BC ENERGBANK SA

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 MDL'000	2018 MDL'000
ASSETS			
Cash and balances with National Bank	**3**	868,960	925,773
Current accounts and deposits with banks	**4**	91,293	214,696
Financial assets at amortized cost	**5**	503,867	468,184
Loans, net	**6**	881,447	896,692
Financial assets at fair value thorough other comprehensive income	**7**	1,292	1,012
Investments in associates	**8**	1,485	2,008
Intangible assets	**9**	6,463	6,429
Property and equipment and right-of-use assets	**10**	137,105	134,466
Current income tax asset		1,387	477
Other assets	**11**	38,918	42,585
Total assets		**2,532,217**	**2,692,322**
LIABILITIES			
Due to customers	**12**	1,748,080	1,947,172
Other borrowings	**13**	79,430	94,347
Other liabilities	**14**	23,614	20,041
Deferred tax liabilities	**15**	3,979	3,720
Total liabilities		**1,855,103**	**2,065,280**
Shareholders' equity			
Share capital	**16**	100,000	100,000
Financial assets revaluation reserves		18,303	16,325
Other reserves	**17**	133,760	146,728
Retained earnings		425,051	363,989
Total shareholders' equity		**677,114**	**627,042**
Total liabilities and shareholders' equity		**2,532,217**	**2,692,322**

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

The financial statements were authorized for issue as at June 30th, 2020 by the Executives of the Bank represented by:

President

Mr. Iurii Vasilachi

Chief Accountant

Mr. Sergiu Slobodean

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2019

	Notes	2019 MDL'000	2018 MDL'000
Interest and similar income	21	135,645	137,403
Interest expense and similar charges	21	(32,462)	(43,538)
Net interest and similar income		**103,183**	**93,865**
Fee and commission income	22	56,594	54,573
Fee and commission expense	22	(12,319)	(10,551)
Net fee and commission income		**44,275**	**44,022**
Financial income, net	23	39,020	39,002
Other operating income, net	24	533	(293)
Total operating income		**187,011**	**176,596**
Income/(Loss) from impairment of loans	6	(567)	10,906
Impairment of receivables and other assets		(3,830)	(535)
Net operating income		**182,614**	**186,967**
Personnel expenses	25	(87,452)	(83,224)
General and administrative expenses	26	(32,236)	(39,348)
Depreciation and amortization expenses	27	(10,004)	(6,745)
Total operating expenses		**(129,692)**	**(129,317)**
Share of profit of an associate		(200)	(439)
Profit before tax		**52,722**	**57,211**
Income tax expense	15	(5,445)	(6,685)
Profit for the year		**47,277**	**50,526**
Other comprehensive income			
Items which could be reclassified in the profit or loss account during the following periods			
Other comprehensive income			
Decrease/Increase in value of assets at fair value through other comprehensive income		(44)	77
Total comprehensive losses for the year		**47,233**	**50,603**
Earnings per share (MDL per share)	32	**23.64**	**25.26**

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

The financial statements were authorized for issue as at June 30th, 2020 by the Executives of the Bank represented by:

President

Mr. Iurii Vasilachi

Chief Accountant

Mr. Sergiu Slobodean

	Ordinary shares issued	Revaluation reserves	Other reserves	Retained earnings	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Balance at 1 January 2019	**100,000**	**16,325**	**146,728**	**363,989**	**627,042**
Effect of error corrections	-	-	-	816	**816**
Balance at 1 January 2019- restated	**100,000**	**16,325**	**146,728**	**364,805**	**627,858**
Transfer to reserves	-	-	(12,968)	12,968	-
Transfer of the reserve for the revaluation of the building to undistributed profit	-	2,022	-	-	**2,022**
Transactions with owners	**-**	**2,022**	**(12,968)**	**12,968**	**2,022**
Profit for the year	-	-	-	47,278	**47,278**
Revaluation of financial assets	-	(44)	-	-	**(44)**
Total comprehensive income	**-**	**(44)**	**-**	**47,278**	**47,234**
Balance at 31 December 2019	**100,000**	**18,303**	**133,760**	**425,051**	**677,114**
Balance at 1 January 2018	**100,000**	**16,248**	**152,940**	**327,260**	**596,448**
Effects of adopting IFRS 9 and IFRS 15	-	-	(20,009)	-	**(20,009)**
Balance as at 1 January 2018 - restated	**100,000**	**16,248**	**132,931**	**327,260**	**576,439**
Transfer to reserves	-	-	13,797	(13,797)	-
Transactions with owners	**-**	**-**	**13,797**	**(13,797)**	**-**
Profit for the year	-	-	-	50,526	**50,526**
Revaluation of financial assets	-	77	-	-	77
Total comprehensive income	**-**	**77**	**-**	**50,526**	**50,603**
Balance at 31 December 2018	**100,000**	**16,325**	**146,728**	**363,989**	**627,042**

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

	Notes	2019 MDL'000	2018 – restated MDL'000
Profit for the year		**47,477**	**50,965**
Adjustments for non-monetary items			
Depreciation and amortization		10,433	7,484
Losses on disposal of property and equipment		1,074	1,629
Impairment of financial assets		4,588	(10,048)
Interest receipts		4,784	2,898
Interest payments		(940)	(4,609)
Loans and securities amortized cost adjustments		(3,394)	3,480
Revaluation of property and equipment		2,022	-
Income tax		5,445	6,685
Cash flows before working capital changes		**71,489**	**58,484**
(Increase) / decrease of operating assets:			
Current accounts and due from NBM		9,640	15,650
Securities over 90 days		(38,442)	54,550
Loans		11,707	(35,102)
Other assets		(449)	10,104
Increase /(decrease) of operating liabilities:			
Due to customers		(198,257)	39,738
Other liabilities		(3,261)	(4,290)
Net cash from operating activities before income tax		**(147,573)**	**139,134**
Income tax paid		(4,920)	(5,427)
Net cash from operating activities		**(152,493)**	**133,707**
Cash flows from investing activities			
Payments related to property and equipment		(2,863)	(5,453)
Purchase of intangible assets		(1,169)	(3,478)
Gains on disposal of shares		-	230
Net cash from investing activities		**(4,032)**	**(8,701)**
Cash flows from financing activities			
Payments for loans and borrowings		(47,225)	(90,513)
Proceeds from loans and borrowings		32,661	36,041
Dividends paid		-	-
Net cash from financing activities		**(14,564)**	**(54,472)**
Net foreign exchange difference		(1,112)	(1,876)
Net cash of cash and cash equivalents		**(172,201)**	**68,658**
Cash and cash equivalents at 1 January		**1,302,348**	**1,233,690**
Cash and cash equivalents at 31 December	**20**	**1,130,147**	**1,302,348**

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

1. Corporate information

BC Energbank SA ("the Bank") was established in the Republic of Moldova on 16 January 1997 as a closed joint stock company. The Bank is principally engaged in retail banking operations in the Republic of Moldova. The Bank operates through its head office located in Chisinau, 22 branches (22 branches as at 31 December 2018) and 30 agencies (42 agencies as at 31 December 2018) located throughout the country.

At the end of 2019 the Bank possessed a license granted by the National Bank of Moldova, which allows the Bank to be engaged in all banking activities.

The number of employees employed by the Bank as at 31 December 2019 was 588 (584 as at 31 December 2018).

The registered office of the Bank is located at 23/3 Tighina Street, Chisinau, Republic of Moldova.

As Bank's operations do not have significantly different risks and returns and considering the regulatory environment, the nature of its services, the business process, as well as the types of customers for the products and services and the methods used to provide the services are homogenous for all Bank's activities, the Bank operates as a single business segment unit and its activities are exclusively carried out in the Republic of Moldova.

The Board of Directors formulates policies for the operation of the Bank and supervises their implementation. The Board is composed of 4 members appointed by the General Meeting of Shareholders.

As at 31 December 2019 the Board of Directors comprised the following members:

- Mr. Andrei Tcaci, Chairman of the Board;
- Mrs. Galina Balanov, Member of the Board;
- Mr. Aureliu Casian, Member of the Board;
- Mr. Alexandru Stratan, Member of the Board.

These financial statements were authorised for issue on 30 June 2020 by the Executives of the Bank represented by the President and the Chief Accountant.

2. Accounting policies

2.1 Basis of preparation

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

Basis of measurement
The financial statements have been prepared under the historic cost convention, except for land and buildings, investment properties and financial assets at fair value thorough other comprehensive income that have been reflected at fair value.

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

Functional and presentation currency

The financial statements are presented in Moldovan lei ("MDL"), which is also its functional currency and the currency of the country in which the Bank operates. All financial information presented in MDL has been rounded to the nearest thousands, except when otherwise indicated.

Principles of consolidation

The consolidated financial statements include the financial statements of BC Energbank SA and Electrosistem SA on December 31 of each year.

2.2 Significant accounting judgments and estimates

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults of assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. 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.

Where the outcome of these factors is different from the amounts that were initially recorded, such differences could materially impact the provision for loan impairment in the period in which such determination is made.

(ii) Going concern

The Bank's management has assessed the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future.

On March 11, 2020, the World Health Organization (WHO) declared a coronavirus pandemic (COVID-19). In the Republic of Moldova, a red code was established at national level by the Extraordinary National Commission for Public Health on March 13, 2020.

The Parliament of the Republic of Moldova declared a state of emergency on the entire territory of the Republic of Moldova, between March 17 and May 15, 2020.

The Executive Committee of the National Bank of Moldova (NBM) has approved a series of decisions that allow:

- licensed banks to postpone or change the due dates of payments and / or the amounts of payments due by 30 June 2020 to loans granted to economic entities. The decision refers to entities whose financial situation has been temporarily affected as a result of the state of emergency and the economic consequences generated by COVID-19. The measures can be applied individually.
- the granting by licensed banks of payment facilities for existing loans of individuals until 31 May 2020. These measures may be applied selectively and individually by banks, in accordance with their own capacities, regulations and contractual provisions.

2. Accounting policies (continued)

2.2 Significant accounting judgments and estimates (continued)

(ii) Going concern (continued)

In addition, management is unaware of significant uncertainties that would cast doubt on the Bank's ability to continue operating. Therefore, the financial statements continue to be prepared on a going concern basis.

In accordance with the Law on the activity of banks no. 202/2017, in the period 2018-2019, as a result of the supervision by the NBM of the Bank's shareholders and finding concerted activity of some shareholders without the prior permission of the NBM as well as other aspects regarding shareholder transparency, were registered 5 decisions of the NBM Executive Committee regarding the cancellation rights of 15 shareholders, with a share of 81.04% of the bank's capital (52.56% represent blocked shares following the finding of the concerted activity without informing the NBM, and the remaining 28.48% for other reasons regarding shareholder transparency) or 1,522,429 shares. Of these, 988,546 shares or 49.43% of the bank's capital (ISIN code MD14ENER1001) were cancelled and new shares were issued in the same number and of the same class.

During 2019, the Bank exposed for sale on the regulated market the newly issued shares as a single package, and subsequently, following non-alienation, and as separate shares, according to the requirements of art. 52^1 of Law 202/2017.

Also, taking into account the fact that the initial size of the total package of blocked shares is over 50%, in accordance with the Law on the Recovery and Resolution of Banks, the NBM ordered the early intervention measures to be applied to the bank. Part of the team of the executive and that of the bank's board were completed by temporary administrators appointed by the NBM. The measure was taken to ensure a fair and prudent management of the bank's activity during the period of solving the deficiencies identified in its ownership structure.

According to the decision of the Executive Committee of the NBM № 14 of 11.01.2019, the members of the Board of B.C.Energbank S.A. were replaced by: Tonciuc Vladimir, Usatîi Valerii, Covanji Natalia, Pop Mihail, Dimov Gennadi and the members of the Management Committee - Slobodean Sergiu and Teslev Vasile with the temporary administrators appointed by the NBM: Mr. Ropot Ion and Mrs. Balanov Galina for a period of 12 months.

According to the decision of the Executive Committee of the NBM № 316 of 29.11.2019, the temporary administrator Mr. Ion Ropot, is replaced by the temporary administrator - Mr. Andrei Tcaci.

According to the announcement made by the National Bank of Moldova, the Bank will continue to operate normally and provide all services, including those related to deposit, lending and settlement operations.

