

B.C. MAIB S.A.
Consolidated and Separate Financial
Statements and Independent Auditor's
Report
31 December 2021

(FREE TRANSLATION*)

B.C. MAIB S.A.**Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***CONTENT**

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



Independent Auditor's Report

To the Shareholders of B.C. MAIB S.A.

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of B.C. MAIB S.A. (the "Bank") and its subsidiaries (together the "Group") as at 31 December 2021, and the Group's and Bank's consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Group's and Bank's consolidated and separate financial statements comprise:

- the consolidated and separate statement of financial position as at 31 December 2021;
- the consolidated and separate statement of profit or loss and other comprehensive income for the year ended 31 December 2021;
- the consolidated and separate statement of changes in equity for the year ended 31 December 2021;
- the consolidated and separate statement of cash flows for the year ended 31 December 2021; and
- the notes to the consolidated and separate financial statements for the year ended 31 December 2021, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Law No 271/15 December 2017 regarding audit of financial statements with subsequent amendments (the "Law 271/2017"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law 271/2017 that are relevant to our audit of the consolidated and separate financial statements in the Republic of Moldova. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law 271/2017.

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This version of our report is a translation from the original, which was prepared in Romanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Our audit approach

Overview



- Overall Group and Bank materiality: MDL 41,000 thousand, which represents approximately 5% of the Bank's profit before tax.
- We planned and scoped our audit for 2021 reflecting the Group's current structure whereby the Bank represents the most significant part of the Group's assets, liabilities and profit before tax. Hence, we defined the Bank as the sole significant component within the Group and so it was subject to a full scope audit of its financial information.
- Application of IFRS 9 "Financial instruments" in the calculation of expected credit losses of loans and advances to customers.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated and separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group and Bank materiality for the consolidated and separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated and separate financial statements as a whole.



Overall Group and Bank materiality	MDL 41,000 thousand
How we determined it	Approximately 5% of profit before tax for the year ended 31 December 2021 according to the separate statement of profit or loss and other comprehensive income of the Bank.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group and Bank is most commonly measured by its stakeholders, and it is a generally accepted benchmark. We chose 5%, which in our experience is an acceptable quantitative materiality threshold for this benchmark.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Application of IFRS 9 “Financial instruments” (“IFRS 9”) in the calculation of expected credit losses of loans and advances to customers.</p> <p>We focused on this area because the management makes complex and subjective judgements over both the timing of recognition of expected credit losses (“ECL”) and the estimation of the ECL amount, which is a complex area of accounting.</p> <p>As at 31 December 2021, the consolidated and separate financial statements include loans and advances to customers with a gross carrying amount of MDL 19,722,749 thousand, related ECL allowance of MDL 1,095,559 thousand, carrying amount being MDL 18,627,190 thousand for the Group and a gross carrying amount of MDL 19,760,206 thousand, related ECL allowance of MDL 1,095,693 thousand, carrying amount being MDL 18,664,513 thousand for the Bank.</p> <p>The Bank applies a three-stage model for the determination of ECL, based on changes in credit quality since initial recognition of loans and</p>	<p>In relation to application of the ECL statistical models, we have assessed the compliance of the key methodologies and models with the requirements of IFRS 9. We engaged our credit risk technical experts to assist us in undertaking this assessment.</p> <p>We verified the reconciliation of the output of the automated ECL calculation engine with the audited trial balance.</p> <p>Detailed risk assessment analytics were performed over the Bank’s loan portfolio, in order to identify possible areas of risk and better calibrate our procedures described below.</p> <p>We have assessed the methodology for calculation of ECL of loans and advances to customers and reasonableness of selecting and using the economic scenarios and assigned weight for the scenarios, including the latest macroeconomic forecasts as well as the severity and magnitude of modelled scenarios and how</p>

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Key audit matter

advances. In terms of an assessment method, the ECL are computed either on an individual basis or using a collective model.

Individual assessment is mandatory for the clients with the cumulative gross carrying amount of the loans higher than MDL 10,000 thousand and classified in Stage 3 at the time of the assessment performed by the Bank.

For other clients with cumulative gross carrying amount of the loans that are considered significant, the Bank performs individual assessment, regardless of the stage in which the loans were classified. The ECL are assessed individually based on probability weighted scenarios of the cash flow forecasts. The key assumptions considered in the computation are the expected cash flows (from both operating cash flows and recoveries from collateral) and the weighting assigned to the different scenarios.

Collective assessment is performed for all the other loans and advances to customers. The key assumptions considered in the computation are the probability of an account falling into arrears and subsequently entering into default, definition of significant increase in credit risk, exposure at the moment of default and the estimated losses from defaulted loans. Statistical models are used for determination of the key assumptions including different future macroeconomic scenarios.

Taking into account a significant increase in uncertainty in respect of the key inputs for the ECL, the Bank has addressed the related risk through a mix of measures, the key ones being:

- update, throughout the year, of the forward-looking information with the latest available macroeconomic forecasts and revision of the weighting applied to the scenarios; these changes were reflected in the computation of the probability of default parameter; and
- update of the significant increase in credit risk criteria and of the loss given default parameters.

How our audit addressed the key audit matter

they are considered and applied to the assumptions obtained from statistical models used in arriving at the overall ECL of loans and advances to customers as at 31 December 2021.

We tested, on a sample basis, the key controls over the inputs of critical data into source systems and the flow and transformation of data from the source systems to the ECL calculation engine, including staging process, split between collective and individual ECL computation.

We have validated, based on tests of controls, the process around prolongation of loans, by verifying the existence of client specific request and verifying if the request was approved according to the internal competencies.

We have tested that the key assumptions resulting from the statistical estimation models which were subsequently approved by management were the same as the parameters effectively implemented in the system for automated computation of ECL.

With regards to loans and advances to customers for which ECL are assessed individually, we assessed the appropriateness of the key inputs, assumptions and discounted cash-flows from both operating cash flows and recoveries from collateral that support the ECL.

We have also selected a sample of clients in collective assessment in order to verify if there were any other criteria that could lead to individual assessment.

As far as collateral for loans is concerned, we have reviewed and tested controls around input of data and valuation. We have also selected a sample of collaterals corresponding to individually assessed loans and we have assessed the reasonableness of the market value used.

With regards to loans and advances to customers for which ECL are assessed collectively, we tested how management made the estimate in terms of probability of default, loss given default, forward-looking

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Key audit matter

When estimating the ECL for loans and advances to customers, management may be limited by the experience available in back-testing of these estimates against the actual results. Further, future economic developments may not be fully in line with the current forecasts. These elements increase the risk around accuracy and valuation of certain key data used to create assumptions and operate the models.

Note 2 "Operating environment of the Group and the Bank", Note 3 "Significant accounting policies", Note 4 "Critical accounting estimates and judgements in applying accounting policies", Note 12 "Loans and advances to customers" and Note 39 "Financial risk management" to the consolidated and separate financial statements provide detailed information on the ECL for loans and advances to customers.

How our audit addressed the key audit matter

information and credit conversion factor and we have assessed whether the calculation process was consistent with the IFRS 9 requirements and the Bank's methodology.

We also independently recomputed ECL for a sample of loans using the key assumptions determined by management.

We have assessed the accuracy, completeness and relevance of the disclosures related to the expected credit losses of loans and advances to customers in the consolidated and separate financial statements against the requirements of the relevant financial reporting standards.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated and separate financial statements as a whole, taking into account the structure of the Group and the Bank, the accounting processes and controls, and the industry in which the Group and Bank operate.

We planned and scoped our audit for 2021 reflecting the Group's current structure whereby the Bank represents the vast majority of the Group's assets (99.7%), liabilities (99.8%) and profit before tax (98.7%). Hence, we defined the Bank as the sole significant component within the Group and so the Bank was subject to an audit of its complete financial information. For the Group audit purposes we have applied analytical procedures to the financial information of the subsidiaries of the Group (MAIB-Leasing SA and Moldmediacard SRL).

Reporting on other information including the Consolidated Management Report

Management is responsible for the other information. The other information comprises the Consolidated Management Report and the Consolidated Non-Financial Statement, which is part of the Consolidated Management Report, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information, including the Consolidated Management Report and the Consolidated Non-Financial Statement which is part of the Consolidated Management Report.

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

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With respect to the Consolidated Management Report, our responsibility is to consider whether the Consolidated Management Report was prepared in accordance with Law 287/2017, article 30.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Consolidated Management Report for the financial year for which the consolidated and separate financial statements are prepared is consistent with the consolidated and separate financial statements;
- the Consolidated Management Report has been prepared in accordance with Law 287/2017 article 30.

In addition, in light of the knowledge and understanding of the Group and Bank and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Consolidated Management Report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated and separate financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's or the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the

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adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The auditor responsible for carrying out the audit resulting in this independent auditor's report is Eduard Maxim.

On behalf of

ICS PricewaterhouseCoopers Audit SRL

Audit firm registered with the Public register of audit firms under no 1902025

Refer to the original signed
Romanian version

Eduard Maxim

Auditor

Qualification Certificate AG no 000061 dated 22.06.2018

Qualification Certificate AIF no 0030 dated 26.04.2019

Registered with the Public register of auditors under no 1806122

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Stefan Friedemann Weiblen

Partner, acting based on the power of attorney dated 16 April 2020

Chişinău, 27 April 2022

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B.C. MAIB S.A.

Consolidated and Separate Statement of Financial position for the year ended 31 December 2021
(All amounts are expressed in thousands MDL, if not stated otherwise)

	Note	Group		Bank	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
ASSETS					
Cash on hand	7	1,170,658	971,828	1,170,643	971,777
Balances with the National Bank of Moldova	8	7,575,840	6,384,531	7,575,840	6,384,531
Due from other banks	9	3,739,820	2,359,578	3,739,580	2,359,360
Investments in debt securities	10	4,071,050	4,081,752	4,052,472	4,063,124
Investments in equity securities	11	3,769	117,457	3,769	117,457
Investments in subsidiaries	15	-	-	139,669	139,669
Loans and advances to customers	12	18,627,190	14,651,240	18,664,513	14,669,321
Lease receivables	13	216,767	166,086	-	-
Investment property	14	32,559	72,539	-	-
Other financial assets	16	44,013	49,817	31,488	28,644
Other assets	17	164,810	172,449	159,309	162,662
Premises and equipment	18	1,453,924	1,225,579	1,448,194	1,219,040
Intangible assets	19	154,910	110,968	143,849	102,237
Right of use assets	20	68,662	74,959	67,346	74,368
Total assets		37,323,972	30,438,783	37,196,672	30,292,190
LIABILITIES					
Due to other banks	21	18,458	16,242	18,458	16,242
Borrowings	22	2,249,615	1,072,086	2,160,402	964,635
Due to customers	23	28,570,646	23,851,101	28,596,152	23,874,382
Lease liabilities	20	70,340	81,168	69,026	80,562
Other financial liabilities	24	263,243	191,671	259,641	182,525
Current income tax liability	37	30,789	3,566	30,789	3,566
Deferred income tax liability	37	2,709	25,234	1,955	22,043
Provision for loan commitments	26	37,129	22,314	37,129	22,314
Other liabilities	25	282,526	162,956	277,935	158,324
Subordinated debt	27	298,653	-	298,653	-
Total liabilities		31,824,108	25,426,338	31,750,140	25,324,593
EQUITY					
Ordinary shares	28	207,527	207,527	207,527	207,527
Share premium		104,537	104,537	104,537	104,537
Revaluation reserve for securities at fair value through other comprehensive income		(31,267)	111,899	(31,267)	111,899
Revaluation reserve for premises		197,318	192,974	196,686	192,698
Retained earnings		5,021,121	4,394,947	4,969,049	4,350,936
Total equity attributable to equity owners of the Bank	28	5,499,236	5,011,884	5,446,532	4,967,597
Non-controlling interests		628	561	x	x
Total equity		5,499,864	5,012,445	5,446,532	4,967,597
Total equity and liabilities		37,323,972	30,438,783	37,196,672	30,292,190

The consolidated and separate financial statements were signed on 22 April 2022 by:

Chairman of the Management Board
 Mr. Giorgi Shagidze

Chief Accountant
 Mrs. Carolina Semeniuc

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

B.C. MAIB S.A.
Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2021
(All amounts are expressed in thousands MDL, if not stated otherwise)

	Note	Group		Bank	
		2021	2020	2021	2020
Interest income calculated using the EIR method	30	1,642,238	1,345,785	1,642,157	1,344,487
Other similar income	30	54,755	48,259	35,990	33,767
Interest expense	30	(366,743)	(377,687)	(362,797)	(372,474)
Other similar expense	30	(2,635)	(1,506)	(2,632)	(1,489)
Net margin on interest and similar income		1,327,615	1,014,851	1,312,718	1,004,291
Fee and commission income	31	696,142	526,949	695,688	526,609
Fee and commission expense	31	(322,348)	(201,245)	(348,120)	(227,231)
Net fee and commission income		373,794	325,704	347,568	299,378
Gains less losses from trading in foreign currencies	32	346,154	369,412	346,154	369,412
Foreign exchange translation losses		(21,470)	(26,581)	(17,164)	(28,625)
Other operating income	33	87,896	106,558	74,794	100,716
Gains/(losses) on revaluation of investment properties		(2,906)	120	-	-
Personnel expenses	34	(699,750)	(578,033)	(683,144)	(564,009)
Depreciation and amortization expenses	18-19	(119,326)	(155,951)	(115,613)	(152,990)
Impairment losses for premises and equipment	18	-	(116,956)	-	(116,956)
Other operating expenses	35	(353,215)	(254,368)	(343,389)	(246,955)
Operating profit before credit loss allowance		938,792	684,756	921,924	664,262
Credit loss allowance	36	(106,641)	(82,774)	(100,601)	(80,247)
Profit before tax		832,151	601,982	821,323	584,015
Income tax expense	37	(102,945)	(62,763)	(100,245)	(60,204)
Profit for the year		729,206	539,219	721,078	523,811
Attributable to owners of the Bank		729,139	539,104	721,078	523,811
Attributable to non-controlling interests		67	115	x	x
Other comprehensive income:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Changes in fair value of debt securities at fair value through other comprehensive income	10	(49,001)	12,646	(49,001)	12,646
Deferred tax related to debt securities at fair value through other comprehensive income	37	5,881	(1,518)	5,881	(1,518)

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

B.C. MAIB S.A.
Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2021
(All amounts are expressed in thousands MDL, if not stated otherwise)

	Note	Group		Bank	
		2021	2020	2021	2020
<i>Items that will not be reclassified to profit or loss:</i>					
Gains less losses on investments in equity securities at fair value through other comprehensive income	11	5,435	44,697	5,435	44,697
Current income tax recorded directly in other comprehensive income		(14,295)	(7,115)	(14,295)	(7,115)
Deferred tax related to changes in fair value of investments in equity securities at fair value through other comprehensive income	37	13,642	1,382	13,642	1,382
Revaluation of land and premises	18	5,726	(39)	5,370	-
Deferred tax related to the revaluation of premises	37	(544)	178	(544)	178
Other comprehensive income for the year		(33,156)	50,231	(33,512)	50,270
Total comprehensive income for the year		696,050	589,450	687,566	574,081
Attributable to owners of the Bank		695,983	589,335	687,566	574,081
Attributable to non-controlling interests		67	115	x	x
Basic and diluted earnings per share (expressed in MDL per share)	28	702,69	519,55	694,84	504,81

The consolidated and separate financial statements were signed on 22 April 2022 by:

Chairman of the Management Board
Mr. Giorgi Shagidze

Chief Accountant
Mrs. Carolina Semeniuc

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

B.C. MAIB S.A.

Consolidated and Separate Statement of changes in equity for the year ended 31 December 2021

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

	Attributable to equity owners of the Group							
	Ordinary shares	Share premium	Revaluation reserve for securities at fair value through other comprehensive income	Revaluation reserve for premises	Retained earnings	Total capital attributable to the Group	Non-controlling interests	Total equity
Balance as at 1 January 2020	207,527	104,537	93,445	194,318	3,822,722	4,422,549	446	4,422,995
Profit for the year	-	-	-	-	539,104	539,104	115	539,219
Other comprehensive income for the year	-	-	50,092	139	-	50,231	-	50,231
Total comprehensive income for the year	-	-	50,092	139	539,104	589,335	115	589,450
Transfer of revaluation surplus on premises to retained earnings	-	-	-	(1,483)	1,483	-	-	-
Transfer of revaluation reserve for securities at FV through OCI to retained earnings upon disposal (Note 11)	-	-	(31,638)	-	31,638	-	-	-
Balance at 31 December 2020	207,527	104,537	111,899	192,974	4,394,947	5,011,884	561	5,012,445
Profit for the year	-	-	-	-	729,139	729,139	67	729,206
Other comprehensive income for the year	-	-	(38,338)	5,182	-	(33,156)	-	(33,156)
Total comprehensive income for the year	-	-	(38,338)	5,182	729,139	695,983	67	696,050
Transfer of revaluation surplus on premises to retained earnings	-	-	-	(838)	838	-	-	-
Transfer of revaluation reserve for securities at FV through OCI to retained earnings upon disposal (Note11)	-	-	(104,828)	-	104,828	-	-	-
Share payments to employees	-	-	-	-	37	37	-	37
Dividends paid (Note 28)	-	-	-	-	(208,668)	(208,668)	-	(208,668)
Balance at 31 December 2021	207,527	104,537	(31,267)	197,318	5,021,121	5,499,236	628	5,499,864

The consolidated and separate financial statements were signed on 22 April 2022 by:

Chairman of the Management Board
Mr. Giorgi Shagidze

Chief Accountant
Mrs. Carolina Semeniuc

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

B.C. MAIB S.A.**Consolidated and Separate Statement of changes in equity for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)*

	Attributable to equity owners of the Bank					
	Ordinary shares	Share premium	Revaluation reserve for securities at fair value through other comprehensive income	Revaluation reserve for premises	Retained earnings	Total equity
Balance at 1 January 2020	207,527	104,537	110,906	194,003	3,776,543	4,393,516
Profit for the year	-	-	-	-	523,811	523,811
Other comprehensive income for the year	-	-	50,092	178	-	50,270
Total comprehensive income for the year	-	-	50,092	178	523,811	574,081
Transfer of revaluation surplus on premises to retained earnings	-	-	-	(1,483)	1,483	-
Transfer of revaluation reserve for securities at fair value through other comprehensive income to retained earnings upon disposal (Note 11)	-	-	(49,099)	-	49,099	-
Balance at 31 December 2020	207,527	104,537	111,899	192,698	4,350,936	4,967,597
Profit for the year	-	-	-	-	721,078	721,078
Other comprehensive income for the year	-	-	(38,338)	4,826	-	(33,512)
Total comprehensive income for the year	-	-	(38,338)	4,826	721,078	687,566
Transfer of revaluation surplus on premises to retained earnings	-	-	-	(838)	838	-
Transfer of revaluation reserve for securities at fair value through other comprehensive income to retained earnings upon disposal (Note 11)	-	-	(104,828)	-	104,828	-
Share payments to employees	-	-	-	-	37	37
Dividends paid (Note 28)	-	-	-	-	(208,668)	(208,668)
Balance at 31 December 2021	207,527	104,537	(31,267)	196,686	4,969,049	5,446,532

The consolidated and separate financial statements were signed on 22 April 2022 by:

Chairman of the Management Board
Mr. Giorgi Shagidze

Chief Accountant
Mrs. Carolina Semeniuc

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

B.C. MAIB S.A.
Consolidated and Separate Statement of cash flow for the year ended 31 December 2021
(All amounts are expressed in thousands MDL, if not stated otherwise)

	Note	Group		Bank	
		2021	2020	2021	2020
Cash flows from operating activities					
Interest income calculated using the EIR method received		1,649,670	1,314,643	1,628,232	1,313,731
Other similar income		29,684	51,165	29,684	36,673
Interest paid		(443,581)	(387,043)	(439,156)	(381,878)
Fees and commissions received	31	561,475	513,642	546,642	539,905
Fees and commissions paid	31	(297,037)	(201,245)	(322,809)	(227,231)
Gains less losses from trading in foreign currencies	32	346,155	369,371	346,155	369,412
Recoveries of loans previously written-off		14,077	28,409	14,077	28,409
Other operating income received		48,916	34,873	63,153	28,111
Other operating expenses paid		(346,699)	(246,536)	(341,118)	(238,633)
Personnel expenses paid		(683,812)	(513,299)	(663,517)	(500,484)
Income tax paid		(97,740)	(109,849)	(92,594)	(108,645)
Cash flows from operating activities before changes in operating assets and liabilities:		781,108	854,131	768,749	859,370
<i>Net (increase) / decrease in operating assets:</i>					
Due from other banks		(445,606)	(1,145,749)	(445,606)	(1,145,749)
Loans and advances to customers		(4,318,390)	(989,734)	(4,339,315)	(985,659)
Lease receivables		(64,395)	(8,805)	-	-
Other financial assets		7,565	(4,517)	6,621	(1,888)
Other assets		759	39,277	759	33,730
<i>Net increase / (decrease) in operating liabilities:</i>					
Due to other banks		25,832	(26,323)	25,832	(26,323)
Due to customers		4,712,285	2,978,350	4,743,039	2,955,069
Other financial liabilities		35,937	48,458	31,505	41,980
Other liabilities		(62,732)	(47,489)	(62,682)	(49,132)
Net cash from operating activities		672,363	1,697,599	728,902	1,681,398
Cash flows from investing activities					
Acquisition of property and equipment and intangible assets	18,19	(351,467)	(370,832)	(347,027)	(366,215)
Proceeds from disposal of property and equipment		37,435	2,340	813	2,340
Acquisition of debt securities at fair value through other comprehensive income	10	(6,367,384)	(3,202,616)	(6,367,384)	(3,202,616)
Proceeds from disposal of debt securities at fair value through other comprehensive income	10	4,684,352	1,831,716	4,683,930	1,831,716

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

B.C. MAIB S.A.
Consolidated and Separate Statement of cash flow for the year ended 31 December 2021
(All amounts are expressed in thousands MDL, if not stated otherwise)

	Note	Group		Bank	
		2021	2020	2021	2020
Acquisition of equity securities at fair value through other comprehensive income	11	-	(4,108)	-	(1,598)
Proceeds from disposal of equity securities at fair value through other comprehensive income	11	119,123	116,124	119,123	116,124
Dividends received	11	899	944	899	944
Net cash from investing activities		(1,877,042)	(1,626,432)	(1,909,645)	(1,619,305)
Cash flows from financing activities					
Repayment of borrowings		(536,539)	(286,608)	(454,130)	(262,481)
Proceeds from borrowings		2,064,715	542,064	1,957,308	526,968
Proceeds from subordinated debt		298,653	-	298,653	-
Repayment of principal of lease liabilities		(39,543)	(29,976)	(38,638)	(29,771)
Dividends paid	28	(205,976)	(1,885)	(205,976)	(1,885)
Net cash from financing activities		1,581,310	223,595	1,557,217	232,831
Effect of exchange rate fluctuation		(18,701)	31,284	(18,530)	31,113
Net increase in cash and cash equivalents		357,930	326,046	357,944	326,037
Cash and cash equivalents at 1 January	7	8,390,577	8,064,531	8,390,308	8,064,271
Cash and cash equivalents at 31 December	7	8,748,507	8,390,577	8,748,252	8,390,308

The consolidated and separate financial statements were signed on 22 April 2022 by:

Chairman of the Management Board
 Mr. Giorgi Shagidze

Chief Accountant
 Mrs. Carolina Semeniuc

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

1 General information about the Group and the Bank

Maib Group (the "Group") includes the parent Bank, BC MAIB S.A. (the "Bank" or **maib**) and its subsidiaries based in the Republic of Moldova. The consolidated financial statements of the Group for the year ended on 31 December 2021 comprise the financial statements of the Bank and its subsidiaries (hereinafter referred to as the "Group").

