	1,867,736	7,570,336	1,334,547	15,260	19,001,172
Other financial liabilities	442,969	-	-	-	-	442,969
Total undiscounted financial liabilities	**8,701,628**	**1,892,615**	**7,719,636**	**1,802,898**	**44,758**	**20,161,535**
Letters of credit	-	976	-	-	-	976
Financial guarantees	164,364	21,764	39,115	23,231	-	248,474
Financing commitments	42,283	176,197	285,144	460,742	1	964,367
Total	**8,908,275**	**2,091,552**	**8,043,895**	**2,286,871**	**44,759**	**21,375,352**

37 RISK MANAGEMENT (CONTINUED)

37.6 Counterparty risk

Counterparty risk (partner banks) is the risk of the counterparty defaulting on certain assets and liabilities arising from transactions in the financial markets (foreign exchange, monetary and securities) or in carrying out documentary and / or clearing operations that may cause losses to the Group.

The Group follows a prudent policy in partnership with local and foreign banks. The majority of the completed operations, as well as the funds held in the correspondent accounts, is completed through strategic partners with long-term cooperation experience.

The Group's counterparty risk management system provides the application and continuous improvement of the mechanisms for assessing and reviewing the solvency of partner banks on the basis of an internal evaluation model that provides the qualitative and quantitative analysis of banks in order to establish total exposure limits. depending on the type and term of the operations. The limits are reviewed and adjusted periodically.

In assessing the solvency category of the partner banks, in addition to the internal qualitative and quantitative parameters, the Group takes into account the lowest international rating of the partner bank assigned by the rating agencies: Standard & Poor's, Moody's and Fitch Ratings.

In the process of controlling counterparty risk management (ie partner banks), the Group provides clear procedures for current monitoring and post-factum control of compliance, the Group's level of exposure to the partner bank individually and cumulatively, as well as the efficiency of the system of monitoring and control. The Group assesses on a monthly basis the credit quality of its exposure to partner banks and performs various stress scenarios depending on the severity of the alleged circumstances.

Information on the analysis of the level of exposure of the Group to the counterparty risk is provided daily to all interested units, and summary reports are presented monthly to the Group's management.

37.7 Credit risk

For measurement purposes, the Group shall use also stress tests to measure how the Group risk profile would respond to potential adverse internal and external events and to identify the potential weaknesses and vulnerabilities in terms of credit risk positions.

The credit risk shall be defined as the current or future risk to negatively affect the profits and capitals due to the Debtor's failure to meet the contractual obligations.

37 RISK MANAGEMENT (CONTINUED)

37.7 Credit risk (continued)

For the credit risk management, the Group has defined and applies:

-procedures for identifying the markets where the Group operates or intends to enter, for determining the characteristics of those markets (including their diversification and concentration degrees) and assessing new business opportunities for lending operations;
-types of credit products and parameters used for financing the customers' needs depending on the use purpose and on the customer's segment;
-procedures for appraising the counterparties and key criteria for determining the eligible counterparties, the conditions to be met by them in order to enter into business relations with the Group and for obtaining the financing;
-the roles and responsibilities of subunits (subsidiaries, departments) and personnel involved in providing, monitoring and managing the lending operations;
-types of accepted collateral;
-the structure/scheme of approval powers, including the process of approving the derogations;
-the process of monitoring the customers/counterparties;
-the set of boundaries and restrictions.

The Group shall define minimum coverage levels with collateral depending on the credit product, its value and term of exposure, and liquidity of collateral, so that to have sufficient amortisation for any eventual declines in their market value.

The Table below displays cumulative information on maximum exposure to credit risk of Group Balance Sheet and off-Balance elements. The Table comprises also the financial effect of the total fair value of pledge held by types and its value surplus.