(iii) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The management uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at each balance sheet date.

2.3 Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year. The adoption of new standards and interpretations effective for the Bank from 1 January 2019 did not have any impact on the accounting policies, financial position or performance of the Bank.

2.4 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2. Accounting policies (continued)

2.4 Basis of preparation (continued)

a. Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.
Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognized in profit or loss, and other changes in the carrying amount are recognized in equity.

Translation differences on non-monetary items, such as equity investments classified as financial assets at fair value through other comprehensive income, are included in the fair value reserve in equity.

The year-end and average rates for the year were:

	2019		2018	
	USD	**EURO**	**USD**	**EURO**
Average for the period	17.5751	19.6741	16.8031	19.8442
Year end	17.2093	19.2605	17.1427	19.5212

b. Financial assets

i) Financial instruments - classification and measurement

The Bank classifies its financial assets by one of the following categories, based on the business model assessment and SPPI characteristics, as follows:

- Financial assets held for the collection of contractual cash flows, with cash flows exclusively represented by capital and interest payments (SPPIs), are classified and measured at **amortized cost**. In this category, the Bank includes loans to customers, deposits placed with banks, repurchase transactions outside the trading portfolio, if any.
- Financial assets held for both collecting contractual treasury cash flows and for selling. Contractual cash flows are exclusively capital and interest payments and are measured **at fair value through other comprehensive income.** State securities outside the trading portfolio are classified in this category.
- Financial assets held for trading, irrespective of cash flow characteristics, are measured at **fair value through profit or loss.** In this category the Bank includes the portfolio of government securities, bank placements and repurchase transactions held for trading. As at 31 December 2019 and 31 December 2018, the Bank did not have such financial assets.

The principal is the fair value of the financial asset at initial recognition. Interest is the equivalent of the time value of the amount of money for credit risk associated with the amount of the principal due over a certain period of time and other underlying risks and costs of the loan, as well as a profit margin.

A financial asset should be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. However, an entity may make an irrevocable choice for initial recognition for certain investments in equity instruments that would otherwise be measured at fair value through profit or loss, in order to present the subsequent changes in fair value in other comprehensive income.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

b. Financial assets (continued)

The Bank classifies and assesses its **financial liabilities** at amortized cost, except:

- financial liabilities at fair value through profit or loss. Such liabilities, including derivative instruments that are liabilities should be measured at fair value.
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuing involvement approach.

ii) Reclassification

Only when the Bank changes its business model for the management of its financial assets, the Bank reclassifies all the affected financial assets.

The Bank does not reclassify any financial debt.

iii) Initial measurement

On initial recognition, the Bank measures a financial asset or financial liability at its fair value, plus or minus, in the case of a financial asset or financial liability that is not at fair value through profit or loss, transaction costs that are directly attributable to the purchase or the issuance of the financial asset or financial debt.

The fair value of a financial instrument at initial recognition is normally the transaction price (i.e.the fair value of the amount paid or received). If the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, the Bank shall apply the following:

a) at fair value as illustrated by a quoted price in an active market for an identical asset or liability or is based on an evaluation technique that uses only observable market data. The bank must recognize the difference between the fair value of the initial recognition and the transaction price as gain or loss.
b) in all other cases, at an adjusted value in order to defer the difference between the fair value of the initial recognition and the transaction price. After the initial recognition, the Bank shall recognize that deferred difference as gain or loss only to the extent that it arises from the modification of a factor (including the duration) that market participants would hold in determining the value of the asset or liability.

When the Bank uses settlement-based accounting for an asset that is then measured at amortized cost, the asset is initially recognized at its fair value at the date of the transaction.

On initial recognition, the Bank measures trade receivables at the cost of their transaction (as defined in IFRS 15) when the trade receivable does not hold a significant financing component in accordance with IFRS 15.

iv) Further measurement

After the initial recognition, an entity shall measure a financial asset at:

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

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

b. Financial assets (continued)

The Bank applies impairment requirements for financial assets that are measured at amortized cost and financial assets that are measured at fair value through other comprehensive income.

v) Effective interest rate method

Interest income is calculated using the interest method. It should be calculated by applying the effective interest rate for the gross carrying amount of a financial asset, except for:

a) financial assets purchased or issued as impaired as a result of credit risk. For those financial assets, the entity shall apply the effective interest rate adjusted for credit to the amortized cost of the financial asset from the initial recognition.
b) financial assets that are not purchased or issued as impaired as a result of credit risk but which subsequently became financial assets impaired as a result of credit risk. For those financial assets, the entity shall apply the effective interest rate for the amortized cost of the financial asset in subsequent reporting periods.

The Bank calculates the interest income by applying the effective interest method to the amortized cost of a financial asset and in subsequent reporting periods, it calculates interest income by applying the effective interest rate on gross carrying amount if the credit risk on the financial instrument improves, so that the financial asset is no longer impaired as a result of credit risk, and improvement may be associated objectively with an event (such as an improvement in the debtor's credit rating).

vi) Modification of contractual treasury flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in derecognition of the financial asset in accordance with this Standard, the Bank recalculates the gross carrying amount of the financial asset and recognizes a gain or loss related to the change in profit or loss. The carrying amount of the financial asset is recalculated as the present value of the renegotiated or amended contractual cash flows that are updated at the effective interest rate of the financial asset (or the effective interest rate adjusted according to credit for financial assets purchased or impaired as a result of credit risk) or, where applicable, at the revised effective interest rate. Any costs or commissions incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining period of the modified financial asset.

vii) Removal

An entity shall directly reduce the gross carrying amount of a financial asset directly when the entity has no reasonable estimate of the recoverability of the financial asset, in full or in part. A removal is an event of derecognition.

c. Investments in associates and daughter companies

An associate is an entity in which the Bank has significant influence, and which is neither a subsidiary nor a joint venture. In the financial statements of the Bank investments in associates are carried at cost less impairment losses.

d. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

e. Interest income and expenses

Interest income and expense for all interest-bearing financial instruments, except for those designated at fair value through profit or loss, are recognized in the income statement for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties based on the contract, that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a Bank 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.

f. Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party - such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-apportion basis.

g. Sale and repurchase agreements

Securities sold subject to repurchase agreements (‘repos’) are classified in the financial statements as financial assets at fair value through other comprehensive income (treasury bills) and the counter party liability is included in amounts due to banks or customers, as appropriate. Securities purchased under agreements to resell (‘reverse repos’) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.
Securities held by the Bank as collateral for lending activities with financial institutions are not recognized in the financial statements unless these are sold to or purchased from third parties. In this case they are recorded as gain or loss of financial activity. The obligation to return them is recorded at fair value as a trading liability.

h. Derecognition

The Bank derecognises a portfolio of financial assets, a financial asset or part of a financial asset (hereafter “financial asset”) only if one of the following conditions is met:

- The contractual rights of the cash flows expire;
- It transfers the financial asset and the transfer qualifies for derecognition;
- Voluntarily renounces its rights over the financial asset due to the fact that the asset is considered irrecoverable or in order to grant a lease to the debtor;

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

h. Derecognition (continued)

- A significant change in a financial asset that causes the extinguishment of that existing asset and the recognition of a new financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters transactions whereby it transfers assets recognised on its statement of financial position but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, lending transactions and repurchase transactions.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities. In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

i. Impairment of financial assets

The Bank reviews its loan portfolio to estimate the value of loans and recognizes an impairment adjustment for such losses at each reporting date. The expected credit loss measurement reflects:

- the impartial and weighted value with a probability that is determined by assessing a series of possible outcomes;
- value of money in time;
- reasonable and documented information that is available without undue cost or effort at the time of reporting past events, current conditions, and projections for future economic conditions.

The computation of ECL considers both the number of days of delay and the credit risk analysis performed for the clients with loans granted. For contractual assets and trade receivables, the Bank chose to apply the simplified approach to measuring expected credit losses.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

i. Impairment of financial assets (continued)

Loss adjustments made according to the ECL model are based on the lifetime expected credit loss (LTECL), unless there has been a significant increase in credit risk since the initial recognition, in which case the adjustment for loss is measured on the basis of the expected credit losses over a 12-month period (12mECL). The expected credit loss is calculated from the time of initialization. Consequently, financial assets subject to provisioning may be classified in one of the three stages below, depending on whether there is a significant increase in credit risk after initial recognition:

•**Stage 1** insignificant or non-existent credit quality deterioration after initial recognition; the loss adjustment is measured at an amount equal to the expected credit losses over a 12-month period (12mECL)

•**Stage 2** Significant increase in credit risk after initial recognition, but not depreciated; the loss adjustment is measured at an amount equal to the lifetime expected credit loss of the financial asset (LTECL)

•**Stage 3** depreciated assets/in default; the loss adjustment is represented by LTECL

The Bank has established criteria based on which the assessment of the significant credit risk increase from the time of the initial recognition is performed on a monthly basis, taking into account both relative and absolute thresholds.
According to IFRS 9, the expected credit loss can be determined based on individual or collective analysis.

i. Loans impaired individually

In the individually impaired loans category, the Bank includes the following loan categories (it is sufficient to meet one of the points):

a) Loans granted to entities with payments overdue formore than 90 days;
b) Loans granted to entities irrespective of the numberof days of arrears, the amount of which exceeds 2% of the total loan portfolio.

All other loans are collectively impaired by the bank, by dividing the loan portfolio into two groups: loans to individuals and loans to entities.

When calculating the exposure value, the Bank also includes the Bank's lending obligations in the future (balance of the 6601 accounts) with the following conversion factor:

a) For loans granted for up to 12 months - 20%.
b) For loans granted for more than 12 months - 50%.

For a more accurate measurement of the collateral that insures individually impaired loans, the Bank may use the services of independent evaluators.

2. Accounting policies (continued)
2.4 Significant accounting policies (continued)

i. Impairment of financial assets (continued)

ii. Calculating the impairment of collectively assessed loans

The process of calculating the impairment of loans that are collectively assessed consists of following the calculation stages established by the internal normative acts of the Bank. The loan portfolio is divided into three Stages, considering the quality of the assets:

- **Stage 1** - loans classified as “standard”, based on Regulation on Assets and Conditional Commitments Classification.
- **Stage 2** - loans classified as “watched” as well as “substandard”, without arrears.
- **Stage 3** - loans classified as “substandard” (with one-day minimum arrears), “doubtful” and “compromised”.

The main items underlying the ECL classification are presented below:

- PD - The probability of default models is based on a two-step approach: building the marginal curve of PD and adjusting the PD curve;
- EAD - Estimation of non-reimbursement exposure at each moment is based on the liquidity management models, i.e. the models for the early repayment rate in the case of contracts with a reimbursement schedule and models for estimating the degree of use of the lines in the case of contracts without a reimbursement schedule;
- Adjusting the ECL calculation parameters to take into account the current situation (point in time) and the impact of the predictive information.

The macroeconomic factor, which is taken in PD calculations for 2 years and more, is calculated using regression. As a dependent variable, the value of the reserve for created losses (according to the NBM prudential classification) is used at the value of the credit portfolio in the entire banking system. As independent variables, real GDP, inflation level, consumption level (the source of information is the data and forecasts of The World Bank) are taken into account. In the absence of a macroeconomic forecast for any of the periods analysed, the Bank uses as a macroeconomic factor for these periods the factor calculated for the last chronological period.

Impairment of other financial assets

For investment accounts with foreign banks, the impairment is calculated according to the rating of the bank's counterparties and the likelihood of default of corporate clients, according to the information provided by the rating agency. The bank uses ratings assessed by rating agencies Standard & Poor's, Moody's and Fitch (the weakest rating takes precedence). Counterparties not individually assessed by any of the rating agencies mentioned above, shall be assigned with a PD corresponding to the rating of the country of residence of the counterparty.

Placements in government securities with a maturity of up to 90 days are considered liquid instruments, as they are cash equivalents. The Bank does not make any deductions for impairment losses related to them.