The subsidiaries comprise the following entities:

Entities	Field of activity	31 December 2021	31 December 2020
MAIB-Leasing S.A.	Financial lease	100%	100%
Moldmediacard S.R.L.	Processing of card payments	99%	99%

Principal activity. The Group's fields of activity are: banking through the Bank, leasing and financing the dealers of vehicles through MAIB-Leasing SA and processing of card transactions through Moldmediacard S.R.L.

The Group's number of employees at 31 December 2021 was 2,749 (31 December 2020: 2,574 employees).

B.C MAIB S.A.

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

The activity is carried out both through the head office, as well as through 58 branches and 86 agencies, located throughout the Republic of Moldova (31 December 2020: 60 branches and 71 agencies). The Segment reporting is presented in Note 38.

At 31 December 2021, the Bank held 100% of the share capital of MAIB-Leasing S.A. (31 December 2020: 100%) and 99% of the share capital of Moldmediacard S.R.L. (31 December 2020: 99%).

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

The Bank's number of employees at 31 December 2021 was 2,718 (31 December 2020: 2,543 employees).

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

At 31 December 2021 and 31 December 2020, the Bank's shareholders structure was as follows:

	31 December 2021	31 December 2020
HEIM Partners Limited	41.09%	41.09%
Civil society of Bank shareholders and their affiliates*	9.79%	9.86%
UCCC "Moldcoop" and other entities acting in concert	2.56%	2.52%
Individuals holding $\geq 1\%$, directly or indirectly	19.25%	19.26%
Others**	27.31%	27.27%
Total	100.00%	100.00%

The Group and the Bank have no ultimate controlling party.

*At 31 December 2021 the Civil society of the Bank's shareholders and its affiliates included 11 members (31 December 2020: 11 members) of which 1 (31 December 2020: 1 member) was member of the Management Board and the other 10 members were affiliated persons (31 December 2020: 10 members). During 2021 financial year, one of the members sold part of its shares.

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021 *(All amounts are expressed in thousands MDL, if not stated otherwise)*

1 General information about the Group and the Bank (continued)

**None of the shareholders included in the "Others" category owns a share equal to or greater than 1% in the Bank's share capital. Other shareholders of the Bank comprise 2,968 shareholders (31 December 2020: 2,979 shareholders) of which 2,766 shareholders are individuals and 202 are legal entities (31 December 2020: 2,771 individuals and 208 legal entities).

The largest shareholder of the Bank, with a holding of 41.09% of the share capital, is the company HEIM Partners Limited, founded by the consortium of investors which comprise European Bank for Reconstruction and Development ("EBRD"), Invalda INVL, one of the most important asset management groups in Baltic states based in Vilnius, Lithuania and the following investment funds: Emerging Europe Growth Fund III, LP (USA), EEGF III Netherlands, L.P. (USA) managed by Horizon Capital from Ukraine.

The real beneficiaries of HEIM Partners Limited are the following Lithuanian citizens: Mr Alvydas Banyš, Ms Baniene Daiva, Mr Darius Sulnis, Ms Irena Ona Miseikiene and Ms Indre Miseikyte.

MAIB-Leasing S.A.

MAIB-Leasing S.A. ("MAIB-Leasing") is a equity entity founded by the Bank in September 2002 as a joint-stock company. The company leases various types of vehicles, commercial, industrial, agricultural and office equipment, as well as real estate property. MAIB-Leasing, also grants financing to car dealers and loans to individuals and legal entities. MAIB-Leasing operates in the Republic of Moldova and as at 31 December 2021 has 17 employees (17 employees as at 31 December 2020). The registered address of MAIB-Leasing is 49 Tighina Street, Chisinau, Republic of Moldova.

Moldmediacard S.R.L.

Moldmediacard S.R.L. ("MMC") is a entity founded in March 2000. The business line of MMC is the selection, implementation, development and exploitation of systems implying the processing of card transactions and incorporation in the international card transaction system.

MMC operates in the Republic of Moldova and as at 31 December 2021 has 16 employees (14 employees as at 31 December 2020). The registered address of MMC is 9 Miron Costin Street, Chisinau, Republic of Moldova.

2 Operating environment of the Group and Bank

Republic of Moldova. Moldova's economy depends heavily on the agricultural sector, main components being the production of fruits, vegetables, wine, wheat and tobacco. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and to a variety of interpretations. The Moldavian economy continues to be negatively impacted by the ongoing political tension in the region.

COVID-19 developments. In response to the potentially serious threat to public health posed by COVID-19, the Moldavian authorities implemented since March 2020 numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. Some companies in the Republic of Moldova have also instructed measures to keep employees at home and have temporarily reduced or suspended commercial operations.

Through the decision of the Parliament of the Republic of Moldova no. 49 from 31 March 2020 it was declared a state of emergency on the entire territory of the Republic of Moldova from 1 April to 30 May 2020. Given the difficult situation and extremely rapid spread of contamination, the Commission of Exceptional Situations applied numerous measures to limit the spread and the impact of COVID-19, such as: the establishment of a special regime for the movement of persons, the establishment of a special regime for the entire territory of the Republic of Moldova, the prohibition of meetings, strengthening the capacity of the health care system, cessation of general meetings of shareholders in physical or mixed form. The previously mentioned measures have, among other things, severely restricted the economic activity in the Republic of Moldova and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Group, as well as the Moldavian and global economy for an unknown period of time.

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

2 Operating environment of the Group and Bank (continued)

The Government of the Republic of Moldova has adopted laws that contain measures aimed to support the business environment to counteract the negative effects of the COVID-19 outbreak on the economy.

Some of those measures were subsequently relaxed, however, as of 31 December 2021, the global infection levels remain high, vaccination rate is low, and there is a risk that the Moldavian authorities may impose additional restrictions in 2022, including in response to new variants of the virus.

In 2021, the Moldavian economy started to recover from the pandemic, largely due to an increase in households spending and public investments. This was also supported by the global economic recovery and high prices on global commodity markets. However, the prices on certain markets in Moldova and globally are also growing in response to the economic recovery and prior monetary stimulus, contributing to the inflation in Moldova.

In order to support the enterprises, the following measures were applied by the state: the establishment of the moratorium on planned state controls at the economic agents, on the spot, until 30 May 2021, the extension of the Interest Subsidy Program for January - May 2021, the extension of the Reimbursement Program of Value Added Tax for the period January-May 2021, the exemption from income tax, compulsory state social insurance contributions, compulsory health insurance premiums at the level of the employee and, respectively, the allowance for deduction for tax purposes at the level of the employer carried out by the employer for the anti-COVID-19 vaccination of employees.

Between March and July 2020, the Bank offered its customers credit facilities. As a result, the gross carrying amount of rescheduled loans granted to Small and medium enterprises ("SME") customers at 31 December 2021 is MDL 35,462 thousand (31 December 2020: MDL 92,937 thousand), with corresponding ECL of MDL 4,306 thousand (31 December 2020: MDL 865 thousand), and the gross carrying amount of rescheduled loans granted to Retail customers is MDL 507,763 thousand (31 December 2020: MDL 722,883 thousand), with corresponding ECL of MDL 65,477 thousand (31 December 2020: MDL 56,508 thousand), of which MDL 56,507 thousand are in default (31 December 2020: MDL 42,700 thousand).

The long-term effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from the actual results.

For the purpose of measurement of expected credit losses ("ECL") the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

3 Significant accounting policies

Basis of preparation. The consolidated and separate financial statements of the Group and of the Bank ("Financial statements") have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), effective at the Group's annual reporting date, 31 December 2021. These Financial statements were prepared under the historical cost convention, except for the financial instruments recognized at fair value through other comprehensive income and by the revaluation for premises and investment property.

The Financial statements have been prepared considering the going concern assumption. Items included in the Financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, the functional currency. The Financial statements are presented in Moldovan lei ("MDL"), rounded to the nearest value expressed in thousand MDL.

The Financial statements at 31 December 2021 cannot be amended after their approval by the Management Board of the Bank.

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

3 Significant accounting policies (continued)

Principles of consolidation. The consolidated financial statements comprise the financial statements of the Bank and of its subsidiaries: MAIB-Leasing and MMC as at 31 December of each year.

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

If voting rights are relevant, the Group is considered to be in control if it holds, directly or indirectly, more than half of the voting rights of an entity, except when there is proof that another investor has the capacity of control over the relevant activities. Potential voting rights considered as substantial are also taken into account when determining the control of the entity. Moreover, the Group controls an entity even if it does not hold the majority of the voting rights, but however has the effective capacity to control the entity's relevant activities. This situation may occur when the dimension and dispersion of the shareholders' participations give authority to the Group to control the activities subject to investment. The subsidiaries are included in the consolidation starting from the date when the management capacity is transferred to the Group. The Group reevaluates on an ongoing basis the control over the entities subject to investment, at least upon each quarterly reporting date. Therefore, any structural modification leading to the change of one or several control parameters is subject to revaluation. Such modification may include the change of the decision-making rights, changes in the contractual terms, financial or capital structure modifications, modifications caused by an event anticipated upon the initial documentation.

Goodwill. Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

Non-controlling interests. The Group presents the non-controlling interest in its consolidated financial position within equity, separated from the equity of the parent company's owners. The non-controlling interest is measured proportionally with the percentage held in the net assets of the subsidiary. Changes in ownership interest which do not result in the loss of parent control of the subsidiary, are reflected as equity transactions.

Transactions eliminated from consolidation. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Subsidiaries are the entities controlled by the Bank. In the Financial statements of the Bank, investments in subsidiaries are recognised initially at cost (including transaction costs) in accordance with IAS 27 "Separate financial statements". After initial recognition, they are measured at cost minus any provision for impairment. Dividend income is recognized in the statement of profit or loss.

Financial instruments – key measurement terms. Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Bank or subsidiaries become a party to the contractual provisions of the instrument. Recognised financial assets and financial liabilities are initially measured at fair value through profit or loss or at fair value through other comprehensive income.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in an active market for asset or liability or in the absence of an active market, in the most advantageous/quoted market for the asset or liability. The Group has access to either active or the most advantageous market.

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

3 Significant accounting policies (continued)

The Group uses valuation techniques that are appropriate for the categories of assets and liabilities and for which enough data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments – initial recognition. The Group recognizes a financial asset or a financial liability on the statement of its financial position at the transaction date. The transaction date is the date when the Group undertakes to buy or to sell an asset. Upon initial recognition, the Group has to measure a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability, which is not measured at fair value through profit or loss, the transaction costs, which are directly attributable to the purchase or issuance of the financial asset or financial liability.

When the Group uses the accounting at the settlement date for an asset that subsequently is measured at amortised cost, the asset shall be initially recognised at its fair value on the settlement date. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Upon initial recognition, the Group classifies the financial assets either at amortized cost or at fair value through other comprehensive income, or at fair value through profit or loss, and classifies financial liabilities either at amortized cost or at fair value through profit or loss. After the initial recognition, an ECL allowance is recognised

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

3 Significant accounting policies (continued)

for financial assets measured at AC and investments in debt instruments measured at fair value through other comprehensive income, resulting in an immediate accounting loss. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: Amortised Cost (“AC”), Fair value through other comprehensive income (“FVOCI”) and Fair value through profit or loss (“FVTPL”).

The classification and subsequent measurement of debt financial assets depends on: (i) the Group’s business model for managing the related assets portfolio; and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – (i) business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group’s objective is: (i) solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets (“hold to collect contractual cash flows and sell”) or (iii) if neither of (i) and (ii) is applicable, the financial assets are classified as part of “other” business model and are measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets’ performance is assessed and how managers are compensated. Refer to Note 4 for critical judgements applied by the Group in determining the business models for its financial assets.

Financial assets – classification and subsequent measurement – (ii) cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cashflows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Group in performing the SPPI test for its financial assets.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments, financial guarantee contracts and lease receivables. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021 (All amounts are expressed in thousands MDL, if not stated otherwise)

3 Significant accounting policies (continued)

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter in case of Retail clients and Interbank placements ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

Individual assessment is mandatory for the clients for which the exposure is higher than MDL 10,000 thousand and which were classified in Stage 3 at the time of assessment performed by the Group. For other financial assets that are considered significant, the Bank performs individual assessment, regardless of the stage in which the assets were classified, calculating the ECL as the difference between the cash flows to be received, discounted using the original EIR. In this case scenarios weighted for all probable cash flows shall be considered, namely: asset contractual flows, cash flows resulting from the sales of collateral and other credit improvements.

Details regarding the portfolio segmentation, the Group's definition of credit impaired assets, definition of default, inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models are described in Note 39.7.

Financial assets – modification. The Group and the Bank sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering (over 10% change of net present value), among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

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

In a situation where the renegotiation was driven by financial difficulties of the counterparty or its inability to make the originally agreed payments, the renegotiation is aimed at maximizing the recoverable amount and does not result in derecognition. The Group and the Bank recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate and recognises a modification gain or loss in profit or loss under Interest income calculated using the EIR method for loans in Stage 1 and for the other ones the modification is included in Credit loss allowance.

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

3 Significant accounting policies (continued)

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group and the Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group and the Bank may write-off financial assets that are still subject to enforcement activity when the Group and the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

When performing the write-off, the gross carrying amount of the asset is reduced simultaneously with the related loss allowance balance. Write-off financial assets with a value of more than one thousand MDL are recorded in the memorandum accounts and are the subject of the pursuit until the full reimbursement or until the termination of their pursuit is decided.

Financial assets – derecognition. The Group and the Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group and the Bank has transferred the rights to the cash flows from the financial assets or entered a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Financial liabilities – measurement categories. The Group and the Bank shall classify all financial liabilities as subsequently measured at AC, except for: (i) the financial liabilities at FVTPL: such liabilities, including derivatives, which are liabilities, have to be subsequently measured at fair value; (ii) the financial liabilities that arise when a transfer of a financial asset does not meet the conditions to be derecognised or is carried using the continuing involvement approach.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The Group does not reclassify its financial liabilities.

Cash and cash equivalents. For the statement of cash flows, cash and cash equivalents comprise cash on hand, unrestricted balances held with NBM, current accounts and short-term placements at other banks, treasury bills and other short-term highly liquid investments, with original maturity of less than 90 days. Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Mandatory cash balances with the NBM. Mandatory cash balances with the NBM are carried at AC and represent interest bearing mandatory reserve deposits, which are not available to finance the Bank's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

Due from other banks. Amounts due from other banks are recorded when the Group and the Bank advances money to counterparty banks. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Group and the Bank classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

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

3 Significant accounting policies (continued)

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. Revaluation of debt instruments in foreign currency is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Investments in equity securities. Financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Group. Investments in equity securities are measured at FVTPL, except where the Group elects at initial recognition to irrevocably designate an equity investment at FVOCI. The Group's and the Bank's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. When the FVOCI election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Group's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

Loans and advances to customers. Loans and advances to customers are recorded when the Group and the Bank advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Group and the Bank classifies loans and advances to customers into AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL.

Impairment allowances are determined based on the forward-looking ECL models. Note 39.7 provides information about ECL calculation.

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

Premises and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, except for the categories "Buildings" and "Land" – which are stated at revalued amount. Buildings and land are subject to revaluation with enough regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period, not less than once in five years.

When buildings and land are revalued, any accumulated depreciation at the revaluation date is proportionately restated with the modification of the gross carrying amount of the asset, so that the carrying amount of the asset after revaluation, would be equal to its revalued amount. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset.

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

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Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

3 Significant accounting policies (continued)

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

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

Depreciation of premises and equipment, including for construction in progress begins when the asset is available for use and is recognized in the statement of profit or loss. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as stated in the table below.

The leasehold improvements are depreciated over the lease term. Land and construction in progress are not depreciated.

Premises and equipment	Years
Buildings	33-50
ATMs	4
Furniture and equipment	4-8
Computers	4
Vehicles	7

The useful lives and depreciation methods are reviewed, and adjusted as appropriate, at each financial year-end.

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

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

Intangible assets in progress are not amortized up until the moment of deployment. Gains and losses on the disposal of intangible assets are determined by reference to the net book value and are considered when determining the operating profit.

Finance lease receivables (the Group as a Lessor). A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

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

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

For finance leases, the gross investment is the aggregate amount of minimum lease payments plus the unguaranteed residual value. The difference between the gross investment in the lease and the net cost of acquisition of the leased object (the financed amount less commissions, costs, advances and granting fees) is

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

3 Significant accounting policies (continued)

recognized as unearned finance income. The finance lease income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable. The unearned income is presented as a reduction of gross investment in lease. The initial direct costs related to lease agreements are included in the initial value of the finance lease receivable and these reduce the amount of income recognized over the lease term.

Accounting for leases by the Group as a Lessee. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss as Other similar expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group uses as an incremental borrowing rate, the average rate on deposits attracted by the Group from individuals, average rate that depend on currency of the contract and maturities.

At initial measurement the Group measures the right-of-use asset at cost. As an exception to the above, the Group accounts for short-term leases (less than 1 year) and leases of low value assets, of up to MDL 100 thousand, by recognising the lease payments as an operating expense on a straight line basis.

In determining the lease term, management of the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Potential future cash outflows of contracts in amount of MDL100 thousand have not been included in the lease liability because it is not reasonably certain that the leases will be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Accounting for Operating leases by the Group as a Lessor. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term, in "Other operating income".

Investment property. Investment property includes a part of buildings owned by the Group, held for lease on the basis of one or more operating lease agreements, as well as land held for capital appreciation rather than for sale, including agricultural land, as well as land held for undetermined future use. Investment properties are considered as long-term investments and are initially recognized at cost, including trading cost at initial value, and are subsequently measured at fair value. This policy is applied consistently for all the investment properties held by the Group. Fair value of the Group's investment property is determined based on reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category. Gains or losses caused by a change in fair value of the investment property is recognized in profit or loss as incurred.

Transfers to or from investment property are made when, and only when, there is a change in use of the asset. For the transfer of an investment property, measured at fair value, to tangible assets, the property's deemed cost for subsequent accounting is its fair value at the date of the change in use. An investment property is derecognized on disposal or when it is permanently withdrawn from use and no future benefits are expected from its disposal. The gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the period of the retirement or disposal.

Derecognition of an investment property will be triggered by a change in use or by sale or disposal or when it is permanently withdrawn from use and has no future economic value. When an investment property is disposed of, it is eliminated from the statement of financial position, while the gain or loss on the retirement or disposal of an investment property is recognized in the statement of profit or loss in the period the disposal is related to.

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

3 Significant accounting policies (continued)

The gain or loss arising on disposal is determined as the difference between any disposal proceeds and the carrying amount.

Impairment of non-financial assets. The Group assesses at each reporting date whether there are indications of assets impairment. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss on assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value minus costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at amortized cost. If the Group purchases its own debt, the liability is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

Borrowings. Borrowings such as loans from banks and other financial institutions are initially recognized at fair value, notably as proceeds resulting from such instruments (fair value of consideration received), net of transaction costs incurred. Loans from banks and other financial institutions are subsequently carried at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of profit or loss over the period to maturity using the effective interest method. The Group classify these instruments as financial liabilities in accordance with the contractual terms of the instrument.

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

Financial liabilities designated at FVTPL. The Group and the Bank may designate certain liabilities at FVTPL at initial recognition. Gains and losses on such liabilities are presented in profit or loss as Other similar expense, except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in OCI and is not subsequently reclassified to profit or loss. This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in credit risk of the liability are also presented in profit or loss.

Subordinated debt. Subordinated debt can only be paid in the event of a liquidation after the claims of other higher priority creditors have been met. Subordinated debt is carried at AC.

Income tax expense. Income tax for the year includes the current tax and the deferred tax. The income tax is recognized in the result for the year or in the shareholders' equity, if the tax is related to shareholders' equity items. Current tax is the tax payable with respect to the profit for the period, determined based on the percentages applied at the date of the statement of financial position and all the adjustments related to the previous periods.

The adjustments which influence the fiscal base of the current tax are non-deductible expenses, non-taxable income, similar expense/ income items and other tax deductions.

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

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Notes to Consolidated and Separate financial statements for the year ended 31 December 2021 (All amounts are expressed in thousands MDL, if not stated otherwise)

3 Significant accounting policies (continued)

Deferred tax is determined based on the balance sheet liability method for the temporary differences between the fiscal base for the calculation of the tax on assets and liabilities and their accounting value used for reporting under the Financial statements.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred tax is not recognized for the following temporary differences: initial recognition of goodwill, initial recognition of assets and liabilities resulting from transactions which are not business combinations and do not affect the accounting or tax profit and differences resulting from investments in subsidiaries, provided that they are not reversed in the near future and the moment of reversal is being controlled by the Group.

According to the local tax regulations, the fiscal loss of the entity that ceases to exist further to a legal merger through absorption can be acquired and recovered by the absorbing entity. Deferred tax claims are diminished to the extent to which the related tax benefits are unlikely to be achieved. The tax rate used to calculate the current and deferred tax position at 31 December 2021 is 12% (31 December 2020: 12%).

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

In the ordinary course of business, the Group issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the Financial statements, within Other liabilities at fair value, being the premium received. The ECL for financial guarantees implies same approach as loans – the Group using the probability of default and loss given default determined to its Corporate loan portfolio.

Any increase in the liability relating to financial guarantees is recorded in the statement of profit or loss as “Credit loss allowance”. The premium received is recognized in the statement of profit or loss as “Commission income” on a straight line basis over the life of the guarantee.

Loan commitments. The Group issues commitments to provide loans. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model. Note 39 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Contingencies. Contingent liabilities are not recognised in the Financial statements, but they are disclosed in notes, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the Financial statements but disclosed when an inflow of economic benefits is probable.

Provisions. Provisions are recognized when the Group has a present legal obligation as a result of past events, and it is probable that an outflow of economic resources may be required in the future to settle the obligation, such obligation being measured reliably. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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

3 Significant accounting policies (continued)

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

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

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

Other liabilities. Other liabilities are accrued when the counterparty has performed its obligations under the contract and are carried at AC.

Ordinary shares and share premium. The share capital of the Group represents ordinary shares and is the consideration from shareholders equal to nominal value of issued shares. Ordinary shares and shares premium are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the Financial statements are authorised for issue, are disclosed in the subsequent events note.

Interest income and expenses. Interest income and expense for all interest-bearing financial instruments, are recognized in the statement of profit or loss, on an accrual basis using the effective interest method. Fees for loan commitments that are likely to be granted are deferred (together with direct costs) and are recognized as an adjustment to the effective interest rate on loans.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (i.e. the asset becomes cured), the asset is reclassified from Stage 3 and the interest revenue is calculated by applying the EIR to the gross carrying amount. The additional interest income, which was previously not recognised in the statement of profit or loss due to the fact that the asset was in Stage 3 but it is now expected to be received following the asset's curing, is recognised as a reversal of impairment.

Other similar income includes the income recorded for elements of cash and cash equivalents for which EIR is not computed.

Fee and commission income and expense. Fees and commissions are generally recognized on an accrual basis when the service has been provided. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party - such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction.