37 RISK MANAGEMENT (CONTINUED)

37.7 Credit risk (continued)

31 December 2019	Maximum exposure to credit risk	Fair value of the collateral: Cash and cash equivalents	Govern ment guarantees / other	Securi ties	Immovable assets	Movable assets	Total eligible collateral	Excess of collateral	Net exposure	Allowances for impairment loses
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Loans, from which	**14,226,546**	**37,952**	**499,306**	**348,041**	**7,741,094**	**3,059,108**	**11,685,501**	**7,907,937**	**2,541.045**	**838,239**
Corporate	7,662,918	21,166	499,306	12,629	4,040,558	2,450,468	7,024,127	4,438,866	638,791	666,552
Retail entities	1,974,100	16,549	-	16,360	1,248,448	607,347	1,888,704	1,769,199	85,396	61,000
Individuals	4,589,528	237	-	319,052	2,452,088	1,293	2,772,670	1,699,872	1,816,858	110,687
Lease contracts	**159,053**	**-**	**-**	**-**	**11,525**	**121,930**	**133,455**	**-**	**25,598**	**17,575**
Legal entities	64,479	-	-	-	1,376	48,333	49,709	-	14,770	8,398
Individuals	94,574	-	-	-	10,149	73,597	83,746	-	10,828	9,177
Commitments, from which	**1,894,560**	**14,046**	**-**	**-**	**316,069**	**460,740**	**790,855**	**804,653**	**1,103,705**	**9,470**
Letters of credit	16,220	-	-	-	1	962	963	484	15,257	129
Guarantees	390,229	11,922	-	-	149,758	163,550	325,230	191,339	64,999	1,846
Financing commitments	1,488,111	2,124	-	-	166,310	296,228	464,662	612,830	1,023,449	7,495
Total	**16,280,159**	**51,998**	**499,306**	**348,041**	**8,068,688**	**3,641,778**	**12,609,811**	**8,712,590**	**3,670,348**	**865,284**

37 RISK MANAGEMENT (CONTINUED)

37.7 Credit risk (continued)

		Fair value of the collateral								
31 December 2018	Maximum exposure to credit risk	Cash and cash equivalents	Government guarantees / other	Securities	Immovable assets	Movable assets	Total eligible collateral	Excess of collateral	Net exposure	Allowances for impairment loses
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Loans, from which	**12,404,166**	**36,656**	**120,609**	**116,808**	**6,418,832**	**2,684,389**	**9,377,294**	**3,427,891**	**3,026,872**	**841,078**
Corporate	6,946,737	13,158	120,606	2,635	3,225,223	2,163,490	5,525,112	1,241,977	1,421,625	697,810
Retail entities	1,919,016	22,702	3	5,600	1,127,809	518,944	1,675,058	809,167	243,958	60,745
Individuals	3,538,413	796	-	108,573	2,065,800	1,955	2,177,124	1,376,747	1,361,289	82,523
Lease contracts	**130,375**	-	-	-	**17,026**	**91,522**	**108,548**	-	**21,827**	**19,276**
Legal entities	68,201	-	-	-	2,483	51,078	53,561	-	14,640	12,333
Individuals	62,174	-	-	-	14,543	40,444	54,987	-	7,187	6,943
Commitments, from which	**1,213,816**	**33,968**	-	-	**110,072**	**50,718**	**194,758**	**145,132**	**1,019,058**	**9,749**
Letters of credit	976	-	-	-	166	417	583	-	393	3
Guarantees	248,474	17,607	-	-	37,847	17,355	72,809	29,341	175,665	1,078
Financing commitments	964,366	16,361	-	-	72,059	32,946	121,366	115,791	843,000	8,668
Total	**13,748,357**	**70,624**	**120,609**	**116,808**	**6,545,930**	**2,826,629**	**9,680,600**	**3,573,023**	**4,067,757**	**870,103**

37 RISK MANAGEMENT (CONTINUED)

37.7 Credit risk (continued)

The Group ensure analysis of exposure to credit risk at portfolio level to prevent and identify areas exposed to concentrations risk, by analysing exposures at individual level and/ or group of interconnected persons, types of activity, categories of debtors, currencies, terms, products, etc. The evolution of the concentration parameters is analysed through the set of established limits.

The tables below show the concentrations degree of risk at industry level and by components of the financial statements.

Loans		2019		2018
	MDL'000	%	MDL'000	%
Agriculture / Food industry Inclusive:	3,234,772	22.7%	2,843,927	22.9%
agriculture	1,266,902	8.9%	1,003,264	8.1%
food industry	1,967,870	13.8%	1,840,663	14.8%
of which wine production	820,881	5.8%	815,796	6.6%
Non-food industry	767,074	5.4%	764,418	6.2%
Loans to individuals	4,589,526	32.2%	3,538,413	28.5%
Trade	3,828,044	26.9%	3,577,350	28.8%
Transport	334,615	2.4%	317,314	2.6%
Telecommunications	343,726	2.4%	364,439	2.9%
Construction and real estate	480,538	3.4%	491,464	4.0%
Energy sector	229,545	1.6%	215,340	1.8%
Financial Institutions and Organizations	235,152	1.7%	224,728	1.8%
Other	183,554	1.3%	66,773	0.5%
	14,226,546	**100%**	**12,404,166**	**100%**