The Bank uses a simplified approach to measure the deduction for losses equal to the lifetime expected credit losses for trade receivables or contractual assets arising from transactions that are subject to IFRS 15.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

i. Impairment of financial assets (continued)

Depreciation of financial assets at fair value through other comprehensive income

The Bank assesses at each balance sheet date whether there is evidence that a financial asset or a group of financial assets is impaired. In the case of investments in daughter companies, a significant or prolonged decrease in the fair value of participations below their cost is considered in order 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 recognized in profit or loss, is removed from equity and recognized in the comprehensive income. Impairment losses recognized in the income statement and the statement of other items of comprehensive income related to participations in entities are not settled through the income statement and the statement of other comprehensive income. If in a subsequent period the fair value of the debt instrument classified financial assets at fair value through other comprehensive income increases and the increase can be attributed objectively to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is settled in the profit and loss account and the statement of other items of comprehensive income.

j. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

k. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity of the assets at acquisition dates including: cash, non-restricted balances with National Bank of Moldova, NBM certificates, amounts due from other banks, current accounts and deposits with banks and amounts due from quick payment systems.

l. Intangible assets

Acquired computer software licenses are capitalized based on the costs incurred to acquire and bring to use the specific software. These costs are amortized based on the expected useful lives (three to five years) using the straight-line method.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

m. Property and equipment

Buildings are stated at revalued amounts, being its fair value at the date of revaluation, less accumulated depreciation and less provision for impairment, where required. Other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Asset type	Years
Buildings	25-75
Equipment and other property	2-20
Motor vehicles	7-10
Other	5-20

Assets under construction are not depreciated until there are brought in use.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount. These are included in their operating expenses in the income statements.

n. Investment property

Property held for long-term rental yields or for capital appreciation or both, which is not occupied by the Bank is classified as investment property.

Investment property comprises freehold land. Investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, with any difference in the nature, location or condition of the specific asset. If this information is not available, the Bank uses alternative valuation method such as sales comparison method by comparing similar or substitute properties sold in the market with subject property. These valuations are reviewed annually by Directors.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

n. Investment property (continued)

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statement.

o. Leases

Bank as a lessee

The Bank has implemented the IFRS 16 “Leases” standard as of January 1, 2019. The Bank, as a lessee, recognizes an asset linked to the right of use and a liability occurring from the leasing contract.

At the beginning, the Bank measures the right-of-use at cost. The cost of the right-to-use asset must include:

i) the amount of the initial measurement of the lease liability;

ii) any lease payments made on or before the commencement date, less any lease incentives received;

iii) any initial direct costs incurred by the lessee; and

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

At the commencement date, the Bank as lessee measures the lease liability at the present value of the lease payments that are not paid on that date. The lease payments are discounted using the implicit interest rate from the leasing contract if that rate can be determined immediately. If this rate cannot be determined immediately, the Bank, as a lessee, uses the interest rates related to the balances of loans and deposits applied by the NBM.

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

- leases for which the underlying asset (the contracted asset) has a value greater than USD 5,000.
- the contract has a duration of more than 12 months.

The Bank has chosen to present right-of-use assets as part of tangible assets, and lease liabilities as other liabilities in the financial statement. The new standard was applied using a simplified approach (modified retrospective method). Comparative information was not restated.

Depreciation of the right-of-use assets is done using the straight-line method throughout the all life of the contract.

Expenses related to payments of the leasing contracts that are not recognized and measured in accordance with IFRS 16, will be classified in the statement of comprehensive income as rent expenses.

The bank as lessor

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

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

o. Leases (continued)

The Bank as lessor recognizes operating lease payments as income on a straight-line basis.

p. Fixed contribution plan

The Bank, in the ordinary course of business, makes payments to the Moldovan State Funds on behalf of its employees for pension, social and medical insurance. All employees of the Bank are members of the State Pension Fund.

The Bank does not operate with any other pension scheme and therefore has no other pension obligations. The Bank does not operate with any other fixed benefit or post-retirement benefit plan. The Bank has no obligation to provide additional services to current or former employees.

q. Provisions

Provisions and legal claims are recognized when the Bank has a legal or constructive obligation to transfer economic benefits because of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount of obligation has been fairly estimated.

If there are similar obligations, the probability that a transfer of resources will be required is determined by considering the overall class of obligations. A provision is recognized even if the probability of a transfer in relation to any item included in the same class of obligations is small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision size due to passage of time is recognized as interest expense.

r. Taxation

According to the tax legislation valid in the Republic of Moldova, income tax is recognized as an expense in the period of occurrence of profit. The tax effects of recoverable tax losses are recognized as an asset when it is probable that future taxable profits will be used to cover losses.

Deferred income tax is fully calculated, using the liability method, based on temporary differences that arise between the tax base of assets and liabilities, and their book value presented in the financial statements. Deferred income tax is determined using tax rates (and laws) which have been in force or partially in force at the balance sheet date and are expected to be applied when the deferred income tax asset is realized or when the deferred income tax liability is paid off.

The main temporary differences arise from depreciation of fixed assets, provisions for loans and advances to customers and other assets and liabilities. The rates in force or partially in force at the balance sheet date are used to determine deferred income tax. However, deferred income tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction other than a business order, which at the time of the transaction affects neither the accounting profit nor the tax gain or loss.

Deferred tax assets are recognized where it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

s. Borrowings

Borrowings are initially recognised at fair value, minus costs related to the transaction. Subsequently borrowings are stated at amortised cost and any difference between net attracted proceeds and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings, using the effective interest method.

t. Dividends

Dividends are not accounted for until they have been approved at the General Meeting of Shareholders.

u. Assets for resale

Assets for subsequent resale include collateral for non-performing loans. They are classified as assets held for sale, as their balance sheet value is to be recovered mainly through a sale-purchase transaction and the sale is considered highly probable. They are stated at the lower of its book and fair value minus costs to sell if their book value is to be recovered mainly through a sale transaction rather than through continuing use. The Bank considers impairment both at the time of classification of assets for resale as well as in subsequent periods. At the time of recognition of assets for resale, any impairment loss is recognised in profit or loss unless the asset had been measured at revalued amount in accordance with IAS 16 or IAS 38, in which case the impairment is treated as a revaluation decrease.

In the subsequent periods, any impairment loss is calculated based on the difference between the adjusted book value of the asset and fair value minus costs to sell. Any impairment loss that occurs is recognised in profit or loss, even for assets that were previously accounted at revalued amounts.

2.5 New and revised standards that are in force for annual periods beginning on or after January 1, 2019

Several new and revised standards are in force for annual periods which begin on or after January 1, 2019.

The Bank has implemented the following standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) that are applicable for the current period:

IFRS 16: Leasing agreements

IFRS 16 replaces IAS 17 “Leases” and three related interpretations. It completes the long-term IASB project for leasing accounting. IFRS 16 sets out the principles for recognizing, evaluating, presenting and describing / providing information about the two part of leases contract, namely the client ("lessee") and the provider ("lessor"). The new standard requires lessee to recognize most leases in financial statements. Lessees will have a single accounting model for all contracts, with some exceptions. Lessor's accounting remains substantially unchanged. Leases contracts will be recorded in the statement of financial position as a right-of-use asset and a lease liabilities. There are two significant exemptions from IFRS 16 for low-value assets and short-term lease of less-than 12 months.

The standard is applicable to annual periods beginning on or after January 1, 2019. Early adoption is allowed, however the Bank has decided not to adopt this Standard in advance. The Bank's management has applied this standard as of January 1, 2019.

2.5 New and revised standards that are in force for annual periods beginning on or after January 1, 2019 (continued)

Interpretation of IFRIC 23 Uncertainty over Income Tax Treatment

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. Not applicable to taxes or fees outside the scope of IAS 12 and not specifically include requirements for interest and penalties related to uncertain tax treatment. Interpretation specifically address the following:

- if an entity considers separately uncertain tax treatment;
- the assumptions made by an entity regarding the examination of tax treatment by authorities;
- the way how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- the way how an entity views changes in facts and circumstances.

The Bank determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that best predicts the resolution of the uncertainty. The Bank applies a significant determination in identifying uncertainties regarding income tax treatments. Since the Bank operates in a complex multinational environment, it has assessed whether the interpretation has had an impact on its financial statements.

In adopting the interpretation, the Bank considered whether it had uncertain fiscal positions that would not be accepted by the tax authorities and concluded that such positions did not exist and that the interpretation did not have an impact on the Bank's financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

In accordance with IFRS 9, a debt instrument can be measured at amortized cost or fair value through profit or loss, presuming that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI criteria) and the financial asset is held within an appropriate business model for this classification. The amendments to IFRS 9 explain that a financial asset passes the SPPI test regardless of the event or circumstance that causes the early termination of the contract and regardless of which party pays or receives a reasonable compensation for the early termination of the contract.

Early termination may result from a contractual term or from an event beyond the control of the parties to the contract, such as an amendment to the law or regulation leading to the early termination of the contract. Where the prepayment is made at current fair value or at an amount that includes the fair value of the cost of termination of hedging instruments, the Bank evaluates specific contractual cash flows of debt instruments relevant to determine whether they pass the SPPI test. These changes had no impact on the Bank's financial statements.

2.6 Standards, amendments and interpretations to existing standards that are not yet in force and have not been adopted early by the Bank

At the date of approval of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet in force and have not been adopted early by the Bank. Information on the new standards, amendments and interpretations expected to be relevant to the Bank's financial statements is presented below.

Management anticipates that all relevant changes will be adopted as part of the Bank's accounting policy for the period after the entry into force of amendments. Other new standards and interpretations have been issued that are not expected to have a significant impact on the Bank's financial statements.

Amendments to IFRS 10 and IAS 28 *Sale or contribution of assets between an investor and its associate or joint venture.* (The European Commission decided to defer the endorsement indefinitely.)

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

2.6 Standards, amendments and interpretations to existing standards that are not yet in force and have not been adopted early by the Bank (continued)

Amendments to IFRS 10 and IAS 28 ***Sale or contribution of assets between an investor and its associate or joint venture.*** **(continued)**

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Bank does not expect that the amendments, when initially applied, will have a material impact on the financial statements. However, the quantitative impact of the adoption of the Amendments can only be assessed in the year of initial application of the Amendments, as this will depend on the transfer of asset or businesses to the associate or joint venture that take place during that reporting period.

IFRS 17 ***Insurance Contracts***

(Effective for annual periods beginning on or after 1 January 2021; to be applied prospectively. Early application is permitted.). This pronouncement is not yet approved by the EU.

IFRS 17 replaces IFRS 4, which was introduced in as an interim Standard in 2004. IFRS 4 has given companies exemption to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches.

IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values, instead of historical cost.

The Bank expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the entity because the Entity does not operate in the insurance industry.

Amendments to IFRS 3 ***Business Combinations***

(Effective for annual periods beginning on or after 1 January 2020). These amendments are not yet approved by the EU.

The amendments narrowed and explained the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The Entity does not expect the Amendments to have a material impact on its financial statements when initially applied.

Amendments to IFRS 9 ***Financial Instruments, IAS 39 Financial Instruments and IFRS 7 Financial Instruments: Disclosures***

(Effective for annual periods beginning on or after 1 January 2020). These amendments are not yet approved by the EU.

The amendments are mandatory and apply to all hedging relationships directly affected by uncertainties related to the IBOR reform. The amendments provide temporary relief from applying specific hedge accounting requirements to the hedging relationships with the effect that IBOR reform should not generally cause hedge accounting to terminate. The key reliefs provided by the amendments relate to:

- “Highly probable” requirement;
- Risk components;
- Prospective assessments;
- Retrospective effectiveness test (for IAS 39);
- Recycling of the cash flow hedging reserve.

2. Accounting policies (continued)

2.6 Standards, amendments and interpretations to existing standards that are not yet in force and have not been adopted early by the Bank (continued)

Amendments to IFRS 9 *Financial Instruments, IAS 39 Financial Instruments and IFRS 7 Financial Instruments: Disclosures (continued)*

The amendments also require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The Entity does not expect the Amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 1 *Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

(Effective for annual periods beginning on or after 1 January 2020). These amendments are not yet approved by the EU.

The amendments explain and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The Entity does not expect the Amendments to have a material impact on its financial statements when initially applied.

3. Cash and balances with National Bank

	2019 MDL'000	2018 MDL'000
Cash on hand	236,998	261,758
Current account with NBM	547,743	570,005
Included in cash and cash equivalents (Note 19)	**784,741**	**831,763**
Mandatory reserve	84,219	94,010
	868,960	**925,773**

Current account and obligatory reserves

The National Bank of Moldova (NBM) requires commercial banks to maintain for liquidity purposes a minimum reserves calculated as a certain percentage of the average funds attracted by banks in the previous month (between the 16th of the current month and the 15th of the following), including all customer deposits.