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

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Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

3 Significant accounting policies (continued)

Other fee and commission income arising from the financial services provided by the Group including investment management services, brokerage services, and account service fees are recognized as the related service is provided in the statement of profit or loss. Other fee and commission expenses relate mainly to transaction and service fees, which are registered as expenses as the services are received.

Other operating income and expenses. Other operating income, as well as operating expenses, are recognized on an accrual basis. Other operating income arising from the financial services provided by the Group including penalties received, gains from disposal equity securities, debt securities, investments property, other assets, dividend income from equity investments and other similar items resulting from equity investments and income from prescribed dividends (Note 33).

Gains less losses from foreign exchange operations. The Group sells and purchases foreign currencies in the cash offices and through the Group accounts, as well as exchanges foreign currencies. The transactions are performed at the exchange rates established by the Group, which are different from the official spot exchange rates at the particular dates. The differences between the official rates and Group rates are recognised as gains less losses from trading in foreign currencies at a point in time when a particular performance obligation is satisfied.

Foreign currency translation. Transactions in foreign currency are recorded in the functional currency at the official exchange rate at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the closing exchange rate. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated in the functional currency by using the exchange rate at the date of the transaction. Equity investments measured at fair value in a foreign currency, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the functional currency at year-end official exchange rates of the NBM, are recognised in the statement of profit or loss for the year.

At 31 December 2021, the main exchange rates used for translating foreign currency balances were:

- EUR 1 = MDL 20.0938 (31 December 2020: EUR 1 = MDL 21.1266); and
- USD 1 = MDL 17.7452 (31 December 2020: USD 1 = MDL 17.2146).

Pension costs and employees' benefits. Employee benefits include wages, salaries and social security contributions. The Group makes contributions to the Republic of Moldova state funds for social insurance, medical insurance and unemployment benefits, which are calculated on the basis of salaries of all employees of the Group. The Group does not operate any other retirement plan. The Bank and has other obligation to provide further benefits to current or former employees.

The fixed and variable remuneration may also be granted by means of a stock option plan, in the form of shares. The variable component of the total remuneration represents the remuneration that can be granted by the Bank in addition to the fixed remuneration, on condition that certain performance ratios are achieved.

The variable remuneration may be granted either in cash or in the Bank's shares. In the case of the identified staff, in the establishment of the annual variable remuneration, one shall aim at limiting excessive risk-taking. A substantial part of the variable component of the total remuneration is deferred for a period of 20 months and is correlated with the activity nature, the risks and the responsibilities of the respective staff.

Based on the decision of the shareholders, the Board of Directors of the Bank decides in respect of the number of shares included in the employee loyalty plan. The fair value upon the vesting date of share-based awards - stock options - to employees is recognized as personnel expenses, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

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

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

3 Significant accounting policies (continued)

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Group by the weighted average number of participating shares outstanding during the reporting year.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decisions maker. Segments whose revenue, result or assets are 10% or more of all segments are reported separately. The information on segments is presented in Note 38.

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 40 for analysis of financial instruments by their maturity.

Comparative financial statements. These Financial statements include the comparatives whenever required by an international financial reporting standard and whenever they facilitate proper understanding of the Group's situation. The comparatives presented in these financial statements represent the separate and consolidated financial information of the Bank and the Group. For the purpose of preparing these Financial statements, certain comparative information has been reclassified to comply with the presentation requirements applicable for the financial year ended 31 December 2021 (Note 45).

4 Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in accordance with IFRS implies the use of certain critical accounting estimates. It also implies that the management expresses its judgment in the process of applying the Group's accounting policies, in terms of reported values for assets, liabilities, income and expenses. The estimates and associated judgments are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Actual results may differ from these estimated values.

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

Judgements that have the most significant effect on the amounts recognised in these Financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Fair value of financial assets at fair value through other comprehensive income - when the fair value of financial assets cannot be determined from market information, it is determined using valuation techniques, including models of discounting cash flows. The data for these models are taken from the observations made on the market, where possible, but if this is not possible, assumptions are made in order to determine the fair values.

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for substantially the full term of the asset or liability. Level 2 inputs include the following:
 - Quoted prices for similar assets or liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in markets that are not active.
 - Inputs other than quoted prices that are observable for the asset or liability.

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

4 Critical accounting estimates and judgements in applying accounting policies (continued)

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

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

Valuation models that use a significant number of unobservable data require a higher proportion of estimates and judgments by management in determining fair value. Estimates and judgments by management is usually required to select the most appropriate valuation model, determining future cash flows of the instrument under valuation, determining the probability of default of the counterparty, and selecting prepayments and discount rates. Please see Note 42 for presentation of fair value of financial instruments and the sensitivity of these instruments to changes in data input used.

ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 39. The following components have a major impact on credit loss allowance:

- segmentation of financial assets for the ECL assessment purposes;
- determination of a level of ECL assessment on an individual instrument basis or on a collective basis;
- assessment of loss given default (“LGD”), including the judgments made in valuation of collaterals;
- criteria for assessing if there has been a significant increase in credit risk (“SICR”); and
- selection of forward-looking macroeconomic scenarios and their probability weightings.

The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

The Group used supportable forward-looking information for measurement of ECL, primarily an outcome of its own forecasting model based on publicly available macro-economic indicators forecasts.

The most significant forward-looking assumptions that correlate with ECL level and their assigned weights at 31 December 2021 are presented below.

The Group considered the link between the changes in the probability of default (“PD”) and different economic/macro-economic factors such as Gross Domestic Product (“GDP”), Chisinau Interbank Offered Rate (“CHIBOR”), House Price Index (“HPI”), Industrial Production Index (“IPI”), etc., having integrated valid correlations into the Impairment Methodology by determining and applying a PD adjustment factor for a 12-month period. The final macroeconomic factors considered are presented below.

The Group changed the weights assigned to the scenario during 2021 primarily as a result of the far-reaching implications of the COVID-19 pandemic.

Variable	Scenario	Assigned weight	Assumptions 2022
Inflation rate	Base	60%	6.6%
	Upside	30%	4.2%
	Downside	10%	15.1%
CHIBOR	Base	60%	11.45%
	Upside	25%	8.83%
	Downside	15%	19.95%
GDP	Base	50%	2%
	Upside	20%	4.5%
	Downside	30%	(10.6)%

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***4 Critical accounting estimates and judgements in applying accounting policies (continued)**

The assumptions and assigned weights were as follows at 31 December 2020:

Variable	Scenario	Assigned weight	Assumptions 2021
Inflation rate	Base	50%	4.9%
	Upside	25%	2.8%
	Downside	25%	7.9%
CHIBOR	Base	50%	10.85%
	Upside	25%	10.1%
	Downside	25%	11.92%
GDP	Base	50%	(5.5)%
	Upside	10%	(5.2)%
	Downside	40%	(6.6)%

A change in the weight assigned to base forward looking macro-economic set of assumptions by 10% towards the immediate downside level assumptions would result in an increase in ECL by MDL 29,757 thousand at 31 December 2021 (31 December 2020: by MDL 10,168 thousand). A corresponding change towards the upside assumptions would result in a decrease in ECL by MDL 13,404 thousand at 31 December 2021 (31 December 2020: by MDL 7,531 thousand).

A 10% increase or decrease in PD estimates would result in an increase or decrease in total ECL allowances of MDL 29,214 thousand at 31 December 2021 (31 December 2020: increase or decrease of MDL 27,843 thousand). A 10% increase or decrease in LGD estimates would result in an increase or decrease in total ECL allowances of MDL 44,033 thousand at 31 December 2021 (31 December 2020: increase or decrease of MDL 36,976 thousand).

A 10% increase in PD and LGD estimates for lease receivables would result in an increase in total ECL allowances of MDL 561 thousand at 31 December 2021 (31 December 2020: increase of MDL 418 thousand), whereas 10% reduction of these ratios may cause a decrease in total ECL allowances of MDL 1,073 thousand at 31 December 2021 (31 December 2020: decrease of MDL 891 thousand).

The Group uses a simplified approach in estimating the ECL for trade receivables by applying predetermined rates based on the number of days past due reported. For settlements through correspondent accounts with foreign banks for amounts of an unidentified nature and amounts transferred in favour of or on behalf of individuals through the International Rapid Transfer Systems, which is carried out by clearing the determination of the ECL is done considering the following rates:

Days past due	ECL Rate
Current	0%
1 – 10 days past due	30%
11 – 30 days past due	60%
Over 30 days past due	100%

For other financial assets (unpaid commissions for bank services, advances granted, legal procedures taxes paid by the bank in name of their clients) the relationship is as follows:

Days past due	ECL Rate
Current	2%
1 - 90 days past due	20%
Over 90 days past due	100%

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

4 Critical accounting estimates and judgements in applying accounting policies (continued)

Customer relief measures. The Group implemented relief measures as allowed by the NBM in response to the spread of COVID-19. Individuals, SME and corporate clients that were negatively affected by the virus could use payment holidays from March to June 2020. Loans to individuals who applied for the relief and for whom, SICR occurred, amounted to MDL 59,128 thousand as of 31 December 2021. Loans to SMEs who applied for the relief and for whom SICR occurred, amounted to MDL 3,749 thousand as of 31 December 2021.

When the Group provides the customers with payment holidays, the Group stops to count days past due during the holiday period granted, if the customers are contractually relieved from making payments. After the end of the holiday period granted, the Group resetted the counting of days overdue starting with 1 July 2020.

No payment holidays were granted in 2021.

Credit exposure on revolving credit facilities (e.g. credit cards, overdrafts) – are subject to same ECL as similar to regular credit facilities – namely based on the contractual term the commitments is set valid for.

Business model assessment. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation of portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the “hold to collect” business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the “hold to collect” business model, provided that they are infrequent or insignificant in value, both individually and in aggregate.

The “hold to collect and sell” business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model’s objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

Assessment whether cash flows are solely payments of principal and interest (“SPPI”). Determining whether a financial asset’s cash flows are solely payments of principal and interest required judgement. In making this judgement, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group’s claim to the cash flows from specified assets (e.g. non-recourse financing);
- Features that modify consideration of the time value of money element (e.g. periodical reset of interest rates);

The Group identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset’s principal is the fair value at initial recognition less subsequent principal repayments, i.e. instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual par amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The Group considered examples in the standard and concluded that features that arise solely from legislation and that are not part of the contract, that is, if legislation changed, the features would no longer apply (such as bail in legislation in certain countries), are not relevant for assessing whether cash flows are SPPI.

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

4 Critical accounting estimates and judgements in applying accounting policies (continued)

The Group's loan agreements allow adjusting interest rates in response to certain macro-economic or regulatory changes. Management applied judgement and assessed that competition in the banking sector and the practical ability of the borrowers to refinance the loans would prevent it from resetting the interest rates at an above-market level and hence cash flows were assessed as being SPPI.

Modification of financial assets. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties. Loans modified in relation to COVID-19 pandemic were not derecognised because the primary reason for their modification was to provide relief to borrowers, providing such relief generated a loss for the Group, in the absence of full compensation for time value of money.

Write-off policy. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Determining the cash flows for which there is no reasonable expectation of recovery requires judgement. Management considered the following indicators that there is no reasonable expectation of recovery:

- unsecured loans with 365 days past due, without confirmed promise to pay or other source of reimbursements in amount of over 20% of exposure during next 12 months;
- secured loans with 1095 days past due, without confirmed promise to pay or other source of reimbursements in amount of over 20% of exposure during next 12 months; and
- other situations that led to recognition of 100% ECL.

Deductible temporary differences. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deductible temporary differences are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 44.

Valuation of own use buildings. Buildings of the Group are stated at fair value based on reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category. The fair value of the premises is estimated based on the comparative analysis, where the value is reflected the market conditions from similar properties.

The principal assumptions underlying the estimation of the fair value are those relating to the possible market rentals and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions performed by the Group and those reported by the market. The revaluation once in maximum five years is also considered a significant judgement. Annually the Group and the Bank tests all buildings if a revaluation is necessary due to the change of values by 20%

Determining lease term. The Group leases office buildings from third parties under contracts which do not have contractual maturity dates and are automatically renewed unless either party submits a termination notice of 12 months. The Group determines non-cancellable lease period for such leases, taking into consideration penalties that would be incurred upon termination, including economic disincentives such as cost of leasehold improvements, cost of relocating or the importance of the premises to the Group's operations. As a result, the lease term for most significant office buildings has been determined as a period of 1-7 years.

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

5 Adoption of new or revised standards and interpretations

The following amended standards became effective from 1 January 2021, but did not have any material impact on the Group and or the Bank:

- **Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).** The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- **Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform:** For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- **End date for Phase 1 relief for non contractually specified risk components in hedging relationships:** The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- **Additional temporary exceptions from applying specific hedge accounting requirements:** The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- **Additional IFRS 7 disclosures related to IBOR reform:** The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform. The Group is not impacted by the amendments on its financial statements as there are no instruments with such interest.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2022 or later, and which the Group has not early adopted.

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).** These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

- **Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).** These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right

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

6 New Accounting Pronouncements (continued)

to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

- **Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).** The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use.

The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

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

6 New Accounting Pronouncements (continued)

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

- **IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).** IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

- **Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).** The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- **Effective date:** The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- **Expected recovery of insurance acquisition cash flows:** An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- **Contractual service margin attributable to investment services:** Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.

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

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Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

6 New Accounting Pronouncements (continued)

- *Reinsurance contracts held – recovery of losses:* When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- *Other amendments:* Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.
- **Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).** The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.
- **Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).** IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, "Making Materiality Judgements" was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group is currently assessing the impact of the amendments on its financial statements.
- **Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).** The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.
- **Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).** In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022.

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

6 New Accounting Pronouncements (continued)

• **Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).** The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

• **Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).** The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9.

The Group and the Bank are currently assessing the impact of the amendments on its financial statements. Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's Financial statements.

7 Cash on hand

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Cash	878,746	740,444	878,731	740,393
Cash in ATM	291,857	231,304	291,857	231,304
Commemorative and jubilee coins	55	80	55	80
Total	1,170,658	971,828	1,170,643	971,777

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***7 Cash on hand (continued)**

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

	Note	Group		Bank	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Cash on hand	7	1,170,658	971,828	1,170,643	971,777
Balances with the National Bank of Moldova:					
- Current accounts at the National Bank of Moldova	8	3,997,323	3,626,763	3,997,323	3,626,763
Due from other banks:					
- Correspondent accounts with other banks	9	3,213,733	1,244,878	3,213,493	1,244,660
- Overnight deposits with other banks	9	366,793	483,214	366,793	483,214
- Placements with other banks with original maturities of less than three months	9	-	464,930	-	464,930
Investments in debt securities:					
- Certificates issued by the NBM	10	-	1,598,964	-	1,598,964
Total		8,748,507	8,390,577	8,748,252	8,390,308

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Group and the Bank did not recognise any credit loss allowance for cash and cash equivalents.

8 Balances with the National Bank of Moldova

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Current accounts at the National Bank of Moldova	3,997,323	3,626,763	3,997,323	3,626,763
Mandatory reserves	3,578,517	2,757,768	3,578,517	2,757,768
Total	7,575,840	6,384,531	7,575,840	6,384,531

Current account and Mandatory reserves

The Bank determines the Mandatory reserves in accordance with the basis of calculation and the required ratios established by the Administration Council of NBM. For funds attracted in MDL and in non-convertible currencies the reserves are recorded in MDL, while for funds attracted in USD the reserves are held in USD and similar for funds attracted in EUR and other convertible currencies the reserves are held in EUR, both reserves being converted to MDL at the end of each reporting period.

The Mandatory reserve for funds attracted in USD amounted to MDL 870,915 thousand, that is USD 49,079 thousand in original currency at 31 December 2021 (31 December 2020: MDL 747,611 thousand, that is USD 43,429 thousand in original currency), while the Mandatory reserve for funds attracted in EUR amounted to MDL 2,707,602 thousand, that is EUR 134,748 thousand in original currency at 31 December 2021 (31 December 2020: MDL 2,010,157 thousand, that is EUR 95,148 thousand in original currency).

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***8 Balances with the National Bank of Moldova (continued)**

For the funds attracted in local cu and in non-convertible currencies, with a maturity of less than two years, the level of required reserve is 28% (31 December 2020: 32%), the interest paid by NBM for the reserves in MDL varied between 0.12% - 3.20% per annum (2020: 0.15% - 2.76% per annum).

For the funds attracted in freely convertible currency the level of required reserve is 30% (31 December 2020: 30%), the interest paid by NBM for these reserves was 0.01% per annum during 2021 (2020: was 0.01% per annum).

For the funds attracted with a maturity of over two years there is no level for required reserves at 31 December 2021 (31 December 2020: 0%).

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

In terms of credit quality the amounts recorded in Balances with the National Bank of Moldova are classified as Satisfactory. According to Moody's Moldova's foreign currency and local currency deposit ceilings remain unchanged at B2, meaning rating B according to Standard & Poor's classification.

For the purpose of ECL measurement the amounts recorded under Balances with the NBM are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Group and Bank did not recognise any ECL for them.

9 Due from other banks

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Correspondent accounts with other banks	3,213,733	1,244,878	3,213,493	1,244,660
Overnight deposits with other banks	366,793	483,214	366,793	483,214
Placements with other banks with original maturities of less than three months	-	464,930	-	464,930
Placements with other banks with original maturities of more than three months	-	86,073	-	86,073
Collateral deposits	159,326	80,523	159,326	80,523
<i>Less: credit loss allowance</i>	<i>(32)</i>	<i>(40)</i>	<i>(32)</i>	<i>(40)</i>
Total	3,739,820	2,359,578	3,739,580	2,359,360

The following table contains an analysis of due from other banks balances by credit quality at 31 December 2021 based on credit risk grades and discloses due from other banks balances by stages for the purpose of ECL measurement. Refer for the description of credit risk grading system used by the Group and Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to due from other banks balances.

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***9 Due from other banks (continued)**

The carrying amount of due from other banks balances at 31 December 2021 and at 31 December 2020 below also represents the Group's and Bank's maximum exposure to credit risk on these assets:

	Group				Bank			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total
Correspondent accounts with other banks								
- Excellent	3,177,764	3,177,764	1,200,474	1,200,474	3,177,764	3,177,764	1,200,474	1,200,474
- Good	26,138	26,138	29,263	29,263	26,138	26,138	29,263	29,263
- Satisfactory	2,909	2,909	816	816	2,909	2,909	816	816
- High risk	6,922	6,922	14,325	14,325	6,682	6,682	14,107	14,107
Overnight deposits with other banks								
- Excellent	366,793	366,793	483,214	483,214	366,793	366,793	483,214	483,214
Placements with other banks with original maturities of less than three months								
- Excellent	-	-	464,930	464,930	-	-	464,930	464,930
Placements with other banks with original maturities of more than three months								
- Excellent	-	-	86,073	86,073	-	-	86,073	86,073
Collateral deposits								
- Excellent	159,326	159,326	80,523	80,523	159,326	159,326	80,523	80,523
Gross carrying amount								
	3,739,852	3,739,852	2,359,618	2,359,618	3,739,612	3,739,612	2,359,400	2,359,400
Credit loss allowance								
	(32)	(32)	(40)	(40)	(32)	(32)	(40)	(40)
Carrying amount								
	3,739,820	3,739,820	2,359,578	2,359,578	3,739,580	3,739,580	2,359,360	2,359,360

At 31 December 2021 the Group and the Bank had balances with 12 counterparty banks located in a variety of countries from Europe and America (31 December 2020: 11). The amounts recorded in Correspondent accounts is not collateralised. The Group and the Bank have collateral deposits in amount of MDL 159.326 thousand representing: MDL 73.372 thousand are cash-cover placements under guarantees issued on behalf of bank's clients and MDL 85.954 thousand under the membership on payment systems as Visa, MasterCard and American Express.

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***9 Due from other banks (continued)**

The credit quality analysis of Due from other banks is presented below:

Rating	Credit risk grades*
AA- / Aa3	Excellent
A+ / A1	Excellent
A-	Excellent
BBB+	Good
BBB	Good
BBB- / Baa3	Good
BB, B	Satisfactory
Rating CCC+, lower and no rating	High risk

*In accordance with the internal normative acts, AAA-A level of rating corresponds with a high and very high solvability (thus - excellent level), BBB – over average level of solvability (good level), BB – B – average and lower, speculative grade solvability (satisfactory level), CCC+ – insufficient level of solvability (default), high level of risk.

For ECL estimation on exposures to local and foreign banks where spot or forward placements are made or where the Group has Nostro accounts open, the Group uses the lowest rating provided by at least one of the International Rating Agencies Standard & Poor's, Moody's and Fitch-IBCA of the bank / country of origin to determine the probability of default.

The probability of default is associated with the ratings and updated based on the public information provided by the rating agencies in the corporate sector default rate reports. To estimate the expected losses, the Bank applies the minimum PD between the probability of default at 12 months and that of the maturity of the investment.

10 Investments in debt securities

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Debt securities at FVOCI	4,052,472	2,464,160	4,052,472	2,464,160
Debt securities at AC	18,578	1,617,592	-	1,598,964
Total investments in debt securities	4,071,050	4,081,752	4,052,472	4,063,124

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021**
*(All amounts are expressed in thousands MDL, if not stated otherwise)***10 Investments in debt securities (continued)**

The table below discloses investments in debt securities at 31 December 2021 by measurement categories and classes:

	Group			Bank		
	Debt securities at FVOCI	Debt securities at AC	Total	Debt securities at FVOCI	Debt securities at AC	Total
Treasury bills	3,678,618	18,578	3,697,196	3,678,618	-	3,678,618
Government bonds	373,854	-	373,854	373,854	-	373,854
Gross carrying value	4,052,472	18,578	4,071,050	4,052,472	-	4,052,472
Credit loss allowance	(7,818)	-	(7,818)	(7,818)	-	(7,818)
Carrying value	4,052,472	18,578	4,071,050	4,052,472	-	4,052,472

The table below discloses investments in debt securities at 31 December 2020 by measurement categories and classes:

	Group			Bank		
	Debt securities at FVOCI	Debt securities at AC	Total	Debt securities at FVOCI	Debt securities at AC	Total
Treasury bills	2,083,061	18,628	2,101,689	2,083,061	-	2,083,061
Government bonds	381,099	-	381,099	381,099	-	381,099
Certificates issued by the NBM	-	1,598,964	1,598,964	-	1,598,964	1,598,964
Gross carrying value	2,464,160	1,617,592	4,081,752	2,464,160	1,598,964	4,063,124
Credit loss allowance	(5,210)	-	(5,210)	(5,210)	-	(5,210)
Carrying value	2,464,160	1,617,592	4,081,752	2,464,160	1,598,964	4,063,124

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 31 December 2021, for which an ECL allowance is recognised, based on credit risk grades. Refer to Note 39 for the description of credit risk grading system and the approach to ECL measurement:

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

10 Investments in debt securities (continued)

	Group		Bank	
	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total
Treasury bills				
- Good	3,712,823	3,712,823	3,712,823	3,712,823
Total AC gross carrying amount	3,712,823	3,712,823	3,712,823	3,712,823
Less credit loss allowance	(6,266)	(6,266)	(6,266)	(6,266)
Less fair value adjustment from AC to FV	(27,939)	(27,939)	(27,939)	(27,939)
Carrying value (fair value)	3,678,618	3,678,618	3,678,618	3,678,618
Government bonds				
- Good	383,463	383,463	383,463	383,463
Total AC gross carrying amount	383,463	383,463	383,463	383,463
Less credit loss allowance	(1,552)	(1,552)	(1,552)	(1,552)
Less fair value adjustment from AC to FV	(8,057)	(8,057)	(8,057)	(8,057)
Carrying value (fair value)	373,854	373,854	373,854	373,854
Total investments in debt securities measured at FVOCI (fair value)				
	4,052,472	4,052,472	4,052,472	4,052,472

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 31 December 2020, for which an ECL allowance is recognised, based on credit risk grades.