Lease receivables		2019		2018
	MDL'000	%	MDL'000	%
Individuals	94,574	59.5%	62,174	47.7%
Legal entities:				
Industry and construction	16,629	10.4%	23,591	18.1%
Trade	13,147	8.3%	12,839	9.8%
Services	24,084	15.1%	19,396	14.9%
Agriculture	4,289	2.7%	3,438	2.6%
Transport	6,330	4.0%	8,937	6.9%
	159,053	**100%**	**130,375**	**100%**

37 RISK MANAGEMENT (CONTINUED)

37.7 Credit risk (continued)

Commitments	2019		2018	
	MDL'000	%	MDL'000	%
Agriculture/ Food industry	103,437	7.0%	149,007	15.5%
inclusive:				
agriculture	53,083	3.6%	50,693	5.3%
food industry	50,354	3.4%	98,314	10.2%
of which wine production	2,043	0.1%	5,511	0.6%
Non-food industry	86,772	5.8%	17,543	1.8%
Loans to individuals	311,404	20.9%	207,601	21.5%
Trade	688,472	46.3%	412,637	42.8%
Transport	55,900	3.7%	55,617	5.8%
Telecommunications	-	-	24,587	2.5%
Construction and real estate	40,353	2.7%	38,279	4.0%
Financial Institutions and Organizations	40,956	2.8%	54,499	5.6%
Non-commercial organizations	158,190	10.6%	-	-
Other	2,627	0.2%	4,596	0.5%
	1,488,111	**100%**	**964,366**	**100%**

Letters of credit / Guarantees	2019		2018	
	MDL'000	%	MDL'000	%
Agriculture / Food industry	37,466	9.2%	16,432	6.6%
inclusive:				
agriculture	968	0.2%	1,127	0.5%
food industry	36,498	9.0%	15,305	6.1%
of which wine production	-	-	-	0.0%
Non-food industry	15,826	3.9%	3,234	1.3%
Loans to individuals	1,410	0.4%	2	0.0%
Trade	252,730	62.2%	161,892	64.9%
Transport	15,229	3.7%	26,524	10.6%
Telecommunications	89	0.0%	72	0.0%
Construction and real estate	79,608	19.6%	38,928	15.6%
Financial Institutions and Organizations	-	-	5	0.0%
Other	4,091	1.0%	2,360	0.9%
	406,449	**100%**	**249,449**	**100%**

37 RISK MANAGEMENT (CONTINUED)

37.7 Credit risk (continued)

At 31 December 2019 loans granted to 20 major customers (groups of clients) of the Group amounted to MDL'000 4,215,378 representing 29.61% of Bank's gross loan portfolio (2018: MDL'000 3,909,549 or 31.47%).

These customers can be analyzed by industries as follows:

	2019		2018	
	MDL'000	**%**	**MDL'000**	**%**
Agriculture / Food industry	1,704,901	40.4%	1,252,557	32.0%
Inclusive:				
agriculture	219,591	5.2%	189,478	4.8%
food industry	1,485,310	35.2%	1,063,079	27.2%
of which wine production	587,301	14.0%	476,996	12.2%
Non-food industry	-	0.0%	318,521	8.1%
Loans to individuals	4,982	0.1%	4,970	0.1%
Trade	1,719,719	40.8%	1,481,094	37.9%
Transport	1,358	0.0%	-	-
Telecommunications	343,543	8.2%	363,712	9.3%
Construction and real estate	183,679	4.4%	211,728	5.4%
Energy sector	228,503	5.4%	213,882	5.5%
Financial Institutions and Organizations	28,693	0.7%	62,995	1.6%
	4,215,378	**100%**	**3,909,459**	**100%**

Leasing receivables granted to 20 major customers can be analyzed by industries as follows:

	2019		2018	
	MDL'000	**%**	**MDL'000**	**%**
Individuals	20,077	41.1%	16,926	33.1%
Legal entities:				
Industry and constructions	10,319	21.1%	15,552	30.4%
Trade	2,525	5.2%	3,689	7.2%
Services	13,929	28.5%	8,120	15.9%
Agriculture	-	-	1,166	2.3%
Transport	1,989	4.1%	5,660	11.1%
	48,839	**100%**	**51,113**	**100%**

For significant credit risk concentration at the industry level please refer to Notes 8 and 9.

37 RISK MANAGEMENT (CONTINUED)

37.7 Credit risk (continued)

Individual/collective approach (portfolio segmentation)

The Group shall calculate the ECL either through individual method or collective method.