Based on the decision No 85 of the Administrative Council of NBM dated 15 April 2004, the method for calculation and maintaining the compulsory reserves was changed. Funds attracted in Moldovan Lei (MDL) and in non-convertible currencies are reserved in MDL. Funds attracted in freely convertible currencies are reserved in US Dollars (USD) and/or EURO (EUR). As of 31 December 2019 the rate for calculation of the minimum compulsory reserve in all currencies was in US Dollars (USD) and/or EURO (EUR) 18.0% (31 December 2018: 14.0%), in Moldovan Lei (MDL) 42.5% (31 December 2018: 42.5%) .

As at 31 December 2019 the balance reserved in the current account held with the NBM amounted to MDL'000 547,743 (31 December 2018: MDL'000 570,005). This balance included mantadory reserve on funds attracted in Moldovan Lei and non-convertible currencies. The balance reserved on USD and EUR compulsory reserve accounts amounted to USD'000 1,468 and EUR'000 3,002 respectively (31 December 2018: USD'000 2,124 and EUR'000 2,884).

The interest paid by NBM on the compulsory reserves during 2019 varied between 0.01% and 0.36% annually for reserves in foreign currency and 3.15%- 4.50% for reserves in MDL (2018: 0.29% and 0.47% for reserves in foreign currency and 3.50% - 3.50% annually for reserves in MDL). The compulsory reserves on funds attracted in USD and EUR are placed in Nostro accounts of NBM at correspondent banks incorporated in OECD countries.

The obligatory reserves held in the current account at NBM are available for use in the Bank's day to day operations.

4. Current accounts and deposits with banks

	2019 MDL'000	2018 MDL'000
Current accounts	58,532	99,617
Overnight deposits	32,761	115,079
Included in cash and cash equivalents	**91,293**	**214,696**
	91,293	**214,696**

Most current accounts and deposits are opened in foreign banks.

As at 31 December 2019 overnight deposits included balances denominated in USD with Bank of New York. During 2019 the interest rate on overnight deposits varied between 0.80% and 1.50%.

5. Financial assets at amortized cost

	2019 MDL'000	2018 MDL'000
State securities	254,047	218,379
Certificates issued by the NBM	249,820	249,805
	503,867	**468,184**
Included in cash and cash equivalents (Note 19)	249,820	249,805
Debt securities with maturity over 90 days	258,364	222,274
	508,184	**472,079**
Minus: allowance for impairment losses	(4,317)	(3,895)
	503,867	**468,184**

State securities as at 31 December 2019 represent MDL short- and medium-term securities issued by the Ministry of Finance of the Republic of Moldova with interest rate ranging from 4.50% to 7.06% annually (2018: 3.78%-to 7.02%).

Certificates issued by the National Bank of Moldova as at 31 December 2019 are with an initial maturity of 14 days with an interest rate ranging between 5.50% and 7.50% annually (2018: 6.5%).

As of 31 December 2019 and 2018 the Bank did not hold any state securities as mortgage for loan from the NBM.

6. Loans, net

	2019 MDL'000	2018 MDL'000
Loans	933,836	951,078
Minus: Allowance for impairment losses	(52,389)	(54,386)
	881,447	**896,692**

As at 31 December 2019 the interest accrued on individually impaired loans amounted to MDL'000 7,067 (31 December 2018: MDL'000 9,090).

Analysis of loan portfolio by industry is presented below:

	2019 MDL'000	2018 MDL'000
Consumer loans	440,826	342,576
Manufacturing and trade	157,901	172,250
Agriculture and food industry	135,569	166,105
Loans granted to financial non-banking sector	50,404	59,723
Construction and land improvements	15,173	29,915
Other	133,963	180,509
	933,836	**951,078**

Loans nominal interest rates are presented below:

	2019 %	2018 %
Loans interest rate (min/max)	1.0 – 19.0	1.0 – 20.0

The movement in allowance for loans impairment losses during 2019 and 2018 are presented below. The allowance for impairment losses includes the resumption of provisions for previously cancelled loans, but for which the Bank has recorded reimbursements. The recoverable amount was credited directly to the reversal of impairment in the profit or loss account for the current year.

	2019 MDL'000	2018 MDL'000
Balance as at 1 January	**54,386**	**46,101**
Effects of adopting IFRS 9	-	15,198
Write-offs	(3,247)	-
Recoveries	683	3,993
Charge for the year	567	(10,906)
Balance as at 31 December	**52,389**	**54,386**
Individual impairment	28,482	28,944
Collective impairment	23,907	25,442
	52,389	**54,386**

6. Loans, net (continued)

The analysis of the portfolio by types of clients is presented below:

2019	Book value	Gross book value			Accumulated impairment		
		Assets without a significant increase in credit risk after initial (stage 1)	Assets with a significant increase in credit risk after initial recognition, but not impaired (stage 2)	Impaired assets (stage 3)	Assets without a significant increase in credit risk after initial (stage 1)	Assets with a significant increase in credit risk after initial recognition, but not impaired (stage 2)	Impaired assets due to credit risk (stage 3)
	MDL'000	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**
Public administrations	-	-	-	-	-	-	-
Other financial companies	45,316	16,330	26,628	7,557	31	52	5,116
Non-financial - companies	96,717	77,998	18,760	-	27	14	-
Non-financial - SME	248,753	66,334	105,812	100,515	31	51	23,826
Farmer households	490,661	377,254	112,015	24,633	6,246	4,012	12,983
	881,447	**537,916**	**263,215**	**132,705**	**6,335**	**4,129**	**41,925**

6. Loans, net (continued)

The analysis of the portfolio by types of clients is presented below:

2018	**Book value**	**Gross book value**			**Accumulated impairment**		
		Assets without a significant increase in credit risk after initial (stage 1)	**Assets with a significant increase in credit risk after initial recognition, but not impaired (stage 2)**	**Impaired assets (stage 3)**	**Assets without a significant increase in credit risk after initial (stage 1)**	**Assets with a significant increase in credit risk after initial recognition, but not impaired (stage 2)**	**Impaired assets due to credit risk (stage 3)**
	MDL'000	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**
Public administrations	-	-	-	-	-	-	-
Other financial companies	52,663	-	50,526	9,508	-	284	7,087
Non-financial - companies	123,725	94,675	29,617	-	245	322	-
Non-financial - SME	312,082	130,315	94,163	118,028	201	66	30,157
Farmer households	408,222	302,594	88,193	33,459	3,247	1,571	11,206
	896,692	**527,584**	**262,499**	**160,995**	**3,693**	**2,243**	**48,450**

6. Loans, net (continued)

Loans overdue term:

2019

Category	No overdue MDL'000	From 1 to 30 days MDL'000	From 31 to 60 days MDL'000	From 61 to 90 days MDL'000	More than 90 days MDL'000	Total loans MDL'000
Agriculture	62,449	280	2,396	-	29,764	94,889
Construction and trade/construction of property	64,850	5,180	-	1,076	2,816	73,922
Consumer loans	329,071	11,918	-	-	2,957	343,946
Production and trade	144,835	7,495	-	-	29,795	182,125
Other loans to individuals	65,095	5,830	678	-	3,189	74,792
Financial non-banking sector	42,876	-	-	2,133	295	45,304
Loans to service field	45,963	479	370	1,669	4,161	52,642
Loans to individuals practicing activity	10,640	-	-	-	2,062	12,702
Other	263	-	-	-	862	1,125
	766,042	**31,182**	**3,444**	**4,878**	**75,901**	**881,447**

2018

Category	No overdue MDL'000	From 1 to 30 days MDL'000	From 31 to 60 days MDL'000	From 61 to 90 days MDL'000	More than 90 days MDL'000	Total loans MDL'000
Agriculture	81,137	2,036	8,102	-	24,752	116,027
Construction and trade/construction of property	83,294	1,942	-	-	6,145	91,381
Consumer loans	209,210	8,846	-	-	3,114	221,170
Production and trade	164,117	1,595	283	-	27,835	193,830
Other loans to individuals	97,389	3,891	-	-	5,711	106,991
Financial non-banking sector	52,664	-	-	-	-	52,664
Loans to service field	76,417	3,641	-	2,316	9,390	91,764
Loans to individuals practicing activity	10,722	161	501	-	6,848	18,232
Other	2,026	1,447	-	-	1,160	4,633
	776,976	**23,559**	**8,886**	**2,316**	**84,955**	**896,692**

6. Loans, net (continued)

The following table shows the changes in the gross book value and the credit loss allowance for loans and advances to customers, accounted at amortized cost, between the beginning and the end of the reporting period:

Loans, gross	**Stage 1** MDL'000	**Stage 2** MDL'000	**Stage 3** MDL'000	**Total loans** MDL'000
Loans at 1 January 2019, gross	**527,584**	**262,499**	**160,995**	**951,078**
New loans	411,123	78,980	4,318	**494,421**
Derecognized loans (including disposals)	(109,630)	(33,648)	(7,477)	**(150,755)**
Changes in loans and granting commission	(177,929)	(160,765)	(18,164)	**(356,858)**
Changes in accrued interest	(129)	(563)	(3,358)	**(4,050)**
Transfer from Stage 1 to Stage 2	(128,864)	128,864	-	-
Transfer from Stage 1 to Stage 3	(3,220)	-	3,220	-
Transfer from Stage 2 to Stage 1	18,981	(18,981)	-	-
Transfer from Stage 2 to Stage 3	-	(4,512)	4,512	-
Transfer from Stage 3 to Stage 2	-	11,341	(11,341)	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Other movements	-	-	-	-
Loans at 31 December 2019, gross	**537,916**	**263,215**	**132,705**	**933,836**

6. Loans, net (continued)

Allowance for loan losses	**Stage 1** **MDL'000**	**Stage 2** **MDL'000**	**Stage 3** **MDL'000**	**Total loans** **MDL'000**
Loans at 1 January 2019	**3,693**	**2,243**	**48,450**	**54,386**
New loans	8,485	1,856	1,267	11,608
Derecognitions	(1,812)	(1,491)	(3,059)	(6,362)
Transfer from Stage 1 to Stage 2	(2,505)	2,505	-	-
Transfer from Stage 1 to Stage 3	(3,760)	-	3,760	-
Transfer from Stage 2 to Stage 1	162	(162)	-	-
Transfer from Stage 2 to Stage 3	-	(2,074)	2,074	-
Transfer from Stage 3 to Stage 2	-	807	(807)	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Increasing credit risk	3,310	4,827	12,352	20,489
Reducing credit risk	(1,238)	(4,382)	(18,865)	(24,485)
Use of the reserve	-	-	(3,247)	(3,247)
Other movements	-	-	-	-
Loans at 31 December 2019	**6,335**	**4,129**	**41,925**	**52,389**

6. Loans, net (continued)

The following table shows the changes in the gross book value and the credit loss allowance for loans and advances to customers, accounted at amortized cost, between the beginning and the end of the reporting period:

Loans, gross	**Stage 1**	**Stage 2**	**Stage 3**	**Total loans**
	MDL'000	**MDL'000**	**MDL'000**	**MDL'000**
Loans at 1 January 2018, gross	**447,978**	**302,995**	**165,883**	**916,856**
New loans	321,015	79,909	2,356	**403,280**
Derecognized loans (including disposals)	(65,003)	(47,542)	(1,925)	**(114,470)**
Changes in loans and granting commission	(130,857)	(94,697)	(26,741)	**(252,295)**
Changes in accrued interest	198	(475)	(2,016)	**(2,293)**
Transfer from Stage 1 to Stage 2	(61,950)	61,950	-	-
Transfer from Stage 1 to Stage 3	(3,437)	-	3,437	-
Transfer from Stage 2 to Stage 1	19,640	(19,640)	-	-
Transfer from Stage 2 to Stage 3	-	(30,155)	30,155	-
Transfer from Stage 3 to Stage 2	-	10,154	(10,154)	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Other movements	-	-	-	-
Loans at 31 December 2018, gross	**527,584**	**262,499**	**160,995**	**951,078**