	Group		Bank	
	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total
Treasury bills				
- Good	2,088,798	2,088,798	2,088,798	2,088,798
Total AC gross carrying amount	2,088,798	2,088,798	2,088,798	2,088,798
Less credit loss allowance	(3,880)	(3,880)	(3,880)	(3,880)
Less fair value adjustment from AC to FV	(1,857)	(1,857)	(1,857)	(1,857)
Carrying value (fair value)	2,083,061	2,083,061	2,083,061	2,083,061
Government bonds				
- Good	383,157	383,157	383,157	383,157
Total AC gross carrying amount	383,157	383,157	383,157	383,157
Less credit loss allowance	(1,330)	(1,330)	(1,330)	(1,330)
Less fair value adjustment from AC to FV	(728)	(728)	(728)	(728)
Carrying value (fair value)	381,099	381,099	381,099	381,099
Total investments in debt securities measured at FVOCI (fair value)				
	2,464,160	2,464,160	2,464,160	2,464,160

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***10 Investments in debt securities (continued)**

Government bonds are classified at fair value through other comprehensive income, as the business model of the Group for such assets is to manage liquidity, should the Group require cash and sell them on the secondary market.

As at 31 December 2021 the treasury bills issued by the Ministry of Finance of the Republic of Moldova had a maturity of 90 to 364 days, with a weighted average annual interest rate (discount) ranging between 8.73% and 9.45%, (at 31 December 2020: 3.40% and 5.48% per annum). As at 31 December 2021 Government bonds issued by the Ministry of Finance of the Republic of Moldova had a maturity of 2 to 7 years, with an annual interest rate ranging between 6.50 % and 7.50% (at 31 December 2020 for bonds with maturity of 2 to 5 years: 5.65% and 6.15% per annum).

All debt securities of the Group at FVOCI (Treasury bills and Government bonds) as at 31 December 2021 and 2020 are considered Stage 1 instruments. Considering the fact that all the securities are expressed in local currency, for the estimation of the ECL at 31 December 2021, a 12 months PD of 1.20% and a 40% LGD has been used by the Group. The data input used has considered the rating allocated by the rating agency Moody's for Republic of Moldova local currency bond and deposit ceilings, the rating for 2021 remaining unchanged at B2, credit quality being Good. The debt securities at 31 December 2021 and 31 December 2020 are not collateralised. Expected credit loss is incorporated in fair value and constitutes MDL 7,818 thousand as at 31 December 2021 (31 December 2020: MDL 5,210 thousand).

Movements in the credit loss allowance and in the gross amortised cost amount of **Treasury bills** at FVOCI were as follows:

	Group				Bank			
	Credit loss allowance		Gross carrying amount		Credit loss allowance		Gross carrying amount	
	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total
<i>Treasury bills</i>								
At 1 January 2021	3,880	3,880	2,083,061	2,083,061	3,880	3,880	2,083,061	2,083,061
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	6,266	6,266	6,382,519	6,382,519	6,266	6,266	6,382,519	6,382,519
Derecognised during the period	(3,880)	(3,880)	(4,752,757)	(4,752,757)	(3,880)	(3,880)	(4,752,757)	(4,752,757)
Changes in accrued interest	-	-	-	-	-	-	-	-
Other movements	-	-	(34,205)	(34,205)	-	-	(34,205)	(34,205)
Total movements with impact on credit loss allowance charge for the period	2,386	2,386	1,595,557	1,595,557	2,386	2,386	1,595,557	1,595,557
At 31 December 2021	6,266	6,266	3,678,618	3,678,618	6,266	6,266	3,678,618	3,678,618

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

10 Investments in debt securities (continued)

	Group				Bank			
	Credit loss allowance		Gross carrying amount		Credit loss allowance		Gross carrying amount	
	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total
<i>Treasury bills</i>								
At 1 January 2020	666	666	539,824	539,824	666	666	539,824	539,824
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	3,880	3,880	2,969,842	2,969,842	3,880	3,880	2,969,842	2,969,842
Derecognised during the period	(666)	(666)	(1,432,403)	(1,432,403)	(666)	(666)	(1,432,403)	(1,432,403)
Changes in accrued interest	-	-	61	61	-	-	61	61
Other movements	-	-	5,737	5,737	-	-	5,737	5,737
Total movements with impact on credit loss allowance charge for the period	3,214	3,214	1,543,237	1,543,237	3,214	3,214	1,543,237	1,543,237
At 31 December 2020	3,880	3,880	2,083,061	2,083,061	3,880	3,880	2,083,061	2,083,061

Movements in the credit loss allowance and in the gross amortised cost amount of **Government bonds** at FVOCI were as follows.

	Group				Bank			
	Credit loss allowance		Gross carrying amount		Credit loss allowance		Gross carrying amount	
	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total
<i>Government bonds</i>								
At 1 January 2021	1,331	1,331	381,099	381,099	1,331	1,331	381,099	381,099
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	989	989	202,500	202,500	989	989	202,500	202,500
Derecognised during the period	(426)	(426)	(200,136)	(200,136)	(426)	(426)	(200,136)	(200,136)
Changes on credit loss allowance for existing GB	(342)	(342)	-	-	(342)	(342)	-	-
Other movements	-	-	(9,609)	(9,609)	-	-	(9,609)	(9,609)
Total movements with impact on credit loss allowance charge for the period	221	221	(7,245)	(7,245)	221	221	(7,245)	(7,245)
At 31 December 2021	1,552	1,552	373,854	373,854	1,552	1,552	373,854	373,854

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

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

10 Investments in debt securities (continued)

	Group				Bank			
	Credit loss allowance		Gross carrying amount		Credit loss allowance		Gross carrying amount	
	Stage 1		Stage 1		Stage 1		Stage 1	
	(12-months ECL)	Total	(12-months ECL)	Total	(12-months ECL)	Total	(12-months ECL)	Total
Government bonds								
At 1 January 2020	1,422	1,422	546,000	546,000	1,422	1,422	546,000	546,000
Movements with impact on credit loss allowance charge for the period:								
New originated or purchased	752	752	145,959	145,959	752	752	145,959	145,959
Derecognised during the period	(516)	(516)	(312,918)	(312,918)	(516)	(516)	(312,918)	(312,918)
Changes on credit loss allowance for existing government bonds	(327)	(327)	-	-	(327)	(327)	-	-
Other movements	-	-	2,058	2,058	-	-	2,058	2,058
Total movements with impact on credit loss allowance charge for the period	(91)	(91)	(164,901)	(164,901)	(91)	(91)	(164,901)	(164,901)
At 31 December 2020	1,331	1,331	381,099	381,099	1,331	1,331	381,099	381,099

Movements in the credit loss allowance and in the gross amortised cost amount of Certificates issued by NBM at AC were as follows:

	Group				Bank			
	Credit loss allowance		Gross carrying amount		Credit loss allowance		Gross carrying amount	
	Stage 1		Stage 1		Stage 1		Stage 1	
	(12-months ECL)	Total	(12-months ECL)	Total	(12-months ECL)	Total	(12-months ECL)	Total
Certificates issued by NBM								
At 1 January 2021	-	-	1,598,964	1,598,964	-	-	1,598,964	1,598,964
Movements with impact on credit loss allowance charge for the period:								
New originated or purchased	-	-	14,198,388	14,198,388	-	-	14,198,388	14,198,388
Derecognised during the period	-	-	(15,797,352)	(15,797,352)	-	-	(15,797,352)	(15,797,352)
Total movements with impact on credit loss allowance charge for the period	-	-	(1,598,964)	(1,598,964)	-	-	(1,598,964)	(1,598,964)
At 31 December 2021	-	-	-	-	-	-	-	-

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

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

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Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

10 Investments in debt securities (continued)

	Group								Bank	
	Credit loss allowance		Gross carrying amount		Credit loss allowance		Gross carrying amount			
	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total		
<i>Certificates issued by NBM</i>										
At 1 January 2020	-	-	740,198	740,198	-	-	740,198	740,198		
<i>Movements with impact on credit loss allowance charge for the period:</i>										
New originated or purchased	-	-	24,771,805	24,771,805	-	-	24,771,805	24,771,805		
Derecognised during the period	-	-	(23,913,039)	(23,913,039)	-	-	(23,913,039)	(23,913,039)		
Total movements with impact on credit loss allowance charge for the period	-	-	858,766	858,766	-	-	858,766	858,766		
At 31 December 2020	-	-	1,598,964	1,598,964	-	-	1,598,964	1,598,964		

Debt instruments at fair value through other comprehensive income:

	Group		Bank	
	2021	2020	2021	2020
Balance at 1 January	2,464,160	1,085,824	2,464,160	1,085,824
Disposals	(4,952,893)	(1,831,716)	(4,952,893)	(1,831,716)
Additions	6,585,019	3,202,616	6,585,019	3,202,616
(Decrease)/increase in fair value	(43,814)	7,436	(43,814)	7,436
Balance at 31 December	4,052,472	2,464,160	4,052,472	2,464,160

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

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***11 Investments in equity securities**

All investments in equity securities are held at FVOCI. The Group designated investments disclosed in the following table as equity securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for strategic purposes rather than with a view to profit on a subsequent sale and there are no plans to dispose of these investments in the short or medium term. This designation is irrevocable.

At 31 December 2021 investments in equity securities at FVOCI include equity securities with a carrying value of MDL 3,769 thousand (31 December 2020: MDL 117,457 thousand). Due to the nature of the local financial markets, it is not possible to obtain current market value for part of the investments.

The equity investments except for the ones in S.W.I.F.T. SCRL are recognized at 31 December 2021 at cost as the fair value cannot be determined reliably. The Group and Bank analysed the difference between cost and efficiency in determining the fair value for these investments and has considered also the small threshold of significance for their value, as well as the absence of any changes in the financial condition of the issuer and concluded that the cost is reasonable.

The carrying value of equity investment in S.W.I.F.T. SCRL is the value confirmed by the General Meeting of Shareholders of S.W.I.F.T. SCRL based on the prior year financial statement of the Company. The value of the equity investment for S.W.I.F.T. SCRL is the net assets value divided by the number of issued shares.

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

		Ownership at 31 December 2021 (%)	Ownership at 31 December 2020 (%)	Value at 31 December 2021	Dividend income recognised for 2021	Value at 31 December 2020	Dividend income recognised for 2020
	Main activity						
Visa Inc.	Transaction processing	-	0.001%	-	357	113,698	445
I.M. Biroul de Credit S.R.L.	Bureau of credit histories	18.23%	16.71%	2,349	542	2,349	334
S.W.I.F.T. SCRL	Transaction processing	0.01%	0.01%	1,095	-	1,085	-
Bursa de valori din Moldova S.A.	Auctions and brokerage	7.69%	7.69%	275	-	275	165
Depozitarul Central Unic al Valorilor Mobiliare S.A.	Registrar services, depository and clearing	0.20%	0.20%	50	-	50	-
I.M. Piele S.A.	Leather manufacturing	12.80%	12.80%	-	-	-	-
Total				3,769	899	117,457	944

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

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***11 Investments in equity securities (continued)**

Other Group's investments, such as equity investments in I.M. Biroul de Credit S.R.L., Depozitarul Central Unic al Valorilor Mobiliare S.A. and Bursa de valori din Moldova S.A. were acquired by the Group in order to ensure its participation on the local market, according to the regulatory requirements for stock exchange market and constitutes a means for promoting and diversifying the Group's products/services.

Refer to Note 42 for additional fair value measurement disclosures.

	2021	2020
Balance at 1 January	117,457	184,482
*Disposals	(119,123)	(116,396)
Additions	-	1,598
Increase in fair value	5,435	47,773
Balance at 31 December	3,769	117,457

In October 2021, the Group sold its investment in shares of Visa Inc at the selling price according to the quote on NYSE of MDL 119,123 thousand (fair value at 31 December 2020: MDL 113,698 thousand), due to a change in the Group's strategy and opportunity to sell.

The Group has transferred the cumulative fair value change of MDL 119,123 thousand from Revaluation reserve for securities at FVOCI to Retained earnings as a result of the sale of VISA equity securities. The cumulative fair value change transferred was less of income tax in amount of MDL 14,295 thousand, which means that net impact of MDL 104,828 thousand was recorded. Deferred tax released from FV was of MDL 15,268 thousand at the date of the transaction.

In December 2020, the Group sold its investment in shares of GCC at the initial selling price of MDL 84,091 thousand and GCPrim at MDL 57,811 thousand. The Group recognised a fair value gain of MDL 59,297 thousand, the gain being transferred from Revaluation reserve for securities at FVOCI to Retained earnings, income tax was recorded directly in other comprehensive income at the level of MDL 7,115 thousand, deferred tax related to Liability contingent on uncertain events amounted to MDL 3,075 thousand thus the net gain that was transferred to Retained earnings was MDL 49,107 thousand. Overall gains less losses on investments in equity securities at fair value through other comprehensive income recorded in 2020 was of MDL 44,697 thousand (increase in fair value of MDL 47,773 thousand less deferred tax of MDL 3,076 thousand).

12 Loans and advances to customers

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Gross carrying amount of loans and advances to customers at AC	19,722,749	15,692,333	19,760,206	15,709,668
Less credit loss allowance	(1,095,559)	(1,041,093)	(1,095,693)	(1,040,347)
Total carrying amount of loans and advances to customers at AC	18,627,190	14,651,240	18,664,513	14,669,321

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021
(All amounts are expressed in thousands MDL, if not stated otherwise)

12 Loans and advances to customers (continued)

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 31 December 2021 and 31 December 2020 are disclosed in the table below:

Group	31 December 2021			31 December 2020		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
<i>Loans to legal entities</i>	12,871,683	(816,994)	12,054,689	11,142,262	(804,504)	10,337,758
Investment loans	4,362,027	(148,511)	4,213,516	3,794,389	(192,602)	3,601,787
Working capital loans	3,650,280	(462,587)	3,187,693	3,473,644	(484,357)	2,989,287
Revolving lines	4,858,223	(205,647)	4,652,576	3,871,132	(126,535)	3,744,597
Other loans for legal entities	1,153	(249)	904	3,097	(1,010)	2,087
<i>Loans to individuals</i>	6,851,066	(278,565)	6,572,501	4,550,071	(236,589)	4,313,482
Mortgage loans	3,495,368	(58,725)	3,436,643	2,557,819	(88,987)	2,468,832
Consumer loans	3,086,356	(195,162)	2,891,194	1,754,446	(126,471)	1,627,975
Credit cards	261,699	(24,384)	237,315	232,986	(21,006)	211,980
Other loans to individuals	7,643	(294)	7,349	4,820	(125)	4,695
Total loans and advances to customers at AC	19,722,749	(1,095,559)	18,627,190	15,692,333	(1,041,093)	14,651,240

Bank	31 December 2021			31 December 2020		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
<i>Loans to legal entities</i>	12,916,783	(817,422)	12,099,361	11,164,417	(803,883)	10,360,534
Investment loans	4,362,027	(148,511)	4,213,516	3,794,389	(192,602)	3,601,787
Working capital loans	3,696,533	(463,264)	3,233,269	3,498,896	(484,746)	3,014,150
Revolving lines	4,858,223	(205,647)	4,652,576	3,871,132	(126,535)	3,744,597
<i>Loans to individuals</i>	6,843,423	(278,271)	6,565,152	4,545,251	(236,464)	4,308,787
Mortgage loans	3,495,368	(58,725)	3,436,643	2,557,819	(88,987)	2,468,832
Consumer loans	3,086,356	(195,162)	2,891,194	1,754,446	(126,471)	1,627,975
Credit cards	261,699	(24,384)	237,315	232,986	(21,006)	211,980
Total loans and advances to customers at AC	19,760,206	(1,095,693)	18,664,513	15,709,668	(1,040,347)	14,669,321

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting and comparative periods, considering movements recorded overall over one-year period. When presenting the transfers between stages, the Group and the Bank present the opening balance for the gross carrying amount and credit loss allowance as transfer out and the closing balance of gross carrying amount and credit loss allowance as transfer in. In the line for new originated or purchased is included the closing balance of the loans newly originated during the period, while in derecognised during the period are included those loans fully derecognised.

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and advances to customers (continued)

<i>Group and Bank</i>	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>Investment loans</i>								
At 1 January 2021	(40,550)	(54,747)	(97,305)	(192,602)	2,851,257	799,676	143,456	3,794,389
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	3,860	(4,658)	-	(798)	(202,096)	167,613	-	(34,483)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	259	6,876	(16,509)	(9,374)	(1,811)	(27,023)	26,072	(2,762)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(776)	3,021	-	2,245	67,332	(96,837)	-	(29,505)
New originated or purchased	(16,466)	(1,665)	-	(18,131)	1,557,149	21,673	-	1,578,822
Derecognised during the period	3,322	1,317	939	5,578	(238,505)	(43,212)	(2,220)	(283,937)
Changes to ECL measurement								
model assumptions	(11,599)	(4,003)	(482)	(16,084)	-	-	-	-
Other movements	5,598	21,697	24,922	52,217	(393,426)	(117,436)	(52,245)	(563,107)
Total impact on credit loss allowance charge	15,802	(22,585)	(8,870)	15,653	788,643	(95,222)	(28,393)	665,028
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	-	-	23,991	23,991	-	-	(23,991)	(23,991)
Foreign exchange gains and losses and other movements	980	846	2,640	4,466	(54,770)	(14,991)	(3,638)	(73,399)
Unwinding of discount (for Stage 3)	-	-	(19)	(19)	-	-	-	-
At 31 December 2021	(55,372)	(31,316)	(61,823)	(148,511)	3,585,130	689,463	87,434	4,362,027

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and advances to customers (continued)

<i>Group and Bank</i>	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Investment loans								
At 1 January 2020	(49,980)	(133,326)	(112,606)	(295,912)	2,331,600	773,660	165,295	3,270,555
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	17,313	(31,333)	-	(14,020)	(365,203)	317,328	-	(47,875)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	59	52	(6,464)	(6,353)	(7,641)	(1,183)	8,439	(385)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(3,178)	12,157	-	8,979	205,776	(286,107)	-	(80,331)
- from credit-impaired to lifetime (from Stage 3 to Stage 2)	-	(5)	153	148	-	492	(511)	(19)
New originated or purchased	(13,038)	(2,832)	-	(15,870)	1,264,081	77,010	-	1,341,091
Derecognised during the period	6,478	1,261	1,505	9,244	(337,326)	(64,793)	(4,621)	(406,740)
Changes to ECL measurement model assumptions	(8,418)	(2,629)	-	(11,047)	-	-	-	-
Other movements	11,312	105,635	6,919	123,866	(325,387)	(56,032)	(15,631)	(397,050)
Total impact on credit loss allowance charge	10,528	82,306	2,113	94,947	434,300	(13,285)	(12,324)	408,691
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	16,059	16,059	-	-	(16,059)	(16,059)
Foreign exchange gains and losses and other movements	(1,098)	(3,727)	(2,863)	(7,688)	85,357	39,301	6,544	131,202
Unwinding of discount (for Stage 3)	-	-	(8)	(8)	-	-	-	-
At 31 December 2020	(40,550)	(54,747)	(97,305)	(192,602)	2,851,257	799,676	143,456	3,794,389

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and advances to customers (continued)

	Group															
	Credit loss allowance				Gross carrying amount				Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Working Capital Loans																
At 1 January 2021	(38,437)	(30,794)	(415,126)	(484,357)	2,449,817	592,753	431,074	3,473,644	(38,824)	(30,795)	(415,127)	(484,746)	2,475,067	592,753	431,076	3,498,896
Movements with impact on credit loss allowance charge for the period:																
Transfers:																
- to lifetime (from Stage 1 to Stage 2)	5,401	(12,074)	-	(6,673)	(289,204)	234,595	-	(54,609)	5,401	(12,074)	-	(6,673)	(289,204)	234,595	-	(54,609)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	3,503	946	(9,920)	(5,471)	(14,628)	(12,605)	22,224	(5,009)	3,503	946	(9,920)	(5,471)	(14,628)	(12,605)	22,224	(5,009)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(677)	2,539	189	2,051	47,037	(92,546)	(431)	(45,940)	(677)	2,539	189	2,051	47,037	(92,546)	(431)	(45,940)
- from credit-impaired to lifetime (from Stage 3 to Stage 2)	-	(140)	783	643	-	1,147	(1,751)	(604)	-	(140)	783	643	-	1,147	(1,751)	(604)
New originated or purchased	(31,118)	(5,796)	-	(36,914)	1,752,813	136,365	-	1,889,178	(31,642)	(5,796)	-	(37,438)	1,797,972	136,365	-	1,934,337
Derecognised during the period	16,809	3,006	1,798	21,613	(956,091)	(131,334)	(3,269)	(1,090,694)	17,178	3,006	1,798	21,982	(979,984)	(131,334)	(3,269)	(1,114,587)
Changes to ECL measurement model assumptions	(7,030)	(12,295)	(2,046)	(21,371)	-	-	-	-	(7,171)	(12,295)	(2,046)	(21,512)	-	-	-	-
Other movements	7,146	8,573	8,577	24,296	(306,310)	(127,077)	(13,349)	(446,736)	7,154	8,573	8,577	24,304	(306,608)	(127,077)	(13,349)	(447,034)
Total impact on credit loss allowance charge	5,966	15,241	619	(21,826)	233,617	8,545	3,424	245,586	6,254	15,241	619	(22,114)	254,585	8,545	3,424	266,554
Movements without impact on credit loss allowance charge for the period:																
Write-offs	-	-	42,142	42,142	-	-	(42,142)	(42,142)	-	-	42,142	42,142	-	-	(42,142)	(42,142)
Foreign exchange gains and losses and other movements	191	946	407	1,544	(16,783)	(9,375)	(650)	(26,808)	191	946	407	1,544	(16,750)	(9,375)	(650)	(26,775)
Unwinding of discount (for Stage 3)	-	-	(90)	(90)	-	-	-	-	-	-	(90)	(90)	-	-	-	-
At 31 December 2021	(44,210)	(45,090)	(373,287)	(462,587)	2,666,649	591,923	391,708	3,650,280	(44,887)	(45,090)	(373,287)	(463,264)	2,712,902	591,923	391,708	3,696,533

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and advances to customers (continued)