Individual measurement is mandatory for the customers, which exposure exceeds the materiality threshold of MDL 10,000,000 set up by the Bank and have credits classified into Stage 3 (default). Upon individual measurement, the Group shall take into account weighted scenarios for all probable cash flows, namely: asset contractual flows, the flows resulting from the sale of collateral and other credit improvements, having specified the time-table of expected cash flows and the estimated probability of realising each scenario.

Collective measurement of financial instruments shall be carried out on the basis of homogenous groups of assets. In order to segment the portfolio in portfolios with similar credit risk, the Group uses the following characteristics:

Type of Customer;

Credit product;

Credit duration;

Share of credit value in the total market value of collateral.

Credit Risk Increase and Default

The Group continuously monitors the developments of asset portfolio quality to identify if the amount of discounts for the calculated losses is to be estimated through determining the expected losses for a 12-month period or over the life of the asset. The Group primarily applies qualitative methods to identify the credit risk increase defined in light of the internal classification system and combinations of ratings and number of past due days. Regardless of the change in the exposure category, if the contractual payments are at least 30 days past due, it shall be considered that the credit risk has grown significantly relative to its initial recognition.

The Group considers a financial instrument to be in the stage of default (classified into Stage 3) in any case when the Debtor reports more than 90 days of past due. As part of qualitative measurement if a customer is in the stage of default, the Group shall review also the outcomes furnished by the classification system and by other available in-house data.

The Group policy is to deem a financial instrument as "recovered" and, therefore, be reclassified from Stage 3 when the implicit criteria leading to its default are no longer in place. The decision to classify an asset into Stage 2 or Stage 1 shall depend on the classification category updated at the time of "recovery" and if it shows or not a significant increase of credit risk in comparison with the initial recognition.

37 RISK MANAGEMENT (CONTINUED)

37.7 Credit risk (continued)

Estimating the Probability of Default (PD)

The probability of default shall be estimated by the Group, using Markov chain approach on the basis of information pertaining to the transaction amongst different credit states, based on the pre-established baskets of days past due for each homogenous groups of assets (portfolios with homogeneous credit risk). The transition probabilities shall be determined by the actual number of migrations observed during the time concerned, subject to analysis on a monthly basis, for a 60-month period.

The Migration Matrix shall comprise the following baskets of past dues:

Zero days past due;

1-30 days past due;

31 – 60 days past due;

61 – 90 days past due;

More than 90 days past due.

To determine the probability of default over the whole life it is necessary to multiply the result of monthly transition wherever appropriate.

Estimating the Loss Given Default (LGD)

The Loss Given Default (LGD) estimates shall be carried out using the Recovery Matrix by having applied the Vintage approach at the level of portfolios with homogeneous credit risk. The cohorts were built based on the criterion of calendar quarter default entry of exposure, for which quarterly recoveries were noticed. To eliminate the impact of outliers on the average recovery indicator, upon building the Recovery Matrix, small exposures with the balance below MDL 100 were excluded, as well as large exposures (with significant early repayments).

To fill in the Matrix with the protection related to unnoticed recoveries, a statistic approach has been applied described in the relevant published literature as Chain-ladder models, which purpose is to estimate the future recovery curve based on the noticed recoveries.

37 RISK MANAGEMENT (CONTINUED)

37.7 Credit risk (continued)

Analysis of the impact of changes in the factors used to estimate the expected credit losses

The table below presents the impact of changes in the parameters used in the assessment process of the expected losses on impairment allowance:

31.12.2019	Corporate	Retail entities	Mortgages	Consumption	Financing commitments	Letters of credit and guarantees	Leasing	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Impairment allowances and provisions collectively assessed								
Increase by 10% of PD and LGD	22,019	7,837	9,860	9,006	1,298	415	382	50,817
Decrease by 10% of PD and LGD	(19,946)	(7,653)	(9,467)	(11,563)	(1,175)	(375)	(650)	(50,829)
Impairment allowances and provisions individually assessed								
Increase of flows by 10%	(56,170)	(2,072)	-	-	-	-	(717)	(58,959)
Decrease of flows by 10%	47,335	1,325	-	-	-	-	2,253	50,913