6. Loans, net (continued)

Allowance for loan losses	Stage 1 MDL'000	Stage 2 MDL'000	Stage 3 MDL'000	Total loans MDL'000
Loans at 1 January 2018	**8,536**	**6,407**	**31,158**	**46,101**
New loans	5,907	1,067	177	7,151
Derecognitions	(2,126)	(3,359)	(9,487)	(14,972)
Transfer from Stage 1 to Stage 2	(1,519)	1,519	-	-
Transfer from Stage 1 to Stage 3	(3,526)	-	3,526	-
Transfer from Stage 2 to Stage 1	(94)	94	-	-
Transfer from Stage 2 to Stage 3	-	(2,063)	2,063	-
Transfer from Stage 3 to Stage 2	-	653	(653)	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Increasing credit risk	368	5,630	41,268	47,266
Reducing credit risk	(3,853)	(7,705)	(19,602)	(31,160)
Use of the reserve	-	-	-	-
Other movements				
Loans at 31 December 2018	**3,693**	**2,243**	**48,450**	**54,386**

6. Loans, net (continued)

Write off policy

The Bank writes off a loan balance (and any related allowance for impairment losses) when the Bank determines that the loans are uncollectible. This actions is done after considering information such as the occurrence of significant changes in the borrower financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

7. Financial assets at fair value thorough other comprehensive income

Financial assets at fair value through other comprehensive income include unlisted equity investments in local companies. The analysis of equity investments is as follows:

	Field of activity	Ownership 2019 %	Ownership 2018 %	2019 MDL'000	2018 MDL'000
Birou de credit SRL	Credit bureau	4.10	3.29	815	858
Other				477	154
				1,292	**1,012**

All financial assets at fair value through other comprehensive income as at 31 December 2019 were recorded at cost, less any impairment allowance, because there is no quoted market price in an active market for them and the fair value cannot be reliably determined. As at 31 December 2019, the Bank's management evaluated investments at fair value. For the most significant, the fair value was determined by a revaluation report performed by the independent expert evaluator and the fair value of the insignificant investments approximates the cost.

The movements in the investment portfolio are presented below:

	2019 MDL'000	2018 MDL'000
Balance as at 1 January	**1,012**	**1,326**
Revaluation	(52)	77
Disposals	-	(391)
Additions	332	-
Balance as at 31 December	**1,292**	**1,012**

8. Investments in associates

The table below presents summary financial information of the Bank's investment in Electrosistem SA.

In 2019 Electrosistem initiated the insolvency process.

Electrosistem SA is an associated company, in which the Bank holds 24.83% (2018: 24.83%) of the share capital:

	2019	2018-restated
	MDL'000	MDL'000
Share in associate's balance sheet:		
Assets	4,960	5,663
Liabilities	(2,051)	(3,257)
Revaluation	(1,424)	(399)
Net Assets	**1,485**	**2,008**
Share of associates revenue and profit:		
Revenue	196	537
Profit/(Loss)	(52)	77

9. Intangible assets

	2019	2018
	MDL'000	MDL'000
Cost		
Balance as at 1 January	**15,257**	**11,778**
Additions	1,360	3,479
Transfers	46	
Disposals	(237)	-
Balance as at 31 December	**16,426**	**15,257**
Accumulated depreciation		
Balance as at 1 January	**8,828**	**7,955**
Charge for the year	1,135	873
Disposals	-	-
Balance as at 31 December	**9,963**	**8,828**
Net book value		
At 31 December	**6,463**	**6,429**

The intangible assets represent computer software and workstation licenses.

As at 31 December 2019 the cost of fully amortized intangible assets amounted to MDL'000 7,390 (as at 31 December 2018: MDL'000 7,236).

10. Property, plant and equipment and right-of-use assets

	Land and buildings MDL'000	Furniture and equipment MDL'000	Motor vehicles MDL'000	Right-of-use asset MDL'000	Total MDL'000
Cost					
Balance as at 1 January 2019	**118,000**	**43,377**	**8,039**	-	**169,416**
Additions	-	3,301	620	-	**3,921**
Effects of adopting IFRS 16 on January 1, 2019	-	-	-	6,798	**6,798**
Revaluation	(6,031)	-	-	-	**(6,031)**
Disposals	-	(1,777)	-	(70)	**(1,847)**
Balance as at 31 December 2019	**111,969**	**44,901**	**8,659**	**6,728**	**172,257**
Accumulated depreciation					
Balance as at 1 January 2019	**5,420**	**25,663**	**3,867**	-	**34,950**
Charge for the year	1,633	4,232	849	2,133	**8,847**
Disposals	(6,924)	(1,721)	-	-	**(8,645)**
Balance as at 31 December 2019	**129**	**28,174**	**4,716**	**2,133**	**35,152**
Net book value					
At 31 December 2019	**111,840**	**16,727**	**3,943**	**4,595**	**137,105**
At 31 December 2018	**112,580**	**17,714**	**4,172**	-	**134,466**

As at 31 December 2019, the cost of fully depreciated property and equipment still used by the Bank amounted to MDL'000 16,049 (as at 31 December 2018: MDL'000 14,145).

As at 31 December 2019 the management of the Bank has analysed market prices and found that they approximate the levels existing at the date of revaluation report. The Bank adopted the standard IFRS 16 "Leases" starting with January 1, 2019. The Bank has chosen to present the right-of-use assets as a component part of tangible assets, and the liabilities arising from leases are included in other liabilities in the financial position. Depreciation of right-to-use assets is presented in depreciation and amortization expenses in the statement of comprehensive income. The Bank recognized the cumulative effect of the initial application of the new standard as an adjustment to the initial result balances reported at the commencement date. The initial application of IFRS 16 had the effect of recognizing the right-of-use assets included in property, plant and equipment in the amount of MDL '000 6,798 and the lease liabilities related to operating leases included in other liabilities in the amount of MDL' 000 7,628.

10. Property, plant and equipment and right-of-use assets (continued)

	Land and buildings MDL'000	Furniture and equipment MDL'000	Motor vehicles MDL'000	Assets under construction MDL'000	Total MDL'000
Cost or valuation					
Balance as at 1 January 2018	**117,190**	**39,245**	**7,500**	**6**	**163,941**
Additions	809	7,420	-	1,443	**9,672**
Transfers	307	235	907	(1,449)	**-**
Disposals	(306)	(3,523)	(368)	-	**(4,197)**
Balance as at 31 December 2018	**118,000**	**43,377**	**8,039**	**-**	**169,416**
Accumulated depreciation					
Balance as at 1 January 2018	**3,787**	**25,644**	**3,327**	**-**	**32,758**
Charge for the year	1,633	1,115	829	-	**3,577**
Disposals	-	(1,096)	(289)	-	**(1,385)**
Balance as at 31 December 2018	**5,420**	**25,663**	**3,867**	**-**	**34,950**
Net book value					
At 31 December 2018	**112,580**	**17,714**	**4,172**	**-**	**134,466**
At 31 December 2017	**113,403**	**13,601**	**4,173**	**6**	**131,183**

11. Other assets

	2019	2018
	MDL'000	MDL'000
Receivables from money transfer systems (Note 20)	4,098	5,750
Settlements with other individuals	990	321
Investment property	47	47
Assets taken in possession	46,526	46,865
Inventory and spare parts	1,296	1,569
Prepayments	1,418	1,093
Other assets	5,454	5,706
Minus: Allowance for losses on assets taken in possession	(20,911)	(18,766)
	38,918	**42,585**

Assets for resale include land and buildings, taken into possession by the Bank in exchange for repayment of loans.

12. Due to customers

	2019	2018
	MDL'000	MDL'000
Corporate customers		
Current accounts	659,740	694,180
Term deposits	20,993	130,648
	680,733	**824,828**
Individuals		
Current accounts	278,747	279,837
Term deposits	788,600	842,507
	1,067,347	**1,122,344**
	1,748,080	**1,947,172**

12. Due to customers (continued)

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

	2019				2018			
	MDL		FCY		MDL		FCY	
	%	%	%	%	%	%	%	%
	min	max	min	max	min	max	min	max
Enterprises								
Demand deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Term deposits up to 3 months	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Term deposits >3 months< 1 year	2.50	4.00	0.10	0.50	3.50	4.00	0.50	0.75
Term deposits over 1 year	0.00	4.00	0.00	0.50	0.00	4.00	0.00	1.40
Individuals								
Demand deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Term deposits up to 3 months	0.80	1.00	0.00	0.10	0.80	1.50	0.00	0.10
Term deposits >3 months< 1 year	2.00	4.90	0.20	1.75	2.50	6.00	0.20	1.10
Term deposits over 1 year	0.30	6.20	0.10	2.50	0.30	7.50	0.10	2.50

13. Other borrowings

	Interest rate, %	2019 MDL'000	2018 MDL'000
Borrowings			
RISP loans with floating rate due	1.35-5.67	25,944	31,766
FIDA loans with floating rate due	1.35-5.57	15,904	19,818
PAC loans with floating rate due	5.57	523	2,947
KFW loans with floating rate due	-	-	-
Filiera Vinului loans with floating rate due	1.14-5.57	6,605	9,657
Livada Moldovei	0.6-0.9	29,923	29,300
Interest accrued		531	859
		79,430	**94,347**

During 2019 and 2018 the Bank did not have any defaults of principal, interest, or other breaches of contractual terms.

14. Other liabilities

	2019 MDL'000	2018 MDL'000
Suspended accounts	486	1,572
Amounts in transit	1	405
Settlements with employees	6,514	6,313
Settlements with other individuals and entities	11,454	9,926
Operating lease	4,687	-
Other	472	1,825
	23,614	**20,041**

Suspended accounts represent balances of customers with incomplete information, which after the clearance are transferred to customers' accounts.

15. Taxation

The major components of tax expense and the reconciliation of the expected tax expense based on the effective tax rate of 12% (2018: 12%) and the reported tax expense in profit or loss are as follows:

	2019 MDL'000	2018 MDL'000
Profit before tax	52,922	57,650
Moldovan statutory income tax rate	12%	12%
Expected tax expense	6,351	6,918
Effect of deductible/non-deductible expenses/revenue	(906)	(233)
Actual tax expense	**5,445**	**6,685**
Tax expense comprises:		
Current tax expense	5,186	6,312
Deferred tax expense:		
– Origination and reversal of temporary differences	259	373
	5,445	**6,685**

15. Taxation (continued)

Deferred taxes arising from temporary differences are summarized as follows:

Deferred tax assets (liabilities)	1 January 2019	Recognized in profit and loss	31 December 2019
	MDL'000	MDL'000	MDL'000
Assets			
Property, plant and equipment	(4,477)	(284)	(4,761)
Liabilities			
Other liabilities	757	25	782
	(3,720)	**(259)**	**(3,979)**
Recognised as:			
Deferred tax asset	-	-	-
Deferred tax liability	**(3,720)**	**(259)**	**(3,979)**

Deferred tax assets (liabilities)	1 January 2018	Recognized in profit and loss	31 December 2018
	MDL'000	MDL'000	MDL'000
Assets			
Property, plant and equipment	(4,021)	(456)	(4,477)
Liabilities			
Other liabilities	674	83	757
	(3,347)	**(373)**	**(3,720)**
Recognised as:			
Deferred tax asset	-	-	-
Deferred tax liability	**(3,347)**	**(373)**	**(3,720)**

Deferred tax was calculated by applying the 2019 standard tax rate of 12% (2018 standard tax rate of 12%).

16. Share capital

Share capital as at 31 December 2019 represents 2,000 thousand (31 December 2018: 2,000 thousand) ordinary shares authorized and issued. As at 31 December 2019 and 2018 the nominal value per share is MDL 50. All shares have equal voting rights and are fully paid.

The shareholders, whose share part exceeds 5% of the total number of shares issued, are listed as follows:

	2019	**2018**
Share capital consists of:	**%**	**%**
ICS „RED UNION FENOSA" SA	9.98	9.98
Hostex Establishment	-	9.62
Esperan Property Consultants Ltd	-	9.60
Dima-Holding SRL	8.62	8.62
Sfinx-Impex SA	6.89	6.89
Enteh SA	8.10	8.10
Evident-Electro SA	-	7.33
Dunav IM	-	6.07
Energbank SA *	49.43	-
Others, less than 5% each	16.98	33.79
	100.00	**100.00**

* - newly issued and registered shares in the bank's account until their sale (according to art. 52 (1) of Law no. 202 of 06.10.2017 on the activity of banks)

There are 37 other shareholders (December 31, 2018: 44 shareholders) of which 30 shareholders are individuals and 7 - entities (December 31, 2018: 34 individuals and 10 entities).