	Group								Bank							
	Credit loss allowance				Gross carrying amount				Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Working Capital Loans																
At 1 January 2020	(77,430)	(42,265)	(310,412)	(430,107)	2,396,455	538,378	427,059	3,361,892	(77,430)	(42,324)	(310,413)	(430,166)	2,396,454	549,204	427,060	3,372,718
Movements with impact on credit loss allowance charge for the period:																
Transfers:																
- to lifetime (from Stage 1 to Stage 2)	34,136	(7,255)	-	26,881	(267,680)	183,228	-	(84,452)	34,136	(7,255)	-	26,881	(267,680)	183,228	-	(84,452)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	1,334	355	(8,664)	(6,975)	(13,016)	(3,199)	14,851	(1,364)	1,334	355	(8,664)	(6,975)	(10,385)	(3,199)	12,220	(1,364)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(2,182)	6,701	21	4,540	179,367	(282,185)	(47)	(102,865)	(2,182)	6,701	21	4,540	179,367	(282,185)	(47)	(102,865)
- from credit-impaired to lifetime (from Stage 3 to Stage 2)	-	(1)	83	82	-	163	(236)	(73)	-	(1)	83	82	-	163	(236)	(73)
New originated or purchased	(19,258)	(6,575)	-	(25,833)	1,405,765	305,417	-	1,711,182 (1,002,728)	(19,564)	(6,575)	-	(26,139)	1,428,386	305,417	2,631	1,736,434
Derecognised	20,542	1,472	2,191	24,205	(851,474)	(146,551)	(4,703)	-	20,542	1,531	2,191	24,264	(851,474)	(157,377)	(4,703)	(1,013,554)
Changes to ECL measurement	(7,833)	(2,954)	-	(10,787)	-	-	-	-	(7,917)	(2,954)	-	(10,871)	-	-	-	-
Other movements	12,819	21,257	(103,759)	(69,683)	(446,755)	(13,234)	823	(460,812)	12,819	21,257	(103,759)	(69,683)	(446,755)	(13,234)	(823)	(460,812)
Total impact on credit loss allowance charge	39,558	13,000	(110,128)	(57,570)	6,207	43,639	9,042	58,888	39,168	13,059	(110,128)	(57,901)	31,459	32,813	9,042	73,314
Movements without impact on credit loss allowance charge for the period:																
Write-offs	-	-	6,046	6,046	-	-	(6,046)	(6,046)	-	-	6,046	6,046	-	-	(6,046)	(6,046)
Foreign exchange gains/ losses and other movements	(565)	(1,529)	(587)	(2,681)	47,155	10,736	1,019	58,910	(562)	(1,530)	(587)	(2,679)	47,154	10,736	1,020	58,910
Unwinding of discount (for Stage 3)	-	-	(45)	(45)	-	-	-	-	-	-	(45)	(45)	-	-	-	-
At 31 December 2020	(38,437)	(30,794)	(415,126)	(484,357)	2,449,817	592,753	431,074	3,473,644	(38,824)	(30,795)	(415,127)	(484,746)	2,475,067	592,753	431,076	3,498,896

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and advances to customers (continued)

	Credit loss allowance				Group and Bank Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>Revolving lines</i>								
At 1 January 2021	(52,217)	(68,622)	(5,696)	(126,535)	3,454,624	406,488	10,020	3,871,132
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	2,535	(2,601)	-	(66)	(28,523)	21,448	-	(7,075)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	31,821	(74,652)	(42,831)	-	(116,368)	114,289	(2,079)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(62)	206	-	144	5,156	(11,707)	-	(6,551)
- from credit-impaired to lifetime (from Stage 3 to Stage 2)	-	(78)	116	38	-	243	(252)	(9)
New originated or purchased	(58,109)	(4,485)	-	(62,594)	2,981,383	27,728	-	3,009,111
Derecognised	25,574	3,131	308	29,013	(1,672,287)	(31,489)	(709)	(1,704,485)
Changes to ECL measurement	(13,221)	(8,507)	-	(21,728)	-	-	-	-
Other movements	8,554	8,498	(2,772)	14,280	(244,784)	(42,116)	(594)	(287,494)
Total impact on credit loss allowance charge	34,729	(27,985)	77,000	(83,744)	1,040,945	(152,261)	112,734	1,001,418
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	-	-	735	735	-	-	(735)	(735)
Foreign exchange gains/ losses	78	180	3,650	3,908	(7,434)	(477)	(5,681)	(13,592)
Unwinding of discount (for Stage 3)	-	-	(11)	(11)	-	-	-	-
At 31 December 2021	(86,868)	(40,457)	(78,322)	(205,647)	4,488,135	253,750	116,338	4,858,223

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and advances to customers (continued)

	Credit loss allowance				Group and Bank Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
	Revolving lines							
At 1 January 2020	(59,240)	(4,530)	(14,900)	(78,670)	2,861,035	332,505	21,525	3,215,065
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	26,183	(61,325)	-	(35,142)	(283,951)	300,468	-	16,517
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	134	38	(995)	(823)	(1,581)	(1,397)	1,958	(1,020)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(1,043)	2,369	-	1,326	91,461	(118,777)	-	(27,316)
New originated or purchased	(25,685)	(2,410)	-	(28,095)	2,133,978	15,799	252	2,150,029
Derecognised	9,871	974	9,607	20,452	(1,186,123)	(136,810)	(12,099)	(1,335,032)
Changes to ECL measurement	(10,985)	(430)	-	(11,415)	-	-	-	-
Other movements	8,916	254	624	9,794	(191,192)	(961)	(1,679)	(193,832)
Total impact on credit loss allowance charge	7,391	(60,530)	9,236	(43,903)	562,592	58,322	(11,568)	609,346
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	-	-	-	-	-
Foreign exchange gains /losses and other movements	(368)	(3,562)	(27)	(3,957)	30,997	15,661	63	46,721
Unwinding of discount (for Stage 3)	-	-	(5)	(5)	-	-	-	-
At 31 December 2020	(52,217)	(68,622)	(5,696)	(126,535)	3,454,624	406,488	10,020	3,871,132

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and advances to customers (continued)

	Group							
	Credit loss allowance			Total	Gross carrying amount			Total
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)		Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	
<i>Other loans for legal entities</i>								
At 1 January 2021	(6)	(954)	(50)	(1,010)	437	2,611	50	3,098
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	(3)	-	-	(3)	119	-	-	119
Derecognised during the period	5	954	-	959	(342)	(2,609)	-	(2,951)
Other movements	(2)	(199)	(2)	(203)	534	363	-	897
Total impact on credit loss allowance charge	-	755	(2)	753	311	(2,246)	-	(1,935)
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Foreign exchange gains and losses	-	6	2	8	(7)	(3)	-	(10)
At 31 December 2021	(6)	(193)	(50)	(249)	741	362	50	1,153

	Group							
	Credit loss allowance			Total	Gross carrying amount			Total
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)		Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	
<i>Other loans for legal entities</i>								
At 1 January 2020	(32)	-	(32)	(64)	6,415	-	50	6,465
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	32	(32)	-	-	(3,799)	3,799	-	-
New originated or purchased	(6)	-	-	(6)	437	-	-	437
Derecognised during the period	-	-	-	-	(2,616)	-	-	(2,616)
Other movements	-	(922)	(18)	(940)	-	(1,189)	-	(1,189)
Total impact on credit loss allowance charge	26	(954)	(18)	(946)	(5,978)	2,610	-	(3,368)
At 31 December 2020	(6)	(954)	(50)	(1,010)	437	2,610	50	3,097

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and advances to customers (continued)

Group and Bank	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Mortgage loans								
At 1 January 2021	(40,515)	(13,968)	(34,504)	(88,987)	2,437,837	66,421	53,561	2,557,819
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	13,499	(18,040)	-	(4,541)	(413,858)	389,451	-	(24,407)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	1,073	1,276	(5,613)	(3,264)	(8,258)	(3,798)	11,268	(788)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(131)	639	1,011	1,519	7,719	(6,965)	(1,732)	(978)
- from credit-impaired to lifetime (from Stage 1 and Stage 2 to Stage 3)	-	(1,003)	10,893	9,890	-	16,609	(19,709)	(3,100)
New originated or purchased	(18,376)	(316)	-	(18,692)	1,441,864	2,491	-	1,444,355
Derecognised	4,955	1,242	2,883	9,080	(267,567)	(5,472)	(4,835)	(277,874)
Changes to ECL measurement	18,707	227	4,278	23,212	-	-	-	-
Other movements	5,520	8,362	(1,130)	12,752	(192,913)	(4,848)	(700)	(198,461)
Total impact on credit loss allowance charge	(25,247)	7,613	(12,322)	29,956	566,987	387,468	(15,708)	938,747
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	96	96	-	-	(96)	(96)
Foreign exchange gains and losses	14	7	-	21	(932)	(170)	-	(1,102)
Unwinding of discount (for Stage 3)	-	-	189	189	-	-	-	-
At 31 December 2021	(15,254)	(21,574)	(21,897)	(58,725)	3,003,892	453,719	37,757	3,495,368

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and advances to customers (continued)

Group and Bank	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Mortgage loans								
At 1 January 2020	(23,704)	(21,751)	(22,674)	(68,129)	2,446,338	286,310	33,930	2,766,578
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	749	(7,663)	-	(6,914)	(40,504)	42,151	-	(2,353)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	670	2,126	(18,447)	(15,651)	(21,106)	(12,860)	32,852	(1,114)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(2,807)	15,752	3,098	16,043	209,466	(229,963)	(5,417)	(25,914)
- from credit-impaired to lifetime (from Stage 1 and Stage 2 to Stage 3)	-	(346)	1,370	1,024	-	2,206	(2,364)	(158)
New originated or purchased	(2,647)	(488)	-	(3,135)	265,975	2,963	233	269,171
Derecognised	2,213	1,222	2,462	5,897	(205,240)	(23,088)	(4,590)	(232,918)
Changes to ECL measurement	(13,859)	(774)	-	(14,633)	-	-	-	-
Other movements	(1,098)	(2,039)	(41)	(3,178)	(216,894)	(1,371)	(1,111)	(219,376)
Total impact on credit loss allowance charge	(16,779)	7,790	(11,558)	(20,547)	(12,303)	(219,962)	19,603	(212,662)
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	14	14	-	-	(14)	(14)
Foreign exchange gains and losses	(32)	(7)	(18)	(57)	3,802	73	42	3,917
Unwinding of discount (for Stage 3)	-	-	(268)	(268)	-	-	-	-
At 31 December 2020	(40,515)	(13,968)	(34,504)	(88,987)	2,437,837	66,421	53,561	2,557,819

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and advances to customers (continued)

Group and Bank	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Consumer loans								
At 1 January 2021	(24,419)	(11,609)	(90,443)	(126,471)	1,577,577	66,218	110,651	1,754,446
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	21,961	(27,340)	-	(5,379)	(389,034)	347,740	-	(41,294)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	13,883	3,637	(39,842)	(22,322)	(42,567)	(14,531)	56,817	(281)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(83)	759	618	1,294	5,258	(6,857)	(862)	(2,461)
- from credit-impaired to lifetime (from Stage 3 to Stage 2)	-	(861)	8,208	7,347	-	7,866	(11,595)	(3,729)
New originated or purchased	(67,497)	(984)	-	(68,481)	2,086,245	7,936	-	2,094,181
Derecognised during the period	6,044	1,530	3,546	11,120	(452,916)	(11,665)	(4,586)	(469,167)
Changes to ECL measurement model assumptions	20,389	9,291	8,690	38,370	-	-	-	-
Other movements	3,228	2,982	(35,897)	(29,687)	(260,332)	(8,105)	23,120	(245,317)
Total impact on credit loss allowance charge	2,075	10,986	54,677	(67,738)	946,654	322,384	62,894	1,331,932
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	22	22	-	-	(22)	(22)
Unwinding of discount (for Stage 3)	-	-	(975)	(975)	-	-	-	-
At 31 December 2021	(26,494)	(22,595)	(146,073)	(195,162)	2,524,231	388,602	173,523	3,086,356

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and advances to customers (continued)

Group and Bank	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Consumer loans								
At 1 January 2020	(9,874)	(5,592)	(25,485)	(40,951)	1,298,186	139,213	33,969	1,471,368
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	383	(4,765)	-	(4,382)	(35,996)	30,099	-	(5,897)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	12,473	2,551	(53,867)	(38,843)	(34,820)	(19,694)	57,537	3,023
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(286)	1,769	616	2,099	34,600	(60,112)	(1,035)	(26,547)
- from credit-impaired to lifetime (from Stage 3 to Stage 2)	-	(33)	268	235	-	299	(449)	(150)
New originated or purchased	(20,844)	(3,196)	-	(24,040)	835,970	27,217	17,185	880,372
Derecognised	1,874	564	1,283	3,721	(270,608)	(48,280)	(1,844)	(320,732)
Changes to ECL measurement	(8,154)	(2,267)	(99)	(10,520)	-	-	-	-
Other movements	9	(640)	(11,415)	(12,046)	(249,755)	(2,524)	5,288	(246,949)
Total impact on credit loss allowance charge	(14,545)	(6,017)	(63,214)	(83,776)	279,391	(72,995)	76,682	283,078
Movements without impact on credit loss allowance charge for the period:								
Unwinding of discount (for Stage 3)	-	-	(1,744)	(1,744)	-	-	-	-
At 31 December 2020	(24,419)	(11,609)	(90,443)	(126,471)	1,577,577	66,218	110,651	1,754,446

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and advances to customers (continued)

Group and Bank	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Credit cards								
At 1 January 2021	(4,659)	(2,742)	(13,605)	(21,006)	181,147	36,866	14,973	232,986
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	2,702	(5,169)	-	(2,467)	(48,613)	54,959	-	6,346
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	4,425	41	(4,574)	(108)	(5,592)	(578)	5,702	(468)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(228)	762	8	542	8,218	(10,559)	(12)	(2,353)
- from credit-impaired to lifetime (from Stage 3 to Stage 2)	-	(14)	101	87	-	147	(154)	(7)
New originated or purchased	(7,520)	(898)	-	(8,418)	54,498	3,434	-	57,932
Derecognised during the period	565	671	4,674	5,910	(24,029)	(8,509)	(5,248)	(37,786)
Changes to ECL measurement model	2,045	1,159	165	3,369	-	-	-	-
Other movements	(865)	(80)	(1,445)	(2,390)	5,541	(1,126)	733	5,148
Total impact on credit loss allowance charge	(1,124)	3,528	1,071	(3,475)	(9,977)	37,768	1,021	28,812
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	59	59	-	-	(59)	(59)
Foreign exchange gains and	-	-	39	39	-	(1)	(39)	(40)
Unwinding of discount (for Stage 3)	-	-	(1)	(1)	-	-	-	-
At 31 December 2021	(3,535)	(6,270)	(14,579)	(24,384)	171,170	74,633	15,896	261,699

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and advances to customers (continued)

	Credit loss allowance			Total	Group and Bank Gross carrying amount			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)		Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	
Credit cards								
At 1 January 2020	(281)	(29)	(5,748)	(6,058)	210,071	9,068	5,817	224,956
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	44	(1,578)	-	(1,534)	(27,986)	31,376	-	3,390
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	8,461	2	(8,756)	(293)	(10,643)	(967)	10,096	(1,514)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(59)	10	6	(43)	3,295	(3,895)	(10)	(610)
New originated or purchased	(9,144)	(337)	-	(9,481)	44,940	4,005	-	48,945
Derecognised during the period	37	10	1,773	1,820	(26,660)	(2,517)	(1,805)	(30,982)
Changes to ECL measurement model assumptions	(1,614)	(768)	-	(2,382)	-	-	-	-
Other movements	(2,103)	(52)	(804)	(2,959)	(11,872)	(205)	800	(11,277)
Total impact on credit loss allowance charge	(4,378)	(2,713)	(7,781)	(14,872)	28,926	27,797	9,081	7,952
Movements without impact on credit loss allowance charge for the period:								
Foreign exchange gains and losses and other movements	-	-	(76)	(76)	2	1	75	78
At 31 December 2020	(4,659)	(2,742)	(13,605)	(21,006)	181,147	36,866	14,973	232,986

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

B.C. MAIB S.A.
Notes to Consolidated and Separate financial statements for the year ended 31 December 2021
(All amounts are expressed in thousands MDL, if not stated otherwise)
12 Loans and advances to customers (continued)

	Credit loss allowance				Group Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Other loans to individuals								
At 1 January 2021	(93)	-	(31)	(124)	4,138	-	681	4,819
Movements with impact on credit loss allowance charge for the period:								
New originated or purchased	(59)	-	(49)	(108)	2,983	-	129	3,112
Derecognised	23	-	-	23	(907)	-	-	(907)
Other movements	(25)	(157)	18	(164)	363	350	(26)	687
Total impact on credit loss allowance charge	(61)	(157)	(31)	(249)	2,439	350	103	2,892
Movements without impact on credit loss allowance charge for the period:								
Foreign exchange gains/losses and other movements	33	33	13	79	(58)	(3)	(7)	(68)
At 31 December 2021	(121)	(124)	(49)	(294)	6,519	347	777	7,643
Other loans to individuals								
At 1 January 2020	(90)	-	(175)	(265)	2,578	-	622	3,200
Movements with impact on credit loss allowance charge for the period:								
New originated or purchased	(90)	-	-	(90)	4,014	-	-	4,014
Derecognised during the period	61	-	-	61	(2,683)	-	-	(2,683)
Other movements	34	-	159	193	-	-	-	-
Total impact on credit loss allowance charge	5	-	159	164	1,331	-	-	1,331
Movements without impact on credit loss allowance charge for the period:								
Foreign exchange gains/losses and other movements	(8)	-	(16)	(24)	229	-	60	289
At 31 December 2020	(93)	-	(32)	(125)	4,138	-	682	4,820

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors, details of ECL measurement are provided in Note 39. The main movements in the table above are described below:

- Transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Significant changes of ECL on Revolving portfolio during 2021, on new impaired loans, caused mainly by defaulted clients that have ECL set under individual analysis;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes to model assumptions, including changes in PDs, EADs and LGDs in the period, arising from update of inputs to ECL models;
- Unwinding of discount due to the passage of time because ECL is measured on a present value basis;
- Foreign exchange translations of assets denominated in foreign currencies and other movements; and
- Write-offs of allowances related to assets that were written off during the period.

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***12 Loans and advances to customers (continued)**

Other movement category incorporates the changes of ECL due to the change of the days past due bucket or migration to an individual assessment while preserving the same stage, repayments of loans on their payment schedules. When it comes to key drivers – general increase of loans portfolio is considered by the Group one of the biggest factor as it increased by almost MDL 213 million the ECL value.

The following tables contain analyses of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Group's maximum exposure to credit risk on these loans

The credit quality of loans to corporate customers carried at amortised cost is as follows at 31 December 2021:

	Group				Bank			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Investment loans								
- Good	3,519,985	614,104	-	4,134,089	3,519,985	614,104	-	4,134,089
- Satisfactory	65,094	75,142	-	140,236	65,094	75,142	-	140,236
- Special monitoring	50	217	30,077	30,344	50	217	30,077	30,344
- Default	-	-	57,358	57,358	-	-	57,358	57,358
Gross carrying amount	3,585,129	689,463	87,435	4,362,027	3,585,129	689,463	87,435	4,362,027
Credit loss allowance	(55,372)	(31,316)	(61,823)	(148,511)	(55,372)	(31,316)	(61,823)	(148,511)
Carrying amount	3,529,757	658,147	25,612	4,213,516	3,529,757	658,147	25,612	4,213,516
Working capital loans								
- Good	2,564,220	403,761	-	2,967,981	2,610,473	403,761	-	3,014,234
- Satisfactory	101,337	181,744	-	283,081	101,337	181,744	-	283,081
- Special monitoring	1,093	6,417	16,114	23,624	1,093	6,417	16,114	23,624
- Default	-	-	375,594	375,594	-	-	375,594	375,594
Gross carrying amount	2,666,650	591,922	391,708	3,650,280	2,712,903	591,922	391,708	3,696,533
Credit loss allowance	(44,210)	(45,090)	(373,287)	(462,587)	(44,887)	(45,090)	(373,287)	(463,264)
Carrying amount	2,622,440	546,832	18,421	3,187,693	2,668,016	546,832	18,421	3,233,269
Revolving lines								
- Good	4,484,415	96,019	-	4,580,434	4,484,415	96,019	-	4,580,434
- Satisfactory	3,722	157,487	-	161,209	3,722	157,487	-	161,209
- Special monitoring	-	243	108,702	108,945	-	243	108,702	108,945
- Default	-	-	7,635	7,635	-	-	7,635	7,635
Gross carrying amount	4,488,137	253,749	116,337	4,858,223	4,488,137	253,749	116,337	4,858,223
Credit loss allowance	(86,868)	(40,457)	(78,322)	(205,647)	(86,868)	(40,457)	(78,322)	(205,647)
Carrying amount	4,401,269	213,292	38,015	4,652,576	4,401,269	213,292	38,015	4,652,576
Other loans for legal entities								
- Good	742	-	-	742	-	-	-	-
- Satisfactory	-	361	-	361	-	-	-	-
- Special monitoring	-	-	-	-	-	-	-	-
- Default	-	-	50	50	-	-	-	-
Gross carrying amount	742	361	50	1,153	-	-	-	-
Credit loss allowance	(6)	(193)	(50)	(249)	-	-	-	-
Carrying amount	736	168	-	904	-	-	-	-

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and Advances to Customers (Continued)

The credit quality of loans to corporate customers carried at amortised cost is as follows at 31 December 2020:

	Group							Bank
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Investment loans								
- Good	2,851,256	35,684	280	2,887,220	2,851,256	35,684	280	2,887,220
- Satisfactory	-	763,993	3,699	767,692	-	763,993	3,699	767,692
- Special monitoring	-	-	7,311	7,311	-	-	7,311	7,311
- Default	-	-	132,166	132,166	-	-	132,166	132,166
Gross carrying amount	2,851,256	799,677	143,456	3,794,389	2,851,256	799,677	143,456	3,794,389
Credit loss allowance	(40,550)	(54,747)	(97,305)	(192,602)	(40,550)	(54,747)	(97,305)	(192,602)
Carrying amount	2,810,706	744,930	46,151	3,601,787	2,810,706	744,930	46,151	3,601,787
Working capital loans								
- Good	2,449,817	50,447	3,020	2,503,284	2,475,068	50,447	3,020	2,528,535
- Satisfactory	-	542,305	4,324	546,629	-	542,305	4,324	546,629
- Special monitoring	-	1	7,388	7,389	-	-	7,389	7,389
- Default	-	-	416,342	416,342	-	-	416,343	416,343
Gross carrying amount	2,449,817	592,753	431,074	3,473,644	2,475,068	592,752	431,076	3,498,896
Credit loss allowance	(38,436)	(30,795)	(415,126)	(484,357)	(38,824)	(30,795)	(415,127)	(484,746)
Carrying amount	2,411,381	561,958	15,948	2,989,287	2,436,244	561,957	15,949	3,014,150
Revolving lines								
- Good	3,454,625	1,304	1,369	3,457,298	3,454,625	1,304	1,369	3,457,298
- Satisfactory	-	405,183	195	405,378	-	405,183	195	405,378
- Special monitoring	-	-	709	709	-	-	709	709
- Default	-	-	7,747	7,747	-	-	7,747	7,747
Gross carrying amount	3,454,625	406,487	10,020	3,871,132	3,454,625	406,487	10,020	3,871,132
Credit loss allowance	(52,217)	(68,622)	(5,696)	(126,535)	(52,217)	(68,622)	(5,696)	(126,535)
Carrying amount	3,402,408	337,865	4,324	3,744,597	3,402,408	337,865	4,324	3,744,597
Other loans for legal entities								
- Good	437	-	-	437	-	-	-	-
- Satisfactory	-	2,610	-	2,610	-	-	-	-
- Default	-	-	50	50	-	-	-	-
Gross carrying amount	437	2,610	50	3,097	-	-	-	-
Credit loss allowance	(6)	(954)	(50)	(1,010)	-	-	-	-
Carrying amount	431	1,656	-	2,087	-	-	-	-

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and advances to customers (continued)

The credit quality of loans to individuals carried at amortised cost is as follows at 31 December 2021