31.12.2018	Corporate	Retail entities	Mortgages	Consumption	Financing commitments	Letters of credit and guarantees	Leasing	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Impairment allowances and provisions collectively assessed								
Increase by 10% of PD and LGD	14,188	8,349	7,984	7,420	784	227	392	39,344
Decrease by 10% of PD and LGD	(12,837)	(8,258)	(7,559)	(8,120)	(710)	(205)	(682)	(38,371)
Impairment allowances and provisions individually assessed								
Increase of flows by 10%	(63,025)	(1,728)	-	-	(433)	-	(1,166)	(66,352)
Decrease of flows by 10%	54,207	949	-	-	433	-	4,159	59,748

37 RISK MANAGEMENT (CONTINUED)

37.8 Taxation risk

The Group is committed to ensure a sustainable management of taxation risk by building and maintaining a transparent, effective and efficient tax function within the Group. The Group strictly respects and applies the tax legislation in force for all categories of fees and taxes. The implementation of IFRS, put into force since 01 January 2012, was taken into consideration for the revision of the fiscal legislation by introducing specific regulations for treating the adjustments resulted the implementation and further. In this connection, a careful analysis was made to identify the differences in accounting treatments, having a fiscal impact, both on the current tax liability as well as on the deferred tax liability.

It is anticipated that fiscal legislation will be subject to frequent amendments in the future. Considering the precedents, these aspects might be applied retrospectively. Tax liabilities of the Group are open to tax inspection for a period of four years.

37.9 Operational risk

The Group is aware of the importance of managing the operational risk arising from its business activities as well as of the need to hold an adequate level of capital to absorb the potential losses associated with this type of risk.

The Group has an operational risk management framework that includes policies and processes for identifying, measuring / evaluating, analyzing, managing and controlling operational risk. Policies and processes are appropriate to the size, nature and complexity of the Group's activities and are adjusted periodically according to the operational risk profile.

For operational risk management, the Group uses the following tools:

Collection and management of operational risk events. The Group has a historical database, in which operational risk events are centralized, reported by all organizational units.

Definition and monitoring of key risk indicators (KRI), measures, used in the operational risk assessment, monitoring and reporting phases. The purpose of key risk indicators is: to act as early warning signs of potential operational and control risk issues; to define tolerance levels and critical thresholds for operational risk and to indicate dynamic changes in the level of operational risk over time.

Identification and assessment of operational risk through the exercise of risk self-assessment and associated controls. The self-assessment process allows the identification and assessment of the operational risks related to that year, as well as the measures to be taken to reduce the losses caused by the occurrence of operational risk events.

Analysis of test stress scenarios related to operational risk. The scenario analysis aims to assess the potential effects of one or more possible operational risk events (extreme but probable events) on the Group's financial situation.

37 RISK MANAGEMENT (CONTINUED)

37.9 Operational risk (continued)

For more efficient management, the Group uses procedures and support processes in operational risk management, namely:

- Risk analysis and assessment of new products and activities;
- Compliance procedures and related risk management;
- Management of the outsourcing process, regulated by internal policies regarding the outsourcing of the Bank's activities and operations;
- Business Continuity Management characterized by maintaining and updating the business continuity plan;
- Information and communication technology risk management.

The management framework is also supported by an appropriate organizational structure, with clear roles and responsibilities, in line with the assumption that the Bank's subunits bear the primary responsibility for managing operational risk and enforcing appropriate control.

38 STATEMENT OF FINANCIAL POSITION STRUCTURE BY CURRENCY

				31 December 2019	
	Total MDL'000	MDL MDL'000	USD MDL'000	EUR MDL'000	Other MDL'000
ASSETS					
Cash on hand	940,199	463,437	77,117	348,141	51,504
Balances with NBM	5,813,652	4,455,945	404,454	953,253	-
Due from banks	1,995,723	-	723,821	1,263,877	8,025
Financial assets at fair value through other comprehensive income	1,270,306	1,270,306	-	-	-
Loans and advances to customers	13,388,307	7,904,165	1,473,124	4,011,018	-
Lease receivables	141,478	20,282	415	120,781	
Financial assets at amortized cost	771,523	771,523	-	-	-
Non-current assets held for sale	11,559	11,559	-	-	-
Property and equipment and right-of-use assets	1,265,803	1,265,803	-	-	-
Investment property	72,419	72,419	-	-	-
Intangible assets	70,081	70,081	-	-	-
Other assets	222,428	130,788	18,428	72,966	246
Total assets	**25,963,478**	**16,436,308**	**2,697,359**	**6,770,036**	**59,775**
LIABILITIES					
Due to banks	72,435	21,920	2,051	48,464	-
Borrowings	724,168	292,688	22,478	409,002	-
Due to customers	20,304,659	11,432,019	2,625,262	6,210,040	37,338
Conditional commitments provisions	9,470	5,105	1,284	3,081	-
Deferred tax liabilities	45,609	45,609	-	-	-
Current tax liability	27,614	27,614	-	-	-
Other liabilities	356,528	193,220	42,218	120,960	130
Total liabilities	**21,540,483**	**12,018,175**	**2,693,293**	**6,791,547**	**37,468**
GAP	**4,422,995**	**4,418,1334**	**4,066**	**(21,511)**	**22,307**