17. Other reserves

	2019	**2018**
	MDL'000	**MDL'000**
Statutory reserves	10,002	10,002
General reserves for banking risks	123,758	136,726
	133,760	**146,728**

In accordance with local legislation, the Bank is required to create a legal reserve by appropriation of 5% of the net profit for the year until this reserve is equal to at least 10% of the issued and fully paid share capital. This is a non-distributable reserve.

General reserves for banking risks include amounts resulting from differences between assets impairment under IFRS and the calculated but unformed amount of allowances for asset and conditional commitments losses under prudential regulations (NBM).

18. Dividends per share

In 2019 no dividends have been proposed and distributed. In 2018 no dividends were proposed and distributed.

19. Capital management

The Bank's objectives when managing capital are to safeguard the Bank's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Bank may adjust the sum of dividends paid to shareholders, return capital, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies, and processes from the previous years.

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

The NBM requires each bank or group banks to hold the minimum level of the regulatory capital of at least 15.5% (December 31, 2018 -15.5%).

	2019 MDL'000	2018 MDL'000
Own funds	480,776	446,844
Own funds level 1	480,776	446,844
Own funds basic level 1	480,776	446,844
Ratio of own funds - Total	46%	40%

During 2019, the Bank has complied with the prudential indicators according to the NBM legislative requirements applicable to that period.

20. Cash and cash equivalents

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

	Notes	2019 MDL'000	2018 MDL'000
Cash and balances with National Bank	3	784,741	831,763
Current accounts and deposits with banks		91,488	215,030
Debt securities	5	249,820	249,805
Other assets	11	4,098	5,750
		1,130,147	**1,302,348**

21. Interest and similar income and expense

	2019 MDL'000	2018 MDL'000
Interest and similar income		
Loans and advances to clients	88,494	87,523
State securities	29,396	33,823
Loans and advances to banks	17,755	16,057
	135,645	**137,403**
Interest expense and similar charges		
Deposits from individuals	(28,260)	(34,022)
Deposits from entities	(1,523)	(4,949)
Deposits and loans from banks	(431)	(532)
Other borrowings	(2,008)	(4,035)
Other	(240)	-
	(32,462)	**(43,538)**
Net interest income	**103,183**	**93,865**

22. Net fee and commission income

	2019 MDL'000	2018 MDL'000
Fee and commission income		
Processing payments from clients	49,708	47,883
Commission on guarantees and letters of credit	1,111	1,242
Transactions with debit cards	3,415	2,509
Other	2,360	2,939
	56,594	**54,573**
Fee and commission expense		
Commissions on debit card services	(8,159)	(6,215)
Interbank transactions	(3,825)	(4,027)
Other	(335)	(309)
	(12,319)	**(10,551)**
Net fee and commission income	**44,275**	**44,022**

23. Financial income, net

	2019 MDL'000	2018 MDL'000
Gains from trading foreign currency, net	39,951	40,878
Foreign exchange losses	(1,112)	(1,876)
Dividend income on shares	181	-
	39,020	**39,002**

24. Other operating income, net

	2019 MDL'000	2018 MDL'000
Rent income	1,324	1,088
Gains/(losses) on disposal of property, plant and equipment and other assets	(1,129)	(1,703)
Gains/(losses) on disposal of participation shares	-	230
Other non-interest income	338	92
	533	**(293)**

25. Personnel expenses

	2019 MDL'000	2018 MDL'000
Salaries and bonuses	60,503	53,985
Social insurance and contributions	11,948	12,707
Medical insurance	2,987	2,769
Other personnel expenses	6,107	7,796
Provision for unused vacation	5,907	5,967
	87,452	**83,224**

The Bank makes contributions to the State pension system of the Republic of Moldova calculated as a percentage of gross salary. These contributions are accounted as expenses in the statement of comprehensive income during the period in which the related salary is earned by the employee.

26. General and administrative expenses

	2019 MDL'000	2018 MDL'000
Utilities and rent	3,319	5,988
Post and telephone	3,087	2,922
Safety and security costs	3,791	4,404
Advertising and charity	4,381	5,406
Office supplies	1,428	1,690
Repairs and maintenance	6,369	6,960
Professional services	3,048	4,999
Guarantee fund	2,253	2,160
Taxes and penalties	807	906
Other	3,753	3,913
	32,236	**39,348**

27. Depreciation and amortization expenses

	2019 MDL'000	2018 MDL'000
Tangible assets	6,715	5,872
Accumulated depreciation on financial assets at fair value through other comprehensive income	1,135	873
Accumulated depreciation on right-of-use assets	2,133	-
Expenditure on provisions for conditional commitments	21	-
	10,004	**6,745**

28. Guarantees and other financial commitments

The aggregate amounts of outstanding guarantees, commitments, and other off-balance sheet items as at 31 December 2019 and 2018 are:

	2019 MDL'000	2018 MDL'000
Guarantees	36,258	71,149
Financing commitments and other	55,804	93,475
	92,062	**164,624**

In the usual course of business, the Bank issues guarantees and letters of credit on behalf of its customers. The credit risk of guarantees is identical to that from lending. In the case of a claim against the Bank because of a customer's default on a guarantee these instruments also present a certain degree of liquidity risk to the Bank.

28. Guarantees and other financial commitments (continued)

Financing commitments represent the Bank's commitments to grant loans and advances to customers. Financing commitments do not necessarily imply a future cash outflow since many of these commitments will expire or terminate without being funded.

29. Capital commitments

There were no capital commitments as at 31 December 2019 and 2018.

30. Operating lease commitments

Future minimum payments under operating leases for buildings and means of transport are as follows:

	2019 MDL'000	2018 MDL'000
No later than 1 year	1,904	2,267
Later than 1 year and no later than 5 years	3,398	3,778
Later than 5 years	-	421
	5,302	**6,466**

31. Contingent liabilities

As at 31 December 2019 and 2018 the Bank is a plaintiff in several lawsuits arising from ordinary corporate activities. In the opinion of Management and the Bank's legal department, the probability of loss is low.

32. Earnings per share

	Ordinary shares issued	Profit attributable to equity holders of the Bank MDL'000	Basic earnings per share MDL
As at 31 December 2019	2,000,000	**47,278**	23.64
As at 31 December 2018	2,000,000	**50,526**	25.26

Main earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares issued during the year. As at 31 December 2019 and 2018 there were no dilutive equity instruments subscribed to by the Bank.

33. Fair value of financial instruments

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2019					2018				
	Book value	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Book value**	**Level 1**	**Level 2**	**Level 3**	**Fair value**
	MDL'000	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**
Financial assets										
Cash and balances with NBM	868,960	-	868,960	-	**868,960**	925,773	-	925,773	-	**925,773**
Loans and advances to banks	91,293	-	91,293	-	**91,293**	214,696	-	214,696	-	**214,696**
Financial assets at amortized cost	503,867	503,867	-	-	**503,867**	468,184	468,184	-	-	**468,184**
Loans and advances to customers	881,447	-	-	920,587	**920,587**	896,692	524,004	260,061	49,763	**833,828**
Financial liabilities										
Due to banks	-	-	-	-	-	-	-	-	-	-
Other borrowings	84,117	-	84,117	-	**84,117**	94,347	-	94,347	-	**94,347**
Due to customers	1,748,080	-	1,743,878	-	**1,743,878**	1,947,172	-	1,947,172	-	**1,947,172**

33. Fair value of financial instruments (continued)

(i) Loans and advances to banks

Loans and advances to banks comprise inter-bank placements and loans. The fair value of floating rate placements and overnight deposits approximates their book value. The estimated fair value of placements with fixed interest rates is based on discounted cash flows using the predominant market interest rate for liabilities with similar credit risk and maturity.

(ii) Financial assets at amortized cost

The fair value of the financial assets at amortized cost approximates the balance sheet value. These investments are mainly State securities and Certificates issued by the NBM.

(iii) Loans and advances to customers

Loans and advances are net of impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows. Expected cash flows are discounted at current market rates to determine fair value.

(iv) Liabilities, including due to other banks, due to customers and other borrowed funds

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

34. Related parties

In the ordinary economic activity during the year, the Bank conducted a series of banking and non-banking transactions with related parties. These transactions include loans granting, deposit opening, payment settlement, foreign currency transactions and purchase of goods and services from related parties.

According to the statement of the Bank’s Board and the Executive Committee, on December 31, 2019 and December, 31 2018 and during these periods, the Bank had no party that ultimately controlled the company, that is, a person or a group of persons, which would have joint control. The shareholders and their representatives in the Bank’s Board and Executive Committee are working in a spirit of cooperation with regard to the governance and implementation of the Bank's operational and financial policies.

Exposure to credit risk toward related parties

	2019	**2018**
	MDL'000	**MDL'000**
Total amount of exposures to related parties	8,746	62,948
Interest rate (min/max.)	0%-16%	0%-16%
Own funds	480,776	446,844
Total amount of exposures to related parties toward own funds	**1.82%**	**14.09%**

The total credit debt of a person affiliated to the Bank and / or a group operating together with the affiliated person is followed and does not exceed 10% of the Bank's own funds.

The total amount of credit debts granted to a person affiliated to the Bank and / or groups of persons acting together with persons affiliated to the Bank does not exceed 20% of the Bank's first-degree own funds.

34. Related parties (continued)

When examining each possible relationship with related parties, special attention is drawn to the nature of the relationship and not just the legal form.

The details of transactions between the Bank and other related parties are presented below:

	Associates and joint ventures		Key management personnel		Other related parties	
	2019	2018	2019	2018	2019	2018
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Interest income	81	569	82	284	100	499
Fee and commission income	5	2	9	72	77	215
Interest expense	-	-	(8)	53	(68)	(2,736)
Impairment or (-) reversal of losses caused by impairment of non-performing exposures	(1,971)	5,756	-	-	-	(11)
Personnel expenses	-	-	(11,997)	(20,423)	(700)	(580)
	(1,885)	**6,327**	**(11,914)**	**(20,014)**	**(591)**	**(2,613)**

34. Related parties (continued)

Balances and transactions with related parties are presented below as at December 31, 2019 and December 31, 2018:

	Associates and joint ventures		Key management personnel		Other related parties	
	2019	2018	2019	2018	2019	2018
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Assets						
Equity instruments	861	1,008	-	-	-	-
Loans and advances	7,545	9,508	-	2,531	-	2,654
Liabilities						
Deposits	175	1	679	2,537	1,515	157,644
Commitments, guarantees and other						
Issued	-	-	-	48	-	920
Received	1,926	1,952	-	3,800	-	6,057
Provisions for doubtful debts, guarantees and commitments	-	-	-	-	-	-

Terms and conditions of transactions with related parties

The above-mentioned outstanding balances are from the ordinary course of business. The interests charged to and by related parties are at normal commercial rates. Loans to employees were granted at market rates. Outstanding balances at the year-end are uninsured. There have been no guarantees offered by or received from any related parties related to debts or receivables. For the year ended 31 December 2019, the Bank has made provisions for debts related to the amounts held by the affiliated parties in the amount of 14,146 (2018: 1,859).

35. Risk management

The Bank manages the risks associated with the activities that may be carried out in accordance with the Bank's statute and license, as well as the provisions of the legislation in force. The risks the Bank manages, the risk management methods and tools, the main responsibilities of the Bank's risk management structures are specified in the Risk Management Policy within the Bank.
The primary objective of the Bank is to manage risks carefully to prevent the negative internal or external impact on the Bank's business leading to the non-realization of goals, unplanned losses or negative effects.

The risk management process will ensure the identification, measurement, evaluation, diminution, monitoring and reporting of activity-related risks at the level of activity lines and as a whole. In the process of risk management, in order to minimize and anticipate the risks, the Bank carries out crisis simulations, generating extreme scenarios on all significant activities of the Bank. The results of the simulations allow the identification of vulnerabilities and the adoption of corrective action plans.

The Bank continuously evaluates and monitors significant risks such as credit risk, market risk (foreign exchange risk, interest rate risk), liquidity risk, etc.