	Group							Bank
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Mortgage loans								
- Good	2,993,208	367,266	-	3,360,474	2,993,208	367,266	-	3,360,474
- Satisfactory	4,935	58,557	-	63,492	4,935	58,557	-	63,492
- Special monitoring	5,748	27,897	12,172	45,817	5,748	27,897	12,172	45,817
- Default	-	-	25,585	25,585	-	-	25,585	25,585
Gross carrying amount	3,003,891	453,720	37,757	3,495,368	3,003,891	453,720	37,757	3,495,368
Credit loss allowance	(15,254)	(21,574)	(21,897)	(58,725)	(15,254)	(21,574)	(21,897)	(58,725)
Carrying amount	2,988,637	432,146	15,860	3,436,643	2,988,637	432,146	15,860	3,436,643
Consumer loans								
- Good	2,517,002	274,375	-	2,791,377	2,517,002	274,375	-	2,791,377
- Satisfactory	5,837	79,223	-	85,060	5,837	79,223	-	85,060
- Special monitoring	1,392	35,004	3,713	40,109	1,392	35,004	3,713	40,109
- Default	-	-	169,810	169,810	-	-	169,810	169,810
Gross carrying amount	2,524,231	388,602	173,523	3,086,356	2,524,231	388,602	173,523	3,086,356
Credit loss allowance	(26,494)	(22,595)	(146,073)	(195,162)	(26,494)	(22,595)	(146,073)	(195,162)
Carrying amount	2,497,737	366,007	27,450	2,891,194	2,497,737	366,007	27,450	2,891,194
Credit cards								
- Good	170,929	63,088	-	234,017	170,929	63,088	-	234,017
- Satisfactory	188	8,898	-	9,086	188	8,898	-	9,086
- Special monitoring	52	2,648	91	2,791	52	2,648	91	2,791
- Default	-	-	15,805	15,805	-	-	15,805	15,805
Gross carrying amount	171,169	74,634	15,896	261,699	171,169	74,634	15,896	261,699
Credit loss allowance	(3,535)	(6,270)	(14,579)	(24,384)	(3,535)	(6,270)	(14,579)	(24,384)
Carrying amount	167,634	68,364	1,317	237,315	167,634	68,364	1,317	237,315
Other loans to individuals								
- Good	6,519	-	-	6,519	-	-	-	-
- Satisfactory	-	347	-	347	-	-	-	-
- Default	-	-	777	777	-	-	-	-
Gross carrying amount	6,519	347	777	7,643	-	-	-	-
Credit loss allowance	(121)	(124)	(49)	(294)	-	-	-	-
Carrying amount	6,398	223	728	7,349	-	-	-	-

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and advances to customers (continued)

The credit quality of loans to individuals carried at amortised cost is as follows at 31 December 2020:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Group Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Bank Stage 3 (lifetime ECL for credit impaired)	Total
Mortgage loans								
- Good	2,437,836	63,225	11,641	2,512,702	2,437,836	63,225	11,641	2,512,702
- Satisfactory	-	3,197	17,533	20,730	-	3,197	17,533	20,730
- Special monitoring	-	-	10,401	10,401	-	-	10,401	10,401
- Default	-	-	13,986	13,986	-	-	13,986	13,986
Gross carrying amount	2,437,836	66,422	53,561	2,557,819	2,437,836	66,422	53,561	2,557,819
Credit loss allowance	(40,516)	(13,967)	(34,504)	(88,987)	(40,516)	(13,967)	(34,504)	(88,987)
Carrying amount	2,397,320	52,455	19,057	2,468,832	2,397,320	52,455	19,057	2,468,832
Consumer loans								
- Good	1,577,577	55,839	7,073	1,640,489	1,577,577	55,839	7,073	1,640,489
- Satisfactory	-	9,720	9,914	19,634	-	9,720	9,914	19,634
- Special monitoring	-	659	15,387	16,046	-	659	15,387	16,046
- Default	-	-	78,277	78,277	-	-	78,277	78,277
Gross carrying amount	1,577,577	66,218	110,651	1,754,446	1,577,577	66,218	110,651	1,754,446
Credit loss allowance	(24,419)	(11,609)	(90,443)	(126,471)	(24,419)	(11,609)	(90,443)	(126,471)
Carrying amount	1,553,158	54,609	20,208	1,627,975	1,553,158	54,609	20,208	1,627,975
Credit cards								
- Good	181,146	35,135	659	216,940	181,146	35,135	659	216,940
- Satisfactory	-	1,732	108	1,840	-	1,732	108	1,840
- Special monitoring	-	-	983	983	-	-	983	983
- Default	-	-	13,223	13,223	-	-	13,223	13,223
Gross carrying amount	181,146	36,867	14,973	232,986	181,146	36,867	14,973	232,986
Credit loss allowance	(4,660)	(2,741)	(13,605)	(21,006)	(4,660)	(2,741)	(13,605)	(21,006)
Carrying amount	176,486	34,126	1,368	211,980	176,486	34,126	1,368	211,980
Other loans to individuals								
- Good	4,139	-	-	4,139	-	-	-	-
- Default	-	-	681	681	-	-	-	-
Gross carrying amount	4,139	-	681	4,820	-	-	-	-
Credit loss allowance	(93)	-	(32)	(125)	-	-	-	-
Carrying amount	4,046	-	649	4,695	-	-	-	-

For the description of the credit risk grading used in the tables above refer to Note 39.

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

12 Loans and advances to customers (continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

	Group				Bank			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Cities and municipalities	351,922	1.8%	118,277	0.8%	351,922	1.8%	118,277	0.8%
Manufacturing	1,776,722	9.0%	2,180,870	13.9%	1,776,722	9.0%	2,180,870	13.9%
Trade	4,857,560	24.6%	4,406,976	28.1%	4,857,560	24.6%	4,406,976	28.1%
Agricultural	2,085,488	10.6%	1,779,184	11.3%	2,085,488	10.6%	1,779,184	11.3%
Individuals	7,002,516	35.5%	4,705,089	30.0%	6,994,873	35.4%	4,700,269	29.9%
Real Estate	561,302	2.8%	225,659	1.4%	561,302	2.8%	225,659	1.4%
Chemical Industry	501,688	2.5%	138,045	0.9%	501,688	2.5%	138,045	0.9%
Construction	487,978	2.5%	226,889	1.4%	487,978	2.5%	226,889	1.4%
Transport	446,810	2.3%	360,789	2.3%	446,810	2.3%	360,789	2.3%
Mining industry	337,845	1.7%	304,804	1.9%	337,845	1.7%	304,804	1.9%
Other	1,312,918	6.7%	1,245,751	7.9%	1,311,766	6.8%	1,267,906	8.1%
Total loans and advances to customers (gross carrying amount)	19,722,749	100%	15,692,333	100%	19,760,206	100%	15,709,668	100%

State and public organisations exclude government owned profit orientated businesses.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

Description of collateral held for loans to corporate customers carried at amortised cost is as follows at 31 December 2021:

	Group				Bank			
	Investment loans	Working capital	Revolving lines	Total	Investment loans	Working capital	Revolving lines	Total
Loans collateralised by:								
- residential real estate	230,249	172,115	85,180	487,544	230,249	172,115	85,180	487,544
- other real estate	2,061,620	1,064,238	1,785,607	4,911,465	2,061,620	1,064,238	1,785,607	4,911,465
- tradable securities	139,735	2,751	35,609	178,095	139,735	2,751	35,609	178,095
- cash deposits	1,088	1,190	5,456	7,734	1,088	1,190	5,456	7,734
- other assets	1,237,776	889,905	2,247,734	4,375,415	1,237,776	889,905	2,247,734	4,375,415
Total	3,670,468	2,130,199	4,159,586	9,960,253	3,670,468	2,130,199	4,159,586	9,960,253
Unsecured exposures	543,048	1,057,494	492,990	2,093,532	543,048	1,103,070	492,990	2,139,108
Total carrying value loans and advances to customers	4,213,516	3,187,693	4,652,576	12,053,785	4,213,516	3,233,269	4,652,576	12,099,361

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***12 Loans and advances to customers (continued)**

Description of collateral held for loans to individuals carried at amortised cost is as follows at 31 December 2021:

	Group				Bank			
	Mortgage loans	Consumer loans	Credit cards	Total	Mortgage loans	Consumer loans	Credit cards	Total
Loans collateralised by:								
- residential real estate	3,116,509	5,978	396	3,122,883	3,116,509	5,978	396	3,122,883
- other real estate	86,945	842	95	87,882	86,945	842	95	87,882
- cash deposits	-	-	55	55	-	-	55	55
- other assets	59,853	795	-	60,648	59,853	795	-	60,648
Total	3,263,307	7,615	546	3,271,468	3,263,307	7,615	546	3,271,468
Unsecured exposures	173,336	2,883,579	236,769	3,293,684	173,336	2,883,579	236,769	3,293,684
Total carrying value	3,436,643	2,891,194	237,315	6,565,152	3,436,643	2,891,194	237,315	6,565,152

Information about collateral for loans to corporate customers is as follows at 31 December 2020:

	Group				Bank			
	Investment loans	Working capital	Revolving lines	Total	Investment loans	Working capital	Revolving lines	Total
Loans collateralised by:								
- residential real estate	248,523	199,060	81,685	529,268	248,523	199,060	81,685	529,268
- other real estate	1,981,599	1,067,946	1,561,000	4,610,545	1,981,599	1,067,946	1,561,000	4,610,545
- tradable securities	131,766	11,151	13,524	156,441	131,766	11,151	13,524	156,441
- cash deposits	1,605	627	2,327	4,559	1,605	627	2,327	4,559
- other assets	1,031,750	869,458	1,696,101	3,597,309	1,031,750	869,458	1,696,101	3,597,309
Total	3,395,243	2,148,242	3,354,637	8,898,122	3,395,243	2,148,242	3,354,637	8,898,122
Unsecured exposures	206,544	841,045	389,960	1,437,549	206,544	865,908	389,960	1,462,412
Total carrying value	3,601,787	2,989,287	3,744,597	10,335,671	3,601,787	3,014,150	3,744,597	10,360,534

Information about collateral of loans to individuals carried at amortised cost is as follows at 31 December 2020:

	Mortgage loans	Consumer loans	Credit cards	Total	Mortgage loans	Consumer loans	Credit cards	Total
Loans collateralised by:								
- residential real estate	2,349,235	825	405	2,350,465	2,349,235	825	405	2,350,465
- other real estate	88,932	4	97	89,033	88,932	4	97	89,033
- cash deposits	26	-	55	81	26	-	55	81
- other assets	18,236	226	-	18,462	18,236	226	-	18,462
Total	2,456,429	1,055	557	2,458,041	2,456,429	1,055	557	2,458,041
Unsecured exposures	12,403	1,626,920	211,423	1,850,746	12,403	1,626,920	211,423	1,850,746
Total carrying value	2,468,832	1,627,975	211,980	4,308,787	2,468,832	1,627,975	211,980	4,308,787

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***12 Loans and advances to customers (continued)**

Other assets mainly include equipment and receivables. The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral on credit impaired assets at 31 December 2021 is as follows:

	Group				Bank			
	Over-collateralised Assets		Under-collateralised assets		Over-collateralised Assets		Under-collateralised assets	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Credit impaired assets:								
Loans to corporate customers carried at AC								
Investment loans	17,191	162,606	8,420	21,146	17,191	162,606	8,420	21,146
Working capital loans	13,539	513,843	4,882	1,001	13,539	513,843	4,882	1,001
Revolving lines	410	11,989	37,606	102,000	410	11,989	37,606	102,000
Loans to individuals carried at AC								
Mortgage loans	14,786	60,157	1,074	5,892	14,786	60,157	1,074	5,892
Consumer loans	-	-	27,450	309	-	-	27,450	309
Credit cards	1,296	-	21	-	1,296	-	21	-

The effect of collateral on credit impaired assets at 31 December 2020 is as follows:

	Group				Bank			
	Over-collateralised Assets		Under-collateralised assets		Over-collateralised Assets		Under-collateralised assets	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Credit impaired assets:								
Loans to corporate customers carried at AC								
Investment loans	45,720	234,700	431	-	45,720	234,700	431	-
Working capital loans	12,421	313,850	3,527	293,820	12,421	313,850	3,528	293,820
Revolving lines	4,188	31,635	136	168	4,188	31,635	136	168
Loans to individuals carried at AC								
Mortgage loans	17,523	88,757	1,534	6,419	17,523	88,757	1,534	6,419
Consumer loans	-	220	20,208	1	-	220	20,208	1
Credit cards	-	-	1,368	-	-	-	1,368	-

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***12 Loans and advances to customers (continued)**

The Group and Bank obtains collateral valuation at the time of granting loans and generally updates depending on the significance of the loan exposure. The values of collateral considered in this disclosure are the values established in collateral agreements.

The outstanding contractual amounts of loans and advances to customers written off that are still subject to enforcement activity was as follows at 31 December 2021 and 31 December 2020:

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
<i>Loans to legal entities</i>	302,062	365,176	302,062	365,176
<i>Loans to individuals</i>	23,098	26,310	23,098	26,310
Total	325,160	391,486	325,160	391,486

The Group's policy is to complete legal enforcement steps that were initiated even though the loans were written off as there is no reasonable expectation of recovery.

The Group acts as a lessor under finance lease agreements, concluded mainly for financing vehicles, commercial, industrial, agricultural and office equipment. The lease agreements are denominated in EUR, USD and MDL and typically run for a period between 2 and 5 years, with the transfer of ownership over the leased assets upon the termination of the lease agreement. The lease receivables are secured by the underlying assets and by other collateral.

13 Finance lease receivables

The table below presents the structure of lease receivables:

	31 December 2021	31 December 2020
Legal entities	82,771	64,029
Individuals	154,996	121,123
Total lease receivables, gross	237,767	185,152
Less: total credit loss allowances of finance lease receivables, including:		
- Credit loss allowances - lease receivables legal entities	(12,121)	(10,546)
- Credit loss allowances - lease receivables individuals	(8,879)	(8,510)
Total lease receivables, net	216,767	166,086

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***13 Finance lease receivables (continued)**

Gross carrying amount in finance lease receivables and credit loss allowance amount for investment in finance lease receivables at AC by classes at 31 December 2021 and 31 December 2020 are disclosed in the table below:

	31 December 2021			31 December 2020		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
<i>Lease receivable from legal entities</i>	82,771	(12,121)	70,650	64,029	(10,546)	53,483
-vehicles	73,880	(6,933)	66,947	52,133	(6,110)	46,023
-equipment	7,456	(5,121)	2,335	10,387	(4,076)	6,311
-real estate	1,435	(67)	1,368	1,509	(360)	1,149
<i>Lease receivable from individuals</i>	154,996	(8,879)	146,117	121,123	(8,520)	112,603
-vehicles	140,227	(7,698)	132,529	105,724	(7,046)	98,678
-real estate	14,769	(1,181)	13,588	15,399	(1,474)	13,925
Total lease receivable to customers at AC	237,767	(21,000)	216,767	185,152	(19,066)	166,086

The following tables disclose the changes in the credit loss allowance and gross carrying amount for finance lease receivables carried at amortised cost between the beginning and the end of the reporting and comparative periods, considering movements recorded overall over one-year period:

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

13 Finance lease receivables (continued)

	Gross carrying amount				Credit loss allowance			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>Legal entities</i>								
At 1 January 2021	45,089	3,878	15,062	64,029	(200)	(425)	(9,921)	(10,546)
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Increase due to issue or acquisition	47,697	948	-	48,645	(176)	(399)	-	(575)
Decrease due to derecognition	(11,947)	(1,740)	(1,715)	(15,402)	71	149	624	844
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(940)	538	-	(402)	9	(108)	-	(99)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(31)	(283)	316	2	-	81	(164)	(83)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	663	(1,039)	(135)	(511)	(2)	188	75	261
Other movements	(9,503)	(203)	(1)	(9,707)	29	(24)	(2,256)	(2,251)
Total movements with impact on credit loss allowance charge for the period	25,939	(1,779)	(1,535)	22,625	(69)	(113)	(1,721)	(1,903)
Difference on exchange rate	(3,250)	(103)	(530)	(3,883)	7	14	307	328
At 31 December 2021	67,778	1,996	12,997	82,771	(262)	(524)	(11,335)	(12,121)

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

13 Finance lease receivables (continued)

	Gross carrying amount				Credit loss allowance			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Legal entities								
At 1 January 2020	48,666	2,411	13,401	64,478	(296)	(204)	(8,677)	(9,177)
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Increase due to issue or acquisition	20,822	1,344	-	22,166	(73)	(191)	-	(264)
Decrease due to derecognition	(5,997)	(478)	(254)	(6,729)	26	10	13	49
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(2,613)	2,613	-	-	9	(9)	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(43)	(1,311)	1,354	-	-	-	-	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	243	(146)	(97)	-	(71)	35	36	-
Other movements	(17,037)	(607)	369	(17,275)	229	(53)	(585)	(409)
Total movements with impact on credit loss allowance charge for the period	(4,625)	1,415	1,372	(1,838)	120	(208)	(536)	(624)
Difference on exchange rate	1,048	52	289	1,389	(24)	(13)	(708)	(745)
At 31 December 2020	45,089	3,878	15,062	64,029	(200)	(425)	(9,921)	(10,546)

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

13 Finance lease receivables (continued)

	Gross carrying amount				Credit loss allowance			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>Individuals</i>								
At 1 January 2021	87,023	8,803	25,297	121,123	(224)	(639)	(7,657)	(8,520)
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Increase due to issue or acquisition	84,727	1,807	329	86,863	(220)	(469)	(111)	(800)
Decrease due to derecognition	(11,947)	(1,740)	(1,715)	(15,402)	65	351	1,345	1,761
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(3,111)	2,425	-	(686)	13	(620)	-	(607)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(231)	50	(181)	-	11	(8)	3
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	502	(475)	-	27	(1)	105	-	104
- to credit-impaired (from Stage 3 to Stage 1)	-	288	(598)	(310)	-	(274)	172	(102)
Other movements	(24,977)	(3,398)	(1,032)	(29,407)	23	266	(1,272)	(983)
Total movements with impact on credit loss allowance charge for the period	45,194	(1,324)	(2,966)	40,904	(120)	(630)	126	(624)
Difference on exchange rate	(6,310)	(362)	(359)	(7,031)	10	37	218	265
At 31 December 2021	125,907	7,117	21,972	154,996	(334)	(1,232)	(7,313)	(8,879)

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

13 Finance lease receivables (continued)

	Gross carrying amount				Credit loss allowance			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Individuals								
At 1 January 2020	66,351	2,615	25,608	94,574	(191)	(543)	(7,664)	(8,398)
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Increase due to issue or acquisition	54,631	853	-	55,484	(146)	(16)	-	(162)
Decrease due to derecognition	(11,774)	(526)	(2,655)	(14,955)	28	86	660	774
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(8,133)	8,133	-	-	30	(30)	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1,571)	(1,095)	2,666	-	11	248	(259)	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	726	(471)	(255)	-	(120)	105	15	-
Other movements	(14,636)	(762)	(619)	(16,017)	180	(442)	216	(46)
Total movements with impact on credit loss allowance charge for the period	19,243	6,132	(863)	24,512	(17)	(49)	632	566
Difference on exchange rate	1,429	56	552	2,037	(16)	(47)	(625)	(688)
At 31 December 2020	87,023	8,803	25,297	121,123	(224)	(639)	(7,657)	(8,520)

Transfers presented above resulted in change of ECL depending on the stage in which the loans were transferred. Repayments of lease receivable are included in the line "Other movements" presented above.

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***13 Finance lease receivables (continued)**

The credit quality of finance lease receivables carried at amortised cost is as follows at 31 December 2021:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Legal entities				
- Good	67,780	622	-	68,402
- Satisfactory		699	-	699
- Default	-	676	12,994	13,670
Gross carrying amount	67,780	1,997	12,994	82,771
Credit loss allowance	(260)	(524)	(11,337)	(12,121)
Carrying amount	67,520	1,473	1,657	70,650
Individuals				
- Good	125,907	2,988	-	128,895
- Satisfactory	-	3,298	-	3,298
- Special monitoring	-	-	473	473
- Default	-	831	21,499	22,330
Gross carrying amount	125,907	7,117	21,972	154,996
Credit loss allowance	(334)	(1,232)	(7,313)	(8,879)
Carrying amount	125,573	5,885	14,659	146,117

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***13 Finance lease receivables (continued)**

The credit quality of lease receivables carried at amortised cost is as follows at 31 December 2020 is as follows:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Legal entities				
- Good	45,089	2,003	-	47,092
- Satisfactory	-	1,876	-	1,876
- Special monitoring	-	-	235	235
- Default	-	-	14,826	14,826
Gross carrying amount	45,089	3,879	15,061	64,029
Credit loss allowance	(199)	(426)	(9,921)	(10,546)
Carrying amount	44,890	3,453	5,140	53,483
Individuals				
- Good	87,025	5,965	-	92,990
- Satisfactory	-	2,836	-	2,836
- Default	-	-	25,297	25,297
Gross carrying amount	87,025	8,801	25,297	121,123
Credit loss allowance	(224)	(639)	(7,657)	(8,520)
Carrying amount	86,801	8,162	17,640	112,603

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***13 Finance lease receivables (continued)**

The lease contracts are originated and managed by MAIB-Leasing. The concentration risk in economic sectors for customers' lease receivables portfolio during 2021 – 2020 is presented below:

2021	Stage 1	Stage 2	Stage 3	Total
Individuals	126,231	7,117	21,972	155,320
Legal entities:				
Industry and construction	11,663	272	3,551	15,486
Trade	24,386	992	2,062	27,440
Services	22,523	544	4,493	27,560
Agriculture	3,940	188	331	4,459
Transport	4,945	-	2,557	7,502
Gross investment in finance lease receivables	193,688	9,113	34,966	237,767
Credit loss allowance	(595)	(1,756)	(18,649)	(21,000)
Net investment in finance leases	193,093	7,357	16,317	216,767

2020	Stage 1	Stage 2	Stage 3	Total
Individuals	87,024	8,802	25,297	121,123
Legal entities:				
Industry and construction	10,306	716	3,665	14,687
Trade	13,797	865	2,607	17,269
Services	15,029	1,715	4,533	21,277
Agriculture	4,343	583	1,043	5,969
Transport	1,614	-	3,213	4,827
Gross investment in finance lease receivables	132,113	12,681	40,358	185,152
Credit loss allowance	(423)	(1,064)	(17,579)	(19,066)
Net investment in finance leases	131,690	11,617	22,779	166,086

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***13 Finance lease receivables (continued)**

The financial effect of collateral at 31 December 2021 and 31 December 2020:

	Over-collateralised Assets		Under-collateralised assets	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
2021				
Lease receivable from legal entities:	58,358	102,398	12,292	11,152
-vehicles	55,778	98,598	11,169	10,240
-equipment	1,212	2,432	1,123	912
-real estate	1,368	1,368	-	-
Lease receivable from individuals:	131,309	216,919	14,808	13,274
-vehicles	117,720	199,211	14,808	13,274
-real estate	13,589	17,708	-	-
Total	189,667	319,317	27,100	24,426

	Over-collateralised Assets		Under-collateralised assets	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
2020				
Lease receivable from corporates:	48,992	92,971	4,442	1,138
-vehicles	44,901	86,414	1,069	-
-equipment	4,091	6,557	2,224	-
-real estate	-	-	1,149	1,138
Lease receivable from individuals:	108,603	206,168	3,869	3,578
-vehicles	98,548	192,687	-	-
-real estate	10,055	13,481	3,869	3,578
Total	157,595	299,139	8,311	4,716

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***14 Investment property**

	Land	Properties for rental income	Total
As at 1 January 2020			
Net carrying amount	34,825	37,594	72,419
Revaluation	502	(382)	120
As at 31 December 2020			
Net carrying amount	35,327	37,212	72,539
As at 1 January 2021			
Net carrying amount	35,327	37,212	72,539
Disposal	(14,940)	(22,134)	(37,074)
Revaluation	(2,514)	(392)	(2,906)
As at 31 December 2021			
Net carrying amount	17,873	14,686	32,559

The land with undetermined purpose represents agricultural land located in village Danceni and village Ialoveni repossessed from contracts for sale on credit for which the Group decided to keep them for capital appreciation.