38 STATEMENT OF FINANCIAL POSITION STRUCTURE BY CURRENCY (CONTINUED)

				31 December 2018	
	Total MDL'000	MDL MDL'000	USD MDL'000	EUR MDL'000	Other MDL'000
ASSETS					
Cash on hand	1,103,882	481,083	82,341	474,520	65,938
Balances with NBM	5,400,244	4,329,009	320,670	750,565	-
Due from banks	1,720,607	422	356,171	1,341,874	22,140
Financial assets at fair value through other comprehensive income	1,647,666	1,647,666	-	-	-
Loans and advances to customers	11,563,088	6,527,068	1,588,542	3,447,478	-
Lease receivables	111,100	20,437	909	89,754	-
Financial assets at amortized cost	900,370	900,370	-	-	-
Non-current assets held for sale	13,319	13,319	-	-	-
Property and equipment	1,015,912	1,015,912	-	-	-
Investment property	72,464	72,464	-	-	-
Intangible assets	66,362	66,362	-	-	-
Other assets	118,705	68,888	22,013	27,548	256
Total assets	**23,733,719**	**15,143,000**	**2,370,646**	**6,131,739**	**88,334**
LIABILITIES					
Due to banks	28,210	2,387	2,658	23,165	-
Borrowings	627,684	291,514	29,893	306,277	-
Due to customers	18,646,955	10,322,028	2,437,286	5,853,399	34,242
Conditional commitments provisions	9,749	9,749	-	-	-
Deferred tax liabilities	34,451	34,451	-	-	-
Current tax liability	14,734	14,734	-	-	-
Other liabilities	465,350	392,705	30,272	39,047	3,326
Total liabilities	**19,827,133**	**11,067,568**	**2,500,109**	**6,221,888**	**37,568**
GAP	**3,906,586**	**4,075,432**	**(129,463)**	**(90,149)**	**50,766**

39 MATURITY STRUCTURE

31 December 2019	Total MDL'000	Less than 1 year MDL'000	More than 1 year MDL'000
ASSETS			
Cash on hand	940,199	940,199	-
Balances with National Bank of Moldova	5,813,652	5,813,652	-
Due from banks	1,995,723	1,995,723	-
Financial assets at fair value through other comprehensive income	1,270,306	854,805	415,501
Loans and advances to customers	13,388,307	4,949,110	8,439,197
Lease receivables	141,478	69,133	72,345
Financial assets at amortized cost	771,523	771,523	-
Non-current assets held for sale	11,559	-	11,559
Property and equipment and right-of-use assets	1,265,803	-	1,265,803
Investment property	72,419	-	72,419
Intangible assets	70,081	-	70,081
Other assets	222,428	220,493	1,935
Total assets	**25,963,478**	**15,614,638**	**10,348,840**
LIABILITIES			
Due to banks	72,435	27,248	45,187
Borrowings	724,168	236,443	487,725
Due to customers	20,304,659	16,966,828	3,337,831
Conditional commitments provisions	9,470	9,470	-
Deferred tax liabilities	45,609	-	45,609
Current tax liability	27,614	27,614	-
Other liabilities	356,528	356,528	-
Total liabilities	**21,540,483**	**17,624,131**	**3,916,352**
Maturity gaps	**4,422,995**	**(2,009,493)**	**6,432,488**