35.1 Credit risk

Credit risk is the most significant for the entire banking system. The bank understands credit risk as a potential probability that borrowers/counterparties will not honour their commitments to the Bank on time or fully. The credit risk management system is based on the principles set out in the Credit Policy approved by the Board and in the internal regulatory acts in the field, which takes into account the risk probability and risk profile of the Bank.

The Bank exposes itself to credit risk through lease and advance granting activities, investment activities, issuance of bank guarantees, holdings in current accounts (correspondent) and placements in banks.

Credit risk is managed by setting exposure limits (by customer, group of connected customers, business sectors, product category, counterpart, etc.) by requiring appropriate collateral, by examining/analysing and monitoring the financial position of the counterparty, by monitoring the evolution of the credit portfolio structure, by applying a prudent provisioning policy when there is risk of possible loss.

Credit quality by class of financial assets
The table below shows the credit quality by class of asset for all financial assets exposed to credit risk The amounts presented are gross of impairment allowances.

35. Risk management (continued)

35.1 Credit risk (continued)

Credit quality by class of financial assets

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk The amounts presented are gross of impairment allowances.

	Note	Stage 1	Stage 2	Stage 3	31 Dec 2019	31 Dec 2018
		MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Balances with National Bank	3	631,962	-	-	**631,962**	**664,015**
Current accounts and deposits with banks	4	91,488	-	-	**91,488**	**214,696**
Financial assets at amortized cost	5	508,185	-	-	**508,185**	**468,184**
Loans	6	537,916	263,215	132,705	**933,836**	**951,078**
Other financial assets	11	6,665	-	-	**6,665**	**9,768**
		1,776,216	**263,215**	**132,705**	**2,172,136**	**2,307,741**

Loans and advances are summarized as follows:

	Individuals	
	31-Dec-19	31-Dec-18
	MDL'000	MDL'000
Stage 1	370,443	298,103
Stage 2	108,181	81,288
Stage 3	22,095	26,081
	500,719	**405,472**
Less: Allowances for impairment losses	(23,236)	(15,894)
	477,483	**389,578**

	Entities	
	31-Dec-19	31-Dec-18
	MDL'000	MDL'000
Stage 1	167,473	226,152
Stage 2	155,034	183,094
Stage 3	110,610	136,360
	433,117	**545,606**
Less: Allowances for impairment losses	(29,153)	(38,492)
	403,964	**507,114**

35. Risk management (continued)

35.1 Credit risk (continued)

Loans and advances individually impaired

As at 31 December 2019 the individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is MDL'000 70,113. As at 31 December 2019: MDL'000 77,332. The fair value of collateral that the Bank holds relating to loans individually determined to be impaired at 31 December 2019 amounts to MDL'000 104,121. The collateral consists of properties and equipment.

Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. As at 31 December 2019, the renegotiated loans that would otherwise be past due or impaired is MDL'000 10,754 (2018: MDL'000 19,817).

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit - which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties - carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

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

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

35. Risk management (continued)

35.1 Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements:

	Notes	2019 MDL'000	2018 MDL'000
Cash and accounts with the National Bank	3	631,962	664,015
Current accounts and deposits with banks	4	91,293	214,696
Financial assets at amortized cost	5	503,867	468,184
Loans, net	6	881,447	896,692
Other financial assets	11	6,665	9,768
		2,115,234	**2,253,355**
Off-balance sheet items	**28**	92,062	164,624
Total credit risk exposure		**2,207,296**	**2,417,979**

The above table represents a worst-case scenario of the Bank's exposure to the credit risk at 31 December 2019 and 2018, without taking account of any collateral held or other credit enhancements attached. For on balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

Management is confident in its ability to continue to control and sustain minimal exposure of the bank to the credit risk.

Maximum exposure to credit risk

The Bank's concentrations of risk are managed by client/counterparty and by industry sector.

Loan amounts are presented at gross carrying amount (at amortized cost before adjusting for impairment).

The loans granted to 20 major customers (Groups) of the Bank as at 31 December 2019 amounted to MDL'000 277,898 representing 30% of the Bank's gross loan portfolio (as at 31 December 2018: MDL'000 308,896 or 32%). These are analysed by industries as follows:

	2019 MDL'000	2018 MDL'000
Manufacturing and trade	84,735	75,085
Agriculture	83,528	92,983
Financial non- banking sector	50,400	59,742
Food industry	29,917	29,934
Service field	25,901	49,854
Other	3,418	1,298
	277,898	**308,896**

For significant credit risk concentration at the industry level please refer to note 6.

35. Risk management (continued)

35.2 Market risk

Market risk is the risk of losses on balance sheet and off-balance sheet positions due to unfavourable market fluctuations in the prices of financial instruments and equity securities held for trading, interest rates and foreign exchange rates.

Market risk management aims at creating a portfolio with low sensitivity to changes in the interest rate and the exchange rate.

35.2.1 Foreign exchange risk

The Bank is exposed to foreign exchange risk by foreign currency transactions against the Moldovan leu, the change in the value of monetary assets/liabilities following exchange rate fluctuations.

The Bank performs operations in both Moldovan and foreign currency and monitors its daily foreign exchange exposure. The main foreign currencies held by the Bank are the US Dollar and the Euro.

Foreign exchange risk is managed in accordance with the Open Foreign Exchange Regulation. Exposure in foreign currency is limited by the NBM for each currency and for total. The purpose of the Bank is to minimize exposure to foreign exchange risk by maintaining an open foreign exchange position at a minimum level.

Sensitivity analysis to currency risk
The Bank performed a sensitivity analysis to foreign exchange risk at which it is reasonably exposed at 31 December 2019, showing how income statement could have been affected as a result of possible changes in currency rates.

The tables below show the currencies for which the Bank has significant exposure to currency risk as at 31 December 2019 and as at 31 December 2018, for the balance sheet items that are sensitive to the currency rates' modifications. The analysis demonstrates the effect of reasonably possible changes in currency rates against Moldovan Leu with all other variables held constant:

As at 31 December 2019	**Increase in currency rates, %**	**Effect on PBT MDL'000**	**Decrease in currency rates, %**	**Effect on PBT MDL'000**
EUR	+5%	(1,279)	-5%	1,279
USD	+5%	(201)	-5%	201

As at 31 December 2018	**Increase in currency rates, %**	**Effect on PBT MDL'000**	**Decrease in currency rates, %**	**Effect on PBT MDL'000**
EUR	+5%	(1,783)	-5%	1,783
USD	+5%	131	-5%	(131)

35. Risk management (continued)

35.2.1 Foreign exchange risk (continued)

The tables below summarize the Bank's exposure to foreign currency exchange rate risk at 31 December 2019 and 31 December 2018. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorized by currency.

31 December 2019	Total MDL'000	MDL MDL'000	USD MDL'000	EUR MDL'000	Other MDL'000
ASSETS					
Cash and balances with National Bank	**868,960**	627,168	58,484	173,124	10,184
Current accounts and deposits with banks	**91,293**	(195)	45,523	41,000	4,965
Financial assets at amortized cost	**503,867**	503,867	-	-	-
Loans, net	**881,447**	656,304	45,270	179,873	-
Financial assets at fair value through other comprehensive income	**1,829**	1,829	-	-	-
Other financial assets	**6,665**	3,800	807	2,058	-
Total assets	**2,354,061**	**1,792,773**	**150,084**	**396,055**	**15,149**
LIABILITIES					
Due to banks	-	-	-	-	-
Due to customers	**1,748,080**	1,209,286	149,459	376,806	12,529
Other borrowings	**79,430**	32,476	3,610	43,344	-
Other financial liabilities	**15,372**	12,861	1,027	1,484	-
Total liabilities	**1,842,882**	**1,254,623**	**154,096**	**421,634**	**12,529**
GAP	**511,179**	**538,150**	**(4,012)**	**(25,579)**	**2,620**

Other currencies mainly include Russian Rouble, Belorussian Rouble and Ukrainian Hryvnia.

35. Risk management (continued)

35.2.1 Foreign exchange risk (continued)

31 December 2018	Total MDL'000	MDL MDL'000	USD MDL'000	EUR MDL'000	Other MDL'000
ASSETS					
Cash and balances with National Bank	**925,773**	655,309	103,142	162,463	4,859
Current accounts and deposits with banks	**214,696**	(334)	124,714	88,198	2,118
Financial assets at amortized cost	**468,184**	468,184	-	-	-
Loans, net	**896,692**	645,095	73,432	178,165	-
Financial assets at fair value through other comprehensive income	**2,020**	2,020	-	-	-
Other financial assets	**9,768**	5,491	1,259	2,640	378
Total assets	**2,517,133**	**1,775,765**	**302,547**	**431,466**	**7,355**
LIABILITIES					
Due to banks	-	-	-	-	-
Due to customers	**1,947,172**	1,220,532	294,383	423,680	8,577
Other borrowings	**94,347**	46,480	4,956	42,911	-
Other financial liabilities	**10,800**	8,441	586	528	1,245
Total liabilities	**2,052,319**	**1,275,453**	**299,925**	**467,119**	**9,822**
GAP	**464,814**	**500,312**	**2,622**	**(35,653)**	**(2,467)**

Other currencies mainly include Russian Rouble, Belorussian Rouble and Ukrainian Hryvnia.

35. Risk management (continued)

35.2.2 Interest rate risk

The Bank's activity is exposed to the risk of interest rate fluctuation, which is expressed by the fact that the interest- bearing assets and liabilities become due or change their value under different terms or amounts.

The main instrument used in interest rate risk management is the analysis of interest rate change differences, based on which the sensitivity of the balance sheet to yield curves is calculated.

The Bank seeks to reduce the gap between assets and liabilities sensitive to interest rate fluctuations, so that the impact of interest rate variation on net interest income is as low as possible.

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

Depending on the evolution of the financial market, the Bank estimates a fluctuation of +/- 100 and +/- 50 basis points for its assets and liabilities and determines the impact of these possible changes on net interest income:

	Increase in basis points	Sensitivity of Net Interest Income, MDL'000	Decrease in basis points	Sensitivity of Net Interest Income, MDL'000
2019	+100	7,876	-100	(7,876)
	+50	3,937	-50	(3,937)
2018	+100	8,003	-100	(8,003)
	+50	4,001	-50	(4,001)

The tables below summarize the Bank's exposure to interest rate risks as at 31 December 2019 and 31 December 2018. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

35. Risk management (continued)

35.2.2 Interest rate risk (continued)

31 December 2019	Total	Less than 1 month	From 1 month to 2 months	From 2 months to 3 months	From 3 months to 6 months	From 6 months to 9 months	From 9 months to 12 months	From 1 to 5 years	More than 5 years	Non-interest bearing items
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS										
Cash and balances with National Bank	**868,960**	550,526	-	-	-	-	-	-	-	318,434
Current accounts and deposits with banks	**91,293**	75,120	-	-	-	-	-	-	-	16,173
Financial assets at amortized cost	**503,867**	271,519	39,849	27,324	90,743	38,274	36,158	-	-	-
Loans, net	**881,447**	13,167	735,339	-	47,332	-	-	-	-	85,609
Financial assets at fair value through other comprehensive income	**1,829**	-	-	-	-	-	-	-	-	1,829
Other financial assets	**6,665**	-	-	-	-	-	-	-	-	6,665
Total assets	**2,354,061**	**910,332**	**775,188**	**27,324**	**138,075**	**38,274**	**36,158**	**-**	**-**	**428,710**
LIABILITIES										
Due to banks	-	-	-	-	-	-	-	-	-	-
Due to customers	**1,748,080**	1,054,438	-	-	-	-	-	-	-	693,642
Other borrowings	**79,430**	5,597	16,605	-	56,268	-	-	-	-	960
Other financial liabilities	**15,372**	5,063	-	-	-	-	-	-	-	10,309
Total liabilities	**1,842,882**	**1,065,098**	**16,605**	**-**	**56,268**	**-**	**-**	**-**	**-**	**704,911**
Interest gap	**511,179**	**(154,766)**	**758,583**	**27,324**	**81,807**	**38,274**	**36,158**	**-**	**-**	**(276,201)**
Interest gap, cumulated		**(154,766)**	**603,817**	**631,141**	**712,948**	**751,222**	**787,380**	**787,380**	**787,380**	**511,179**