The investment property is reflected at its fair value. In 2021 the rental income earned from such properties was MDL 572 thousand (2020: MDL 329 thousand), see Note 42.

The future undiscounted minimum lease payments receivable under non-cancellable operating leases are as follows:

	31 December 2021	31 December 2020
Not later than 1 year	316	267
Later than 1 year and not later than 2 years	256	222
Later than 2 years and not later than 3 years	256	221
Later than 3 years and not later than 4 years	78	221
Later than 4 years and not later than 5 years	-	74
Total future operating lease payments receivable	906	1,005

15 Investments in subsidiaries

	Ownership at 31 December 2021 (%)	31 December 2021	31 December 2020
Sector			
MAIB-Leasing SA	100%	163,452	163,452
MoldMediaCard SRL	99.00%	11,522	11,522
Less: provision for impairment		(35,305)	(35,305)
Total		139,669	139,669

The provision for impairment for the investment in subsidiaries was maintained at the same level of MDL 35,305 thousand, as there were no significant changes in the activity of MAIB-Leasing. Also there were no changes in ownership in 2021 as compared to 2020.

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***16 Other financial assets**

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Receivables related to cancelled finance lease agreements	42,086	44,470	-	-
Receivables from transactions with payment cards	12,802	32,342	12,802	32,342
Other amounts in settlement	11,119	8,734	11,119	8,734
Fees calculated not related to interest	16,562	7,502	16,562	7,502
Other commission	804	3,697	804	3,697
Receivables from insurance companies	1,167	1,226	-	-
Other financial assets	20,193	21,752	2,474	1,216
Total gross carrying amount	104,733	119,723	43,761	53,491
Less credit loss allowance	(60,720)	(69,906)	(12,273)	(24,847)
Total other financial assets	44,013	49,817	31,488	28,644

Receivables related to cancelled finance lease agreements represent the amounts that have to be recovered from lease contracts for which the contract was terminated by the Group.

Gross carrying amount and credit loss allowance amount for other financial assets by classes at 31 December 2021 and 31 December 2020 are disclosed in the table below:

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

16 Other financial assets (continued)

	Group						Bank					
	2021		Total	2020		Total	2021		Total	2020		Total
	Gross carrying amount	Credit loss allowance		Gross carrying amount	Credit loss allowance		Gross carrying amount	Credit loss allowance		Gross carrying amount	Credit loss allowance	
Receivables related to cancelled finance lease agreements	42,086	(40,289)	1,797	44,470	(36,781)	7,689	-	-	-	-	-	-
Receivables from transactions with payment cards	12,802	(201)	12,601	32,342	(20,988)	11,354	12,802	(201)	12,601	32,342	(20,988)	11,354
Other amounts in settlement	11,119	-	11,119	8,734	(12)	8,722	11,119	-	11,119	8,734	(12)	8,722
Fees calculated not related to interest	16,562	(10,164)	6,488	7,502	(2,631)	4,871	16,562	(10,164)	6,398	7,502	(2,631)	4,871
Other commission	804	-	804	3,697	-	3,697	804	-	804	3,697	-	3,697
Receivables from insurance companies	1,167	(1,167)	-	1,226	(1,226)	-	-	-	-	-	-	-
Other financial assets	20,193	(8,899)	11,294	21,752	(8,268)	13,484	2,474	(1,908)	566	1,216	(1,216)	-
Total	104,733	(60,720)	44,103	119,723	(69,906)	49,817	43,761	(12,273)	31,488	53,491	(24,847)	28,644

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***17 Other assets**

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Prepayments for tangibles and intangibles assets	122,993	141,174	122,993	133,007
Other non-financial assets	23,107	21,444	20,325	19,697
Prepaid expenses	22,372	16,000	21,927	16,000
Inventory and low value materials	10,663	13,560	9,442	13,536
Foreclosed collateral	6,468	5,029	-	-
Other amounts in settlement	9,107	1,685	9,107	1,685
Non-current assets held for sale	-	957	-	957
Personnel receivable	451	458	451	458
Other sundry debtors	74	160	-	160
Total gross carrying amount	195,235	200,467	184,245	185,500
Less: impairment	(30,425)	(28,018)	(24,936)	(22,838)
Total other assets	164,810	172,449	159,309	162,662

The movement in the impairment charge for other assets for the year 2021 and 2020 is presented below:

	Group		Bank	
	2021	2020	2021	2020
At 1 January	(28,018)	(35,384)	(22,838)	(30,536)
Impairment charge to profit or loss	(2,407)	7,366	(2,098)	7,698
At 31 December	(30,425)	(28,018)	(24,936)	(22,838)

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

18 Premises and equipment

Group	Land (revalued)	Buildings (revalued)	Furniture and equipment	Vehicles	Other assets	Assets under construction	Total
At 1 January 2020							
Cost/revalued amount	172,961	476,457	632,725	36,918	36,890	492,285	1,848,236
Accumulated depreciation	-	(197,752)	(435,828)	(20,470)	(26,833)	-	(680,883)
Carrying amount at 1 January 2020	172,961	278,705	196,897	16,448	10,057	492,285	1,167,353
Additions	-	-	211	199	-	279,715	280,125
Transfers	-	46,109	46,947	6,054	6,560	(105,670)	-
Disposals, net	(91)	(852)	(55)	-	-	(2,562)	(3,560)
Revaluations	(39)	-	-	-	-	-	(39)
Impairment charge to profit or loss	(4,657)	-	-	-	-	(112,299)	(116,956)
Depreciation charge	-	(12,403)	(78,075)	(4,082)	(6,784)	-	(101,344)
Carrying amount at 31 December 2020	168,174	311,559	165,925	18,619	9,833	551,469	1,225,579
At 31 December 2020							
Cost/revalued amount	168,174	516,352	676,902	42,522	43,444	551,469	1,998,863
Accumulated depreciation	-	(204,793)	(510,977)	(23,903)	(33,611)	-	(773,284)
Carrying amount at 31 December 2020	168,174	311,559	165,925	18,619	9,833	551,469	1,225,579
Additions	-	-	1,370	350	-	283,202	284,922
Transfers	-	16,903	57,834	3,739	10,708	(90,205)	(1,021)
Disposal - cost amount	-	(209,321)	(58,171)	(1,366)	(1,514)	-	(270,372)
Disposal – accumulated amortization	-	208,703	57,506	1,267	1,513	-	268,989
Revaluations	25,799	(27,745)	-	-	-	-	(1,946)
Depreciation charge	-	(5,830)	(37,424)	(4,376)	(4,597)	-	(52,227)
Carrying amount at 31 December 2021	193,973	294,269	187,040	18,233	15,943	744,466	1,453,924
At 31 December 2021							
Cost/revalued amount	193,973	296,189	677,935	45,245	52,638	744,466	2,010,446
Accumulated depreciation	-	(1,920)	(490,895)	(27,012)	(36,695)	-	(556,522)
Carrying amount at 31 December 2021	193,973	294,269	187,040	18,233	15,943	744,466	1,453,924

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

18 Premises and equipment (continued)

Bank	Land (revalued)	Buildings (revalued)	Furniture and equipment	Vehicles	Other assets	Assets under construction	Total
At 1 January 2020							
Cost/revalued amount	172,637	472,145	621,696	34,881	36,515	492,256	1,830,130
Accumulated depreciation	-	(195,615)	(427,783)	(19,590)	(26,469)	-	(669,457)
Carrying amount at 1 January 2020	172,637	276,530	193,913	15,291	10,046	492,256	1,160,673
Additions	-	-	-	-	-	278,695	278,695
Transfers	-	46,109	46,947	6,054	6,560	(105,670)	-
Disposals, net	(91)	(852)	(29)	-	-	(2,533)	(3,505)
Impairment charge to profit or loss	(4,657)	-	-	-	-	(112,299)	(116,956)
Depreciation charge	-	(12,620)	(76,638)	(3,835)	(6,774)	-	(99,867)
Carrying amount at 31 December 2020	167,889	309,167	164,193	17,510	9,832	550,449	1,219,040
At 31 December 2020							
Cost/revalued amount	167,889	512,040	665,770	40,286	43,069	550,449	1,979,503
Accumulated depreciation	-	(202,873)	(501,577)	(22,776)	(33,237)	-	(760,463)
Carrying amount at 31 December 2020	167,889	309,167	164,193	17,510	9,832	550,449	1,219,040
Additions	-	-	-	-	-	283,202	283,202
Transfers	-	16,903	57,834	3,739	10,708	(89,184)	-
Disposal - cost amount	-	(209,321)	(58,142)	(1,258)	(1,471)	-	(270,192)
Disposal – accumulated amortization	-	208,703	57,477	1,159	1,471	-	268,810
Revaluation	25,769	(27,944)	-	-	-	-	(2,175)
Depreciation charge	-	(5,830)	(35,984)	(4,089)	(4,588)	-	(50,491)
Carrying amount at 31 December 2021	193,658	291,678	185,378	17,061	15,952	744,467	1,448,194
At 31 December 2021							
Cost/revalued amount	193,658	291,678	665,462	42,767	52,306	744,467	1,990,338
Accumulated depreciation	-	-	(480,084)	(25,706)	(36,354)	-	(542,144)
Carrying amount at 31 December 2021	193,658	291,678	185,378	17,061	15,952	744,467	1,448,194

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***18 Premises and equipment (continued)**

At 31 December 2021, the cost of the Group's fully depreciated premises and equipment that are still in use amounted to MDL 280,125 thousand (31 December 2020: MDL 371,303 thousand) and the cost of the Bank's fully depreciated premises and equipment that are still in use amounted to MDL 280,125 thousand (31 December 2020: MDL 371,303 thousand). All depreciation expense calculated during 2021 and 2020 was recognized in the statement of profit or loss.

Premises and equipments are valued at cost less accumulated depreciation and impairment losses, with the exception of the category "Land" and "Buildings", that were revalued at fair value in 2021 in accordance with the provisions of IAS 16 "Property, Plant and Equipment".

As at 31 December 2021 the book value of Land and Buildings would have been MDL 954,800 thousand (31 December 2020: MDL 695,160 thousand) if these assets had been valued at cost less depreciation.

Premises have been revalued at fair value at 31 December 2021. The valuation was carried out by an independent firm of valuers, who hold a recognised and relevant professional qualification and who have recent experience in the valuation of assets in similar locations and in a similar category. The basis used for the appraisal was market value.

Included in assets in course of construction is the new head office building (HO). Following an internal review of the amount of investments made, expected costs to completion, and expected performance of the asset, the Group concluded that the HO building in construction might be individually impaired. The Group carried an impairment test and as at 31 December 2020, the Group recognized an impairment charge of MDL 112,299 thousand related to the HO building in construction, and MDL 4,657 thousand related to land, representing the difference between the book values and the respective recoverable amounts.

19 Intangible assets

Group	Software	Licences	Other intangible assets	Goodwill	Intangible assets in progress	Total
At 1 January 2020						
Cost amount	89,076	48,431	3,216	2,497	4,118	147,338
Accumulated depreciation	(37,269)	(38,030)	(1,958)	-	-	(77,257)
Carrying amount	51,807	10,401	1,258	2,497	4,118	70,081
Additions	3,048	-	-	-	56,377	59,425
Transfer	33,321	6,782	165	-	(40,268)	-
Amortization charge	(9,081)	(8,891)	(566)	-	-	(18,538)
As at 31 December 2020						
Cost amount	125,445	55,213	3,381	2,497	20,227	206,763
Accumulated depreciation	(46,350)	(46,921)	(2,524)	-	-	(95,795)
Carrying amount	79,095	8,292	857	2,497	20,227	110,968
Additions	4,056	-	-	-	63,824	67,880
Capitalised internal development costs	14,478	-	-	-	-	14,478
Transfer	761	29,887	14,718	-	(59,844)	(14,478)
Disposal - cost	(1,471)	(4,066)	(3)	-	-	(5,540)
Disposal - accumulated amortization	947	4,066	3	-	-	5,016
Amortization charge	(6,537)	(13,647)	(3,230)	-	-	(23,414)
As at 31 December 2021						
Cost amount	143,269	81,034	18,096	2,497	24,207	269,103
Accumulated depreciation	(51,940)	(56,502)	(5,751)	-	-	(114,193)
Carrying amount	91,329	24,532	12,345	2,497	24,207	154,910

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***19 Intangible assets (continued)**

				Bank	
	Software		Other intangible assets	Intangible assets in progress	Total
		Licences			
At 1 January 2020					
Cost amount	73,728	48,431	3,213	4,118	129,490
Accumulated amortization	(26,331)	(38,030)	(1,955)	-	(66,316)
Carrying amount at 1 January 2020	47,397	10,401	1,258	4,118	63,174
Additions	-	-	-	56,377	56,377
Transfer	33,321	6,782	165	(40,268)	-
Amortization charge	(7,857)	(8,891)	(566)	-	(17,314)
As at 31 December 2020					
Cost amount	107,049	55,213	3,378	20,227	185,867
Accumulated amortization	(34,188)	(46,921)	(2,521)	-	(83,630)
Carrying amount at 31 December 2020	72,861	8,292	857	20,227	102,237
Additions	-	-	-	63,824	63,824
Capitalised internal development costs	14,478	-	-	-	14,478
Transfer	761	29,887	14,718	(59,844)	(14,478)
Disposal - cost	(1,471)	(4,066)	-	-	(5,537)
Disposal – accumulated amortization	947	4,066	-	-	5,013
Amortization charge	(4,811)	(13,647)	(3,230)	-	(21,688)
As at 31 December 2021					
Cost amount	120,817	81,034	18,096	24,207	244,154
Accumulated amortization	(38,052)	(56,502)	(5,751)	-	(100,305)
Carrying amount	82,765	24,532	12,345	24,207	143,849

All amortization calculated during 2021 and 2020 was recognized in the statement of profit or loss. Intangible assets are initially recognized at cost and subsequently are measured at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized on a straight-line basis throughout their useful lives.

The intangible assets include as a significant item the core banking system of the Group, T24, with the book value at 31 December 2021 of MDL 35,262 thousand (31 December 2020: MDL 29,521 thousand), which according to the contractual provisions will be used by the Group until 30 September 2030.

20 Right of use assets and Lease liabilities

The Group and the Bank leases various buildings and office spaces. Rental contracts are typically made for fixed periods of 1 year to 7 years but may have extension options. All leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group and the Bank.

The right of use assets had the following movements during the periods.:

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***20 Right of use assets and Lease liabilities (continued)**

	Group		Bank	
	2021	2020	2021	2020
Carrying amount at 1 January	74,959	98,450	74,368	97,540
Additions	33,682	30,010	32,250	30,708
Disposals	(80)	(18,071)	(80)	(18,071)
Modification	(3,304)	640	(3,304)	-
Depreciation charge	(36,595)	(36,070)	(35,888)	(35,809)
Carrying amount at 31 December	68,662	74,959	67,346	74,368

The Lease liabilities:

	Group		Bank	
	2021	2020	2021	2020
Carrying amount at 1 January	81,168	97,929	80,562	96,997
Additions	33,683	30,010	32,250	30,708
Disposals	-	(18,860)	-	(18,860)
Modification	(3,304)	640	(3,304)	-
Repayment	(39,516)	(29,976)	(38,638)	(29,771)
Interest expense	1,183	1,506	1,166	1,489
Forex impact	(2,874)	(81)	(3,010)	-
Carrying amount at 31 December	70,340	81,168	69,026	80,562

*Disposals for right of use asset and lease liabilities represent the derecognition as a result of cancellation of the lease contracts, full repayments or other changes performed on the lease contract that led to derecognition of the right of use or lease liability.

Expenses relating to short-term leases and leases of low value assets, that are not shown as short-term leases, are included in "Other operating expenses", as below:

	Group		Bank	
	2021	2020	2021	2020
Expense relating to short-term leases	5,971	5,894	5,958	5,881
Expense relating to leases of low-value assets that are not shown above as short-term leases	3,962	1,801	3,962	1,801

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as collateral for borrowings.

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***21 Due to other banks**

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Borrowings from and current accounts of other banks				
Correspondent accounts in foreign currency	17,266	15,256	17,266	15,256
Correspondent accounts in local currency	1,192	986	1,192	986
Total due to other banks	18,458	16,242	18,458	16,242

22 Borrowings

Borrowings from Financial Institutions:	Currency	Maturity	Group		Bank	
			31 December 2021	31 December 2020	31 December 2021	31 December 2020
International Fund for Agricultural Development (IFAD)	MDL/USD / EUR	16.03.2026	448,214	304,014	448,214	304,014
European Bank for Reconstruction and Development Livada Moldovei Project	EUR / MDL/EUR	26.09.2024 / 29.06.2030	463,848	249,591	463,848	249,591
Project for Competitiveness Improvement (PCI)	MDL/USD / EUR	01.04.2026	345,076	70,480	345,076	70,480
Wine Project	EUR/MDL / MDL/USD	02.06.2025	49,149	68,139	49,149	68,139
Reconstruction Credit Institute (KfW)	EUR / MDL/USD	15.07.2025	50,963	60,360	50,963	60,360
Rural Investment and Services Project (RISP)	EUR / MDL/USD	01.04.2026	289,900	54,318	289,900	54,318
European Bank for Reconstruction and Development	EUR / MDL/USD	26.05.2021	-	21,138	-	21,138
Central European Bank Project CEB Covid-19	EUR / MDL/USD	13.05.2024	211,184	4,237	211,184	4,237
Millennium Challenge	EUR / MDL/USD	25.02.2022	460	1,108	460	1,108
Total borrowings			2,160,402	964,635	2,160,402	964,635

All mentioned above loans are contracted under agreements between the Government of the Republic of Moldova and International Financial Institutions, repayment schedules are set for each individual project and Maib S.A. act as an intermediary between final beneficiary and International Financial Institution.

The loans disbursed within the projects can be in different currencies (MDL, USD and / or EUR). The funds are utilised by the Group to further finance the clients that are under the scope of the projects. The most significant projects are the ones on agricultural funding and orchard.

The Group was in compliance with all the financial covenants included in agreements as at 31 December 2021 and 31 December 2020. Within the Agreements signed with the Ministry of Finance of the Republic of Moldova (IFAD, RISP, Millennium Challenge, CEB Covid-19, Livada Moldovei Project, Wine Project, KfW, Project for Competitiveness Improvement (PCI)).

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***22 Borrowings (continued)****Borrowings for financing the lease activity**

Financial Institutions	Currency	Maturity	31 December 2021	31 December 2020
BC Moldindconbank S.A.	EUR	June 2025	89,213	43,634
BC Banca Comerciala Română S.A	EUR	March 2021	-	182
Extra-K SA	EUR	September 2021	-	63,635
Total			89,213	107,451

As at 31 December 2021 and 31 December 2020 the Group pledged the right to collect receivables under finance lease agreements and financing contracts and repossessed assets to secure the contracted borrowings as follows:

	31 December 2021	31 December 2020
Moldindconbank S.A	131,000	61,437
Banca Comercială Română	-	25,004
	131,000	86,441

23 Due to customers

	31 December 2021	Group 31 December 2020	31 December 2021	Bank 31 December 2020
Legal entities				
Current accounts, including:				
Corporate customers	2,879,917	1,700,545	2,883,205	1,705,103
Small and medium enterprises customers	4,776,579	3,728,878	4,798,797	3,747,601
Sub-total current accounts	7,656,496	5,429,423	7,682,002	5,452,704
Sight Deposits, including:				
Corporate customers	175,254	151,448	175,254	151,448
Small and medium enterprises customers	355,633	312,633	355,633	312,633
Sub-total sight deposits	530,887	464,081	530,887	464,081
Term deposits, including:				
Corporate customers	571,263	389,838	571,263	389,838
Small and medium enterprises customers	942,304	680,261	942,304	680,261
Sub-total term deposits	1,513,567	1,070,099	1,513,567	1,070,099
Collateral deposits, including:				
Corporate customers	64,645	17,659	64,645	17,659
Small and medium enterprises customers	50,332	27,550	50,332	27,550
Sub-total collateral deposits	114,977	45,209	114,977	45,209
Total due to customers for legal entities	9,815,927	7,008,812	9,841,433	7,032,093
Individuals				
Current accounts	7,321,230	5,698,017	7,321,230	5,698,017
Sight deposits	13,063	1,067	13,063	1,067
Term deposits	10,948,390	10,468,811	10,948,390	10,468,811
Collateral deposits	19,427	25,451	19,427	25,451
Savings accounts	452,609	648,943	452,609	648,943
Total due to customers for individuals	18,754,719	16,842,289	18,754,719	16,842,289
Total due to customers	28,570,646	23,851,101	28,596,152	23,874,382

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***23 Due to customers (continued)**

At 31 December 2021 current accounts of legal entities and individuals include restricted deposits under guarantee (collateral) agreements in amount of MDL 121,485 thousand (31 December 2020: MDL 63,346 thousand).

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

Economic sector concentrations within customer accounts are as follows:

	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Individuals	18,754,719	66%	16,842,281	71%	18,754,719	66%	16,842,281	71%
Trade	2,571,545	9%	2,244,606	9%	2,571,545	9%	2,244,606	9%
Other	2,262,084	8%	4,948,500	2%	2,262,084	8%	4,948,500	2%
Agriculture	1,128,353	4%	720,518	3%	1,128,353	4%	720,518	3%
Manufacturing	970,778	3%	961,652	4%	970,778	3%	961,652	4%
Construction	770,335	3%	790,740	3%	770,335	3%	790,740	3%
Real estate	691,419	2%	707,292	3%	691,419	2%	707,292	3%
State and public organisations	563,666	2%	447,005	2%	563,666	2%	447,005	2%
Transport	448,907	2%	325,282	1%	448,907	2%	325,282	1%
Other financial institutions	408,840	1%	316,875	2%	434,346	1%	340,156	2%
Total customer accounts	28,570,646	100	23,851,101	100	28,596,152	100	23,874,382	100

24 Other financial liabilities

	Note	Group		Bank	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
<i>Other financial liabilities at AC</i>					
Issued letter of credit		135,879	52,239	135,879	52,239
Operations with payment cards		32,244	31,987	32,244	31,987
Securities settlements		24,302	27,513	24,302	27,513
Other amounts in settlement		16,740	9,756	16,740	9,756
Dividends payables	25	8,444	8,248	8,444	8,248
* Other financial liabilities		8,961	13,900	7,379	13,228
Settlements with Visa and MC for marketing		6,374	6,586	6,374	6,586
Debt with suppliers		3,549	8,609	2,310	7,339
Amounts from clients for future leases agreements		781	7,204	-	-
Total other financial liabilities at AC		237,274	166,042	233,672	156,896
<i>Other financial liabilities at FVTPL</i>					
Contingent consideration liability	11	25,969	25,629	25,969	25,629
Total other financial liabilities at FVTPL		25,969	25,629	25,969	25,629
Total other financial liabilities		263,243	191,671	259,641	182,525

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***25 Other liabilities**

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Provision for untaken holidays and for other employee benefits	80,777	68,650	79,819	68,650
Other amounts in settlement	43,508	42,521	43,508	42,521
Settlements with merchants	46,583	2,730	46,583	2,730
Other non-financial liabilities	34,249	11,870	34,249	10,673
Settlements with budget	29,511	19,505	25,878	16,070
Taxes payables other than on income	42,635	9,329	42,635	9,329
Provision for other risks	-	5,277	-	5,277
Deferred revenue	5,182	3,014	5,182	3,014
Settlements with grup's employees	81	60	81	60
Total other liabilities	282,526	162,956	277,935	158,324

26 Guarantees and other financial commitments and provision for loan commitments

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 Group 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 Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits 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 Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. Commitments to issue guarantees - a contract signed were the Group accepts to issue individual guarantees, while guarantees issued are actual guarantees issued. Commitments are usually agreed with corporate clients that put pledge for the whole contractual amount, under the contract. Later they request the issuance of individual guarantees for lower values, under that agreement. The issuance of a guarantee decreases the commitment value etc.