39 MATURITY STRUCTURE (CONTINUED)

31 December 2018	Total MDL'000	Less than 1 year MDL'000	More than 1 year MDL'000
ASSETS			
Cash on hand	1,103,882	1,103,882	-
Balances with National Bank of Moldova	5,400,244	5,400,244	-
Due from banks	1,720,607	1,720,607	-
Financial assets at fair value through other comprehensive income	1,647,666	1,071,658	576,008
Loans and advances to customers	11,563,088	4,952,345	6,610,743
Lease receivables	111,100	63,217	47,883
Financial assets at amortized cost	900,370	885,544	14,826
Non-current assets held for sale	13,319	-	13,319
Property and equipment	1,015,912	-	1,015,912
Investment property	72,464	-	72,464
Intangible assets	66,362	-	66,362
Other assets	118,705	118,705	-
Total assets	**23,733,719**	**15,316,202**	**8,417,517**
LIABILITIES			
Due to banks	28,210	5,045	23,165
Borrowings	627,684	186,420	441,264
Duc to customers	18,646,955	17,365,553	1,281,402
Conditional commitments provisions	9,749	9,749	-
Deferred tax liabilities	34,451	-	34,451
Current tax liability	14,734	14,734	-
Other liabilities	465,350	465,350	-
Total liabilities	**19,827,133**	**18,046,851**	**1,780,282**
Maturity gaps	**3,906,586**	**(2,717.330)**	**6,623,916**

40 INTEREST RATE RISK EXPOSURE

The table below set out the Group's exposure to interest rate risk based on the earlier of contractual maturity of its financial instruments or the next interest rate repricing date, if the instruments are subject to variable interest rates. Group's policy on interest rate risk management is to minimize exposure and continuously to adapt interest repricing dates and maturities for assets and liabilities.

31 December 2019	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Non-interest bearing items MDL'000
ASSETS							
Cash on hand	940,199	-	-	-	-	-	940,199
Balances with National Bank of Moldova	5,813,652	5,813,652	-	-	-	-	-
Due from banks	1,995,723	1,995,723	-	-	-	-	-
Financial assets at fair value through other comprehensive income	1,270,306	183,814	164,976	536,058	200,975	-	184,483
Loans and advances to customers (floating rate)	13,330,275	13,296,807	-	-	-	-	33,468
Loans and advances to customers (fixed rate)	58,032	1,116	1,719	8,859	46,136	202	-
Lease receivables	141,478	17,937	8,731	36,825	72,345	-	5,640
Financial assets at amortized cost	771,523	743,276	2,558	25,689	-	-	-
Non-current assets held for sale	11,559	-	-	-	-	-	11,559
Property and equipment and right-of-use assets	1,265,803	-	-	-	-	-	1,265,803
Investment property	72,419	-	-	-	-	-	72,419
Intangible assets	70,081	-	-	-	-	-	70,081
Other assets	222,428	-	-	-	-	-	222,428
Total assets	**25,963,478**	**22,052,325**	**177,984**	**607,431**	**319,456**	**202**	**2,806,080**

40 INTEREST RATE RISK EXPOSURE (CONTINUED)

31 December 2019	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Non-interest bearing items MDL'000
LIABILITIES							
Due to banks	72,435	48,464	-	-	-	-	23,971
Borrowings	724,168	75,628	310,276	247,191	58,015	-	33,058
Due to customers (fixed rate)	971,142	506	28,763	941,583	290	-	-
Due to customers (floating rate)	19,333,517	19,252,028	-	-	-	-	81,489
Conditional commitments provisions	9,470	-	-	-	-	-	9,470
Deferred tax liabilities	45,609	-	-	-	-	-	45,609
Current tax liability	27,614	-	-	-	-	-	27,614
Other liabilities	356,528	-	-	-	-	-	356,528
Total liabilities	**21,540,483**	**19,376,626**	**339,039**	**1,188,774**	**58,305**	**-**	**577,739**
Interest gap	**4,422,995**	**2,675,699**	**(161,055)**	**(581,343)**	**261,151**	**202**	**2,228,341**
Cumulative interest gap		**2,675,699**	**2,514,644**	**1,933,301**	**2,194,452**	**2,194,654**	**4,422,995**

40 INTEREST RATE RISK EXPOSURE (CONTINUED)

31 December 2018	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Non-interest bearing items MDL'000
ASSETS							
Cash on hand	1,103,882	-	-	-	-	-	1,103,882
Balances with National Bank of Moldova	5,400,244	5,139,806	-	-	-	-	260,438
Due from banks	1,720,607	1,720,607	-	-	-	-	-
Financial assets at fair value through other comprehensive income	1,647,666	134,740	440,743	538,368	382,263	-	151,552
Loans and advances to customers (floating rate)	11,448,771	11,393,104	-	-	-	-	55,667
Loans and advances to customers (fixed rate)	114,317	1,843	6,724	47,667	56,841	1,242	-
Lease receivables	111,100	23,651	7,090	26,102	47,883	-	6,374
Financial assets at amortized cost	900,370	860,378	9,940	15,285	14,767	-	-
Non-current assets held for sale	13,319	-	-	-	-	-	13,319
Property and equipment	1,015,912	-	-	-	-	-	1,015,912
Investment property	72,464	-	-	-	-	-	72,464
Intangible assets	66,362	-	-	-	-	-	66,362
Other assets	118,705	-	-	-	-	-	118,705
Total assets	**23,733,719**	**19,274,129**	**464,497**	**627,422**	**501,754**	**1,242**	**2,864,675**