35. Risk management (continued)

35.2.2 Interest rate risk (continued)

31 December 2018	Total	Less than 1 month	From 1 month to 2 months	From 2 months to 3 months	From 3 months to 6 months	From 6 months to 9 months	From 9 months to 12 months	From 1 to 5 years	More than 5 years	Non-interest bearing items
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS										
Cash and balances with National Bank	**925,773**	630,902	-	-	-	-	-	-	-	294,871
Current accounts and deposits with banks	**214,696**	203,293	-	-	-	-	-	-	-	11,403
Financial assets at amortized cost	**468,184**	272,482	29,761	25,942	59,291	47,829	32,879	-	-	-
Loans, net	**896,692**	47,090	744,026	-	-	-	-	-	-	105,576
Financial assets at fair value through other comprehensive income	**2,020**	-	-	-	-	-	-	-	-	2,020
Other financial assets	**9,768**	-	-	-	-	-	-	-	-	9,768
Total assets	**2,517,133**	**1,153,767**	**773,787**	**25,942**	**59,291**	**47,829**	**32,879**	**-**	**-**	**423,638**
LIABILITIES										
Due to banks	-	-	-	-	-	-	-	-	-	-
Due to customers	**1,947,172**	1,195,549	-	-	-	-	-	-	-	751,623
Other borrowings	**94,347**	12,268	16,849	-	63,790	-	-	-	-	1,440
Other financial liabilities	**10,800**	4,751	-	-	-	-	-	-	-	6,049
Total liabilities	**2,052,319**	**1,212,568**	**16,849**	**-**	**63,790**	**-**	**-**	**-**	**-**	**759,112**
Interest gap	**464,814**	**(58,801)**	**756,938**	**25,942**	**(4,499)**	**47,829**	**32,879**	**-**	**-**	**(335,474)**
Interest gap, cumulated		**(58,801)**	**698,137**	**724,079**	**719,580**	**767,409**	**800,288**	**800,288**	**800,288**	**464,814**

35. Risk management (continued)

35.3 Liquidity risk

Liquidity risk is the risk of losses due to the bank's inability to meet its obligations at maturity. The Bank manages its assets and liabilities, focusing on the proper determination of the balance sheet structure by continually correlating resources and placements in terms of structure and maturity.

Liquidity risk management aims at maintaining an optimal ratio between effective liquidity and profitability objectives, while complying with prudential requirements for minimum reserves and regulated liquidity ratios (Principle I, Principle II, Principle III). The liquidity risk management process is geared to anticipate crisis situations and managing them.

The bank monitors daily the liquidity risk indicators, analyses the liquidity risk profile on a monthly basis and assesses quarterly the impact of some crisis scenarios related to the Bank's liquidity.

The table below classifies the Bank's assets and liabilities into maturity groups that are based on the outstanding period up to the contractual maturity at the balance sheet date based on undiscounted contractual payment obligations. Payments requiring notification are treated as if the notification had been made immediately.
However, the Bank estimates that many customers will not be required to pay the bonds in the near future in which the Bank would have to pay and the table does not reflect the expected cash flows indicated by the Bank's history of maintaining the deposits.

35. Risk management (continued)

35.3 Liquidity risk (continued)

31 December 2019	Total	Less than 1 month	From 1 month to 2 months	From 2 months to 3 months	From 3 months to 6 months	From 6 months to 9 months	From 9 months to 12 months	From 1 to 5 years	More than 5 years
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS									
Cash and balances with National Bank	**868,960**	868,960	-	-	-	-	-	-	-
Current accounts and deposits with banks	**91,488**	91,488	-	-	-	-	-	-	-
Financial assets at amortized cost	**514,943**	273,332	41,542	28,732	93,936	39,898	37,078	425	-
Loans, net	**1,008,133**	37,844	34,215	33,499	107,900	95,864	95,698	562,600	40,513
Financial assets at fair value through other comprehensive income	**1,829**	1,829	-	-	-	-	-	-	-
Other financial assets	**6,665**	6,665	-	-	-	-	-	-	-
Total assets	**2,492,018**	**1,280,118**	**75,757**	**62,231**	**201,836**	**135,762**	**132,776**	**563,025**	**40,513**
LIABILITIES									
Due to banks	-	-	-	-	-	-	-	-	-
Due to customers	**1,774,996**	978,467	60,093	51,230	118,859	176,011	198,402	181,460	10,474
Other borrowings	**82,844**	2,123	322	-	12,785	994	9,666	49,267	7,687
Other financial liabilities	**15,372**	10,858	173	173	524	530	530	2,204	380
Total liabilities	**1,873,212**	**991,448**	**60,588**	**51,403**	**132,168**	**177,535**	**208,598**	**232,931**	**18,541**
Maturity gap	**618,806**	**288,670**	**15,169**	**10,828**	**69,668**	**(41,773)**	**(75,822)**	**330,094**	**21,972**

35. Risk management (continued)

35.3 Liquidity risk (continued)

31 December 2018	Total	Less than 1 month	From 1 month to 2 months	From 2 months to 3 months	From 3 months to 6 months	From 6 months to 9 months	From 9 months to 12 months	From 1 to 5 years	More than 5 years
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS									
Cash and balances with National Bank	**925,773**	925,773	-	-	-	-	-	-	-
Current accounts and deposits with banks	**214,696**	214,696	-	-	-	-	-	-	-
Financial assets at amortized cost	**476,657**	272,251	29,648	26,538	61,093	51,583	35,078	466	-
Loans, net	**1,038,085**	54,620	40,143	41,904	104,286	98,003	97,196	559,746	42,187
Financial assets at fair value through other comprehensive income	**2,020**	2,020	-	-	-	-	-	-	-
Other financial assets	**9,768**	9,725	-	-	-	-	-	-	43
Total assets	**2,666,999**	**1,479,085**	**69,791**	**68,442**	**165,379**	**149,586**	**132,274**	**560,212**	**42,230**
LIABILITIES									
Due to banks	-	-	-	-	-	-	-	-	-
Due to customers	1,971,103	1,032,925	80,684	147,019	164,577	181,510	192,831	164,076	7,481
Other borrowings	99,832	4,060	14	-	9,979	3,556	10,853	59,134	12,236
Other financial liabilities	10,800	10,800	-	-	-	-	-	-	-
Total liabilities	**2,081,735**	**1,047,785**	**80,698**	**147,019**	**174,556**	**185,066**	**203,684**	**223,210**	**19,717**
Maturity gap	**585,264**	**431,300**	**(10,907)**	**(78,577)**	**(9,177)**	**(35,480)**	**(71,410)**	**337,002**	**22,513**

35. Risk management (continued)

35.3 Liquidity risk (continued)

The tables below show the contractual expiry by maturity of the Bank's contingent liabilities and commitments:

31 December 2019	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Commitments and guarantees	16,285	18,253	57,224	300	92,062
	16,285	**18,253**	**57,224**	**300**	**92,062**

31 December 2018	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Commitments and guarantees	41,330	77,583	45,711	-	164,624
	41,330	**77,583**	**45,711**	**-**	**164,624**

The Bank expects that not all of the contingent liabilities or commitments will be collected before obligations expires.

36. Geographical concentration

The Bank's geographical focus on assets and liabilities is set out below:

Country name	31 December 2019 Total assets	31 December 2019 Total liabilities	31 December 2018 Total assets	31 December 2018 Total liabilities
	(MDL'000)	(MDL'000)	(MDL'000)	(MDL'000)
Moldova	2,453,628	1,834,048	2,485,117	2,044,637
Countries EMU	39,579	1,209	86,311	179
Other countries- EU members	1,719	110	2,609	1,822
USA	32,935	564	115,251	580
Offshore	-	3,546	-	3,538
Other countries	3,408	15,626	2,034	14,524
	2,531,269	**1,855,103**	**2,691,322**	**2,065,280**

37. Maturity analysis of assets and liabilities

The tables below represent the analysis of assets and liabilities in terms of their expected recovery or settlement term:

31 December 2019	Up to 12 months	More than 12 months	Total
ASSETS			
Cash and balances with National Bank	868,960	-	**868,960**
Current accounts and deposits with banks	91,293	-	**91,293**
Financial assets at amortized cost	503,474	393	**503,867**
Loans, net	180,463	700,984	**881,447**
Financial assets at fair value through other comprehensive income	1,829	-	**1,829**
Investment property	-	47	**47**
Intangible assets	-	6,463	**6,463**
Property and equipment	-	137,105	**137,105**
Current income tax asset	1,387	-	**1,387**
Other assets	13,439	25,432	**38,871**
Total assets	**1,660,845**	**870,424**	**2,531,269**
LIABILITIES			
Due to customers	1,566,193	181,887	**1,748,080**
Other borrowings	10,314	69,116	**79,430**
Other liabilities	21,030	2,584	**23,614**
Deferred tax liabilities	3,979	-	**3,979**
Total liabilities	**1,601,516**	**253,587**	**1,855,103**
Gap	**59,329**	**616,837**	**676,166**

37. Maturity analysis of assets and liabilities (continued)

31 December 2018	Up to 12 months	More than 12 months	Total
ASSETS			
Cash and balances with National Bank	925,773	-	**925,773**
Current accounts and deposits with banks	214,696	-	**214,696**
Financial assets at amortized cost	467,755	429	**468,184**
Loans, net	196,905	699,787	**896,692**
Financial assets at fair value through other comprehensive income	2,020	-	**2,020**
Investment property	-	47	**47**
Intangible assets	-	6,429	**6,429**
Property and equipment	-	134,466	**134,466**
Current income tax asset	-	-	-
Other assets	14,823	27,762	**42,585**
Total assets	**1,821,972**	**868,920**	**2,690,892**
LIABILITIES			
Due to customers	1,781,719	165,453	**1,947,172**
Other borrowings	68,425	25,922	**94,347**
Other liabilities	20,041	-	**20,041**
Deferred tax liabilities	3,720	-	**3,720**
Total liabilities	**1,873,905**	**191,375**	**2,065,280**
Gap	**(51,933)**	**677,545**	**625,612**

38. Tax risk

The tax system in the Republic of Moldova has undergone several changes in recent years and is in a continuous process of upgrading and modernization. As a result, there are still different interpretations of tax legislation. In certain situations, the tax authorities may treat certain aspects differently by calculating additional taxes and charges and interest and penalties for late payments. In Republic of Moldova, the tax exercise remains open for fiscal verification for at least 4 years. The management of the Bank considers that the tax liabilities included in these financial statements are adequate.

39. Segment reporting

An segment of activity is component of the Bank which engages in business activities which may generate income and incur expenses, whose results are examined periodically by Bank's decision factors with the purpose of allocating resources to segments and evaluating their performance and for which separate financial information is available. During 2019 and 2018 the Bank performed bank transactions that were provided only on the Moldovan market. Management considers that the inherent risks and benefits of banking activity do not differ significantly between clients' categories as well as between different geographical regions, and therefore does not require the need for separate reporting on segments that will provide some additional benefits. The Bank does not monitor the activity on different segments because it considers it less relevant to the internal decision-making process. The results are examined by the Bank only at the Bank level, as a unique segment.

40. Subsequent events

According to the decision of the Executive Committee of the NBM № 1 of 10.01.2020 and 96 of 10.04.2020 the mandates of the temporary administrators Mr. Andrei Tcaci and Ms. Balanov Galina were extended until 11.10.2020.

The newly issued shares in 2020 are exposed for sale on the regulated market. At the same time, considering the decision of the Executive Committee of the NBM no. 34 of 17.02.2020, it results that, at the date of issuing this Report, the National Bank is examining the application submitted on 04.10.2019 and he sets of documents of a group of people, which were announced to act in concert in relation to B.C. ENERGBANK S.A. (potential buyers). That group intends to jointly acquire the 70% of the share capital of B.C. ENERGBANK S.A.

On March 11, 2020, the World Health Organization (WHO) declared a coronavirus pandemic (COVID-19). In the Republic of Moldova, a red code was established at national level by the Extraordinary National Commission for Public Health on March 13, 2020. The Bank considers this pandemic as a subsequent event, which does not lead to the adjustment of the financial statements. At this stage, the bank cannot estimate the impact with certainty, because the events are constantly changing from one day to the next.