40 INTEREST RATE RISK EXPOSURE (CONTINUED)

31 December 2018	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Non-interest bearing items MDL'000
LIABILITIES							
Due to banks	28,210	28,210	-	-	-	-	-
Borrowings	627,684	98,594	183,992	246,493	58,800	-	39,805
Due to customers (fixed rate)	7,823	1,068	963	1,746	4,046	-	-
Due to customers (floating rate)	18,639,132	18,579,737	-	-	-	-	59,395
Conditional commitments provisions	9,749	-	-	-	-	-	9,749
Deferred tax liabilities	34,451	-	-	-	-	-	34,451
Current tax liability	14,734	-	-	-	-	-	14,734
Other liabilities	465,350	-	-	-	-	-	465,350
Total liabilities	**19,827,133**	**18,707,609**	**184,955**	**248,239**	**62,846**	**-**	**623,484**
Interest gap	**3,906,586**	**566,520**	**279,542**	**379,183**	**438,908**	**1,242**	**2,241,191**
Cumulative interest gap		**566,520**	**546,062**	**1,225,245**	**1,664,153**	**1,665,395**	**3,906,586**

The Group extends loans and accepts deposits bearing fixed rates as well as variable rates. Floating rate loans to customers and deposits from customers represent instruments in respect of which the Group has the right to change unilaterally the interest rate in line with the rates on the market. The Group has to give a 15 - day notice prior to the date when the change takes place. For interest gap disclosure purposes, loans and deposits bearing floating rates were considered to have a 15 - day notice re-pricing period and were classified into the category "less than 1 month".

41 CONTINGENT LIABILITIES

At 31 December 2019 and 31 December 2018 the Group is the defendant in several lawsuits arising in the ordinary corporate activity. According to Management and the Legal Department of the Group, the loss probability is small and accordingly no provision has been made in these financial statements.

42 EVENTS AFTER THE REPORTING DATE

In March 2020, the Commission for Exceptional Situations of the Republic of Moldova issued the following provisions on:

•Stopping the activity of points of sales, except for food, pharmacies and gas stations;

•Cessation of leisure, recreation, gyms, sports centers, swimming pools, fitness rooms, theaters, cinemas, concert halls, museums;

•Recommendation on minimizing the presence of employees at work;

•Cessation of international passenger transport;

•Stopping the activity of some state border crossing points.

Management has estimated that the Group's business will be potentially affected by:

•The ability of companies to serve loans in conditions of low activity;

•The ability of individuals to serve loans in the event of a possible decrease in disposable income;

•Withdrawal or non-extension of deposits by individuals and legal entities to meet the needs of cash flow in conditions of reduced income;

•Reducing the volume of settlements in national currency and foreign currency;

•Reducing the volume of cash transactions.

In order to support customers, the Bank has decided to postpone the payment of instalments on loans, including interest, for both individuals and legal entities, for the period March - May 2020. In June 2020, the bank will negotiate individually with each client either the reimbursement of outstanding payments in the same month, or a rescheduling of payments for a mutually agreed period.

According to the Bank's estimates, the deferral of payments on loans and their rescheduling will not have a significant influence on the amortized cost and the net interest income on the loan portfolio. At the same time, the Bank estimates that the quality of the portfolio will change, but its impact could not be quantified at the date of issuing the report.

In addition, the Bank announced the extension of deposit agreements that expire during the period 17.03.2020-30.04.2020.

The Group's management has developed various scenarios for the evolution of the situation and considers that within reasonable limits it will not influence the Bank's ability to continue its activity in the near future.

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SMTP Transfer Report

Job Status: FAILED

Job canceled by user.

Job Information

Device Name:	XRX9C934E68B16B
Submission Date:	24/04/20
Submission Time:	08:50
Images Scanned:	3
Size:	0
Attachment Name:	
Format:	Image-Only PDF
Encrypted E-mail:	No

SMTP Server

Address:	smtp.maib.local:25

Message Settings:

Subject:	
From:	Net_CB_10@maib.md
Reply To:	Net_CB_10@maib.md
To:	

1. Diana.Corcoja@MAIB.MD