The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Undrawn credit lines that are irrevocable or are revocable only in response to a material adverse change	2,245,366	2,181,205	2,245,366	2,186,268
Total loan commitments	2,245,366	2,181,205	2,245,366	2,186,268
Letters of credit	149,170	65,893	149,170	65,893
Guarantees issued	467,808	457,212	467,808	457,212
Commitments to issue guarantees	478,203	450,403	478,203	450,403
Less: Provision for Letters of credit	(1,196)	(489)	(1,196)	(489)
Less: Provision for financial guarantees	(3,540)	(3,284)	(3,540)	(3,284)
Less: Provision for loan commitments	(32,393)	(18,541)	(32,393)	(18,541)
Less: Commitment collateralised by cash deposits	(11,011)	(11,655)	(11,011)	(11,655)
Total credit related commitments, net of provision and cash covered exposures	3,292,407	3,120,744	3,292,407	3,125,807

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

26 Guarantees and other financial commitments and provision for loan commitments (continued)

An analysis of issued financial guarantees and credit related commitments by credit quality based on credit risk grades at 31 December 2021 is as follows:

	Group				Bank			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Issued financial guarantees								
- Good	1,095,181	-	-	1,095,181	1,095,181	-	-	1,095,181
Unrecognised gross amount	1,095,181	-	-	1,095,181	1,095,181	-	-	1,095,181
Provision for financial guarantees	(4,736)	-	-	(4,736)	(4,736)	-	-	(4,736)
Loan commitments								
- Good	2,171,287	36,140	-	2,207,427	2,171,287	36,140	-	2,207,427
- Satisfactory	18,715	15,567	4	34,286	18,715	15,567	4	34,286
- Special monitoring	199	691	14	904	199	691	14	904
- Default	145	1,343	1,261	2,749	145	1,343	1,261	2,749
Unrecognised gross amount	2,190,346	53,741	1,279	2,245,366	2,190,346	53,741	1,279	2,245,366
Provision for loan commitments	(28,791)	(3,114)	(488)	(32,393)	(28,791)	(3,114)	(488)	(32,393)

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

26 Guarantees and other financial commitments and provision for loan commitments (continued)

An analysis of issued financial guarantees and credit related commitments by credit quality based on credit risk grades at 31 December 2020 is as follows:

	Group					Bank		
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Issued financial guarantees								
- Good	973,508	-	-	973,508	973,508	-	-	973,508
Unrecognised gross amount	973,508	-	-	973,508	973,508	-	-	973,508
Provision for financial guarantees	(3,773)	-	-	(3,773)	(3,773)	-	-	(3,773)
Loan commitments								
- Good	2,100,139	7,743	1,459	2,109,341	2,105,202	7,743	1,459	2,114,404
- Satisfactory	-	71,372	-	71,372	-	71,372	-	71,372
- Special monitoring	-	-	492	492	-	-	492	492
Unrecognised gross amount	2,100,139	79,115	1,951	2,181,205	2,105,202	79,115	1,951	2,186,268
Provision for loan commitments	(16,615)	(1,510)	(416)	(18,541)	(16,615)	(1,510)	(416)	(18,541)

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

26 Guarantees and other financial commitments and provision for loan commitments (continued)

Movements in the provision for financial guarantees and loan commitments at 31 December 2021 were as follows:

	Group								Bank							
	Provision				Off balance-sheet items				Provision				Off balance-sheet items			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total provision	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total amount	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total provision	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total amount
At 1 January 2021	(20,388)	(1,510)	(416)	(22,314)	3,073,647	79,115	1,951	3,154,713	(20,388)	(1,510)	(416)	(22,314)	3,078,710	79,115	1,951	3,159,776
<i>Movements with impact on provision for credit related commitments charge for the period:</i>																
Transfers:																
- to lifetime (from Stage 1 to Stage 2)	587	(852)	-	(265)	(59,217)	28,760	-	(30,457)	587	(852)	-	(265)	(59,217)	28,760	-	(30,457)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(31)	4	(96)	(123)	(469)	(66)	1,013	478	(31)	4	(96)	(123)	(469)	(66)	1,013	478
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(100)	194	103	197	17,912	(16,094)	(359)	1,459	(100)	194	103	197	17,912	(16,094)	(359)	1,459
- from credit-impaired to lifetime (from Stage 3 to Stage 2)	-	(7)	116	109	-	391	(358)	33	-	(7)	116	109	-	391	(358)	33
Issued guarantees (fees charged)	(11,257)	(884)	-	(12,141)	1,690,277	20,968	-	1,711,245	(11,257)	(884)	-	(12,141)	1,690,277	20,968	-	1,711,245
Derecognised during the period	4,862	134	-	4,996	(1,034,615)	(17,353)	(617)	(1,052,585)	4,862	134	-	4,996	(1,034,615)	(17,353)	(617)	(1,052,585)
Changes to model assumptions	(11,212)	(1,309)	(230)	(12,751)	-	-	-	-	(11,212)	(1,309)	(230)	(12,751)	-	-	-	-
Other movements	3,878	1,116	34	5,028	(385,361)	(41,889)	(351)	(427,601)	3,878	1,116	34	5,028	(385,361)	(41,889)	(351)	(427,601)
Total charge to profit or loss for the year	(13,273)	(1,604)	(72)	(14,949)	228,526	(25,283)	(673)	202,570	(13,273)	(1,604)	(72)	(14,949)	228,526	(25,283)	(673)	202,570
<i>Movements without impact on provision for credit related commitments charge for the period:</i>																
Foreign exchange movements	96	-	-	96	(16,647)	(91)	-	(16,738)	96	-	-	96	(16,647)	(91)	-	(16,738)
At 31 December 2021	(33,526)	(3,114)	(489)	(37,129)	3,285,527	53,741	1,279	3,340,547	(33,526)	(3,114)	(489)	(37,129)	3,285,527	53,741	1,279	3,340,547

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

26 Guarantees and other financial commitments and provision for loan commitments (continued)

The movements in the provision for financial guarantees and loan commitments at 31 December 2020 were as follows:

	Group								Bank							
	Provision				Off balance-sheet items				Provision				Off balance-sheet items			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total provision	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total amount	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total provision	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total amount
At 1 January 2020	(7,543)	(1,916)	(11)	(9,470)	1,682,414	212,058	88	1,894,560	(7,543)	(1,916)	(11)	(9,470)	1,682,414	212,058	88	1,894,560
<i>Movements with impact on provision for credit related commitments charge for the period:</i>																
Transfers:																
- to lifetime (from Stage 1 to Stage 2)	86	(270)	-	(184)	(64,884)	10,894	-	(53,990)	86	(270)	-	(184)	(64,884)	10,894	-	(53,990)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	3	11	(190)	(176)	(2,665)	(1,944)	1,881	(2,728)	3	11	(190)	(176)	(2,665)	(1,944)	1,881	(2,728)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(134)	1,371	-	1,237	31,676	(72,706)	-	(41,030)	(134)	1,371	-	1,237	31,676	(72,706)	-	(41,030)
Issued guarantees (fees charged)	(10,717)	(1,022)	(194)	(11,933)	1,976,758	60,263	-	2,037,021	(10,717)	(1,022)	(194)	(11,933)	1,981,821	60,263	-	2,042,084
Derecognised during the period	2,043	425	-	2,468	(516,520)	(126,773)	(72)	(643,365)	2,043	425	-	2,468	(516,520)	(126,773)	(72)	(643,365)
Changes to model assumptions	(4,148)	(184)	(13)	(4,345)	-	-	-	-	(4,148)	(184)	(13)	(4,345)	-	-	-	-
Other movements	187	75	(4)	258	(68,555)	(2,827)	10	(71,372)	187	75	(4)	258	(68,555)	(2,827)	10	(71,372)
Total charge to profit or loss for the year	(12,680)	406	(401)	(12,675)	1,355,810	(133,093)	1,819	1,224,536	(12,680)	406	(401)	(12,675)	1,360,873	(133,093)	1,819	1,229,599
<i>Movements without impact on provision for credit related commitments charge for the period:</i>																
Foreign exchange movements	(165)	-	(4)	(169)	35,423	150	44	35,617	(165)	-	(4)	(169)	35,423	150	44	35,617
At 31 December 2020	(20,388)	(1,510)	(416)	(22,314)	3,073,647	79,115	1,951	3,154,713	(20,388)	(1,510)	(416)	(22,314)	3,078,710	79,115	1,951	3,159,776

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***27 Subordinated Debt**

Subordinated debt of MDL 298,653 thousand (2020: MDL 0), signed between The European Fund for Southeast Europe S.A. ("SICAF-SIF") and the Bank, carries a variable interest rate composed of reference rate and margin, with maturity date on 25 November 2028. The debt ranks after all other creditors in the case of liquidation.

Refer to Note 42 for the disclosure of the fair value of subordinated debt. Interest rate analysis of subordinated debt is disclosed in Note 39.

28 Share capital, dividends and earnings per share

At 31 December 2021 the non-distributable reserves amounted to MDL 323,026 thousand (31 December 2020: MDL 462,204 thousand) and includes revaluation reserve from securities at fair value through other comprehensive income, revaluation reserve for premises and legal reserves, which are non-distributable. Starting with 2012, according to the NBM requirements, an additional reserve was created by the Group. This reserve was determined as the difference between the allowances for impairment of loans and conditional commitments in accordance with IFRS and the value computed, but non-accounted for of allowances for impairment of loans and conditional commitments in accordance with prudential regulations of the NBM (31 December 2021: MDL 339,182 thousand and 31 December 2020: MDL 338,564 thousand). Legal reserves and reserve recorded in accordance with prudential regulations of the NBM are included in retained earnings.

As at 31 December 2021 the share capital comprises 1,037,634 authorized ordinary shares, with a nominal value of MDL 200 per share (31 December 2020: 1,037,634 shares).

During 2021 the Bank approved distribution of dividends related to net profit of the year ended 31 December 2020 and also for 31 December 2019 the amount of MDL 208,668 thousand. The value of dividends per share was 201 MDL.

	2021	Group 2020	2021	Bank 2020
Dividends payable at 1 January	8,248	79,465	8,248	79,465
Dividends declared during the year	208,668	-	208,668	-
Dividends paid during the year	(205,976)	(1,885)	(205,976)	(1,885)
Dividends prescribed and recorded as income	(2,496)	(69,332)	(2,496)	(69,332)
Dividends payable at 31 December	8,444	8,248	8,444	8,248
Dividends per share declared during the year	201	-	201	-

For the dividends approved by the Bank to be paid and not yet collected by the shareholders in a period longer than three years since the date when the right to receive the dividends occurred, the Bank has the right to prescribe them and record the amount as income. During 2021 the Bank prescribed dividends corresponding to 2017 financial year considering the fact that the three years' time period has elapsed, and no amounts were claimed by the shareholders.

Basic earnings/(loss) per share are calculated by dividing the profit or loss attributable to owners of the Bank by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***28 Share capital, dividends and earnings per share (continued)**

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share. Earnings per share are calculated as follows:

	Ordinary shares outstanding (number)	Net Profit for the year thousand MDL	Earnings per share MDL	Diluted Earnings per share MDL
At 31 December 2020	1,037,634	539,104	519.55	519.55
At 31 December 2021	1,037,634	729,139	702,69	702,69

The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share. Earnings per share are calculated as follows:

	Ordinary shares outstanding (number)	Net Profit for the year thousand MDL	Earnings per share MDL	Diluted Earnings per share MDL
At 31 December 2020	1,037,634	523,811	504.81	504.81
At 31 December 2021	1,037,634	721,078	694.84	694.84

29 Own funds and management of capital

The Group's objectives when managing capital, defined by the bank as regulatory capital under NBM definition, are (i) to comply with the capital requirements set by the NBM, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve own funds adequacy ratio based on the provisions of regulations in force. Compliance with own funds adequacy ratios set by the NBM is monitored monthly, with reports outlining their calculation being reviewed and signed by the Bank's Credit Risk Officer.

Own funds adequacy ratios measure capital adequacy by comparing the Groups's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risks positions weighted to reflect their relative risk (total risk exposure). To be sufficiently capitalized under the regulations of the NBM the Bank is required to maintain an own funds adequacy ratio of at least 11.50% according to Supervisory Review and Evaluation Process analysis and a limit of 18.50% which is the minimum required ratio that includes the capital, systemic risk and systemic significance buffers (31 December 2020: 18.68%).

The own funds are defined as sum of share capital, retained earnings and reserves deducted with other regulatory established adjustments. Based on information provided internally to key management personnel, the amount of own funds that the Bank managed as of 31 December 2021 was MDL 4,472,196 thousand (31 December 2020: MDL 3,510,814 thousand). The total risk exposure as of 31 December 2021 was MDL 21,286,789 thousand (31 December 2020: MDL 17,964,348 thousand). The own funds adequacy ratio of the Bank at 31 December 2021 constitutes 21.01% (31 December 2020: 19.54%). The Group and the Bank complied with all capital requirements as at 31 December 2021 and 31 December 2020.

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***30 Net margin on interest and similar income**

	Group		Bank	
	2021	2020	2021	2020
Interest income calculated using the effective interest method				
Loans and advances to customers at AC	1,426,891	1,208,013	1,428,841	1,208,517
Debt securities at FVOCI	212,685	131,567	212,685	131,567
Debt securities at AC	1,104	1,388	-	476
Due from other banks at AC	631	3,927	631	3,927
Financing contracts	927	890	-	-
Total interest income calculated using the effective interest method	1,642,238	1,345,785	1,642,157	1,344,487
Other similar income				
Due from other banks	606	1,163	606	1,163
BNM placements	35,384	32,604	35,384	32,604
Lease receivables	18,765	14,492	-	-
Total other similar income	54,755	48,259	35,990	33,767
Total interest income	1,696,993	1,394,044	1,678,147	1,378,254
Interest expense				
Term deposits of legal entities	(32,226)	(37,413)	(32,226)	(37,413)
Term deposits of individuals	(267,451)	(312,128)	(267,451)	(312,128)
Due to banks and borrowings	(67,066)	(28,146)	(63,120)	(22,933)
Total interest expense	(366,743)	(377,687)	(362,797)	(372,474)
Other similar expense				
Lease liabilities	(1,169)	(1,506)	(1,166)	(1,489)
FVTPL liability	(1,466)	-	(1,466)	-
Total other similar expense	(2,635)	(1,506)	(2,632)	(1,489)
Total interest expense	(369,378)	(379,193)	(365,429)	(373,963)
Net margin on interest and similar income	1,327,615	1,014,851	1,312,718	1,004,291

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***31 Net fee and commission income**

	Group		Bank	
	2021	2020	2021	2020
<i>Fee and commission income</i>				
Transactions with debit cards	285,218	218,529	285,218	218,529
Cash transactions	127,424	101,363	127,424	101,363
Commissions from other services to clients	93,019	42,032	93,019	42,032
Processing of clients' payments	75,571	68,050	74,925	67,434
Settlement transactions	44,491	35,836	44,683	36,112
Money transfer services	21,204	20,784	21,204	20,784
Commissions for transfer of salaries to debit cards	19,630	17,524	19,630	17,524
Commission from direct debit transactions	11,538	9,104	11,538	9,104
Commissions on guarantees and letters of credit	9,726	8,190	9,726	8,190
Cash collection	8,321	5,537	8,321	5,537
Total fee and commission income	696,142	526,949	695,688	526,609
<i>Fee and commission expense</i>				
Processing centres services	(169,953)	(99,146)	(195,725)	(125,132)
Transactions with debit cards	(105,864)	(71,195)	(105,864)	(71,195)
Settlement transactions	(30,439)	(11,495)	(30,439)	(11,495)
Cash transactions	(10,154)	(9,090)	(10,154)	(9,090)
Other fee and commission expense	(2,116)	(7,095)	(2,116)	(7,095)
Cash withdrawal related to debit cards	(3,822)	(3,224)	(3,822)	(3,224)
Total fee and commission expense	(322,348)	(201,245)	(348,120)	(227,231)
Total Net fee and commission income	373,794	325,704	347,568	299,378

32 Gains less losses from trading in foreign currencies

	Group		Bank	
	2021	2020	2021	2020
Gain from foreign trading	221,412	238,133	221,412	238,133
Gain from trading foreign currency at foreign exchange points	76,913	91,400	76,913	91,400
Gain from card transactions in foreign currency	47,949	39,864	47,949	39,864
Gain from other transactions in foreign currency	(120)	15	(120)	15
Total gains less losses from trading in foreign currencies	346,154	369,412	346,154	369,412

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***33 Other operating income**

	2021	Group 2020	2021	Bank 2020
Penalties received	46,358	25,101	45,191	23,856
Gains from disposal equity securities	14,052	-	14,052	-
Other income	16,441	5,875	9,059	1,606
Income from unpaid and prescribed dividend liabilities (Nota 28)	2,496	69,332	2,496	69,332
Gains from disposal of other assets	1,860	3,794	1,860	3,794
Gains from disposal of investment property	3,882	-	-	-
Rental income	1,822	1,512	1,151	1,184
Dividend income from equity investments at FVOCI	899	944	899	944
Other operating income	86	-	86	-
Total other operating income	87,896	106,558	74,794	100,716

34 Personnel expenses

	2021	Group 2020	2021	Bank 2020
Wages and salaries	(484,779)	(370,630)	(471,133)	(359,359)
Social security contributions	(133,365)	(75,096)	(130,590)	(72,830)
Other personnel expenses	(49,480)	(25,268)	(49,480)	(25,268)
Provision for untaken and bonuses	(11,169)	(68,650)	(11,169)	(68,650)
Meal Tickets	(20,920)	(20,841)	(20,735)	(20,628)
Medical insurance contributions*	-	(17,548)	-	(17,274)
Share payments employees	(37)	--	(37)	-
Total personnel expenses	(699,750)	(578,033)	(683,144)	(564,009)

The Group and the Bank makes contributions to the State social insurance fund of the Republic of Moldova, calculated as a percentage of the gross salary and other compensations (2021: 24%, 2020: 18%). These contributions are charged to the statement of profit or loss in the period in which the related salary is earned by the employee. Starting with 1 January 2021, according to the changes in the local legislation no more medical insurance contributions are paid by the employer.

The Bank has established a Long-Term Incentive Plan (the "LTIP"), a substantial part of the variable component of the total remuneration is deferred for a period of 20 months with the objective to retain and motivate eligible key managers and employees of the Bank to contribute to the performance of the Bank. The fair value upon the vesting date of share-based awards - stock options - to employees is recognized as personnel expenses, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

The LTIP has been approved by the Bank Board on 22 December 2021, considered the grant date. According to LTIP, selected key employees, up to 100, were granted stock call options. The exercise of options is made on occurrence of a liquidity event, defined as an IPO or a sale of a substantial part of Bank's shares to a private investor. In case no such liquidity event will occur within 20 months after the granting date, options will be exchanged in 2025 for cash and/or bank shares, depending on key employee category. Bank's management believes that the liquidity event is probable within the LTIP timeframe, and therefore considers the plan being equity-settled. The selected employee has to provide continuous service to the bank during the whole vesting period.

The fair value of options at grant date was of MDL 2,257 thousand. The fair value of shares have been estimated using market comparison approach, based on P/Bv and PER multiples. The fair value of stock call options was estimated using the Black-Scholes model, with a risk free rate of 1.91%, an expected volatility of 18.80%, and expected time to maturity of 20 months.

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***35 Other operating expenses**

		Group		Bank
	2021	2020	2021	2020
Repairs and maintenance	(41,749)	(32,035)	(41,326)	(31,621)
Advertising and charity	(39,000)	(26,302)	(38,591)	(25,784)
Maintenance of intangible assets	(35,896)	(23,442)	(33,167)	(20,582)
Contributions to the Deposit Guarantee Fund	(22,414)	(20,510)	(22,414)	(20,510)
Money packaging and transportation expenses	(19,746)	(15,531)	(19,746)	(15,531)
Contribution to the Resolution fund	(37,134)	(15,482)	(37,134)	(15,482)
Safeguarding of assets and security	(12,312)	(14,137)	(12,263)	(13,989)
Utilities	(12,445)	(13,050)	(12,246)	(12,823)
Postage and telecommunication	(12,179)	(12,264)	(12,158)	(12,239)
Professional services	(22,811)	(12,208)	(22,390)	(11,919)
Rent expenses	(9,933)	(7,695)	(9,920)	(7,682)
Stationery and supplies	(6,503)	(7,390)	(6,503)	(7,390)
Small value inventory items	(17,036)	(7,068)	(17,036)	(7,068)
Remuneration of member of Bank's Council	(8,660)	(6,199)	(8,660)	(6,199)
Provision for other risks	-	(5,277)	-	(5,277)
Fuel expenses	(6,138)	(4,920)	(5,989)	(4,810)
Insurance	(5,451)	(4,859)	(5,377)	(4,799)
Informational services	(8,128)	(2,866)	(8,128)	(2,866)
Business promotion	(4,500)	(2,260)	(4,479)	(2,240)
Personel training	(2,573)	(1,627)	(2,572)	(1,625)
Expenses for debt collection services	(1,900)	(1,190)	(1,900)	(1,190)
Audit service cost	(3,522)	(1,634)	(2,774)	(1,139)
Travel	(367)	(307)	(367)	(307)
Losses on derecognition of non-financial assets	(917)	(831)	(494)	(297)
Impairment expenses of non-financial receivables	(169)	(427)	-	-
Other expenses*	(21,732)	(14,857)	(17,755)	(13,586)
Total other operating expenses	(353,215)	(254,368)	(343,389)	(246,955)

In audit service costs presented above are included the costs for the statutory audit performed by PricewaterhouseCoopers Audit SRL over the financial statements of the Group and the Bank in amount of MDL 3,080 thousand for the audit of the Group (including Bank and the two subsidiaries) (2020: MDL 1,503 thousand) and MDL 2,027 thousand (2020: MDL 1,008 thousand) for the audit of the Bank; and the remaining represents the cost for other non-audit services such as limited review of FINREP financial information as at 30 June 2021 and other agreed upon procedures engagements.

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

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***36 Credit loss allowance charge**

Expected credit loss allowance of interest bearing assets includes the elements presented below. During the financial year ended 31 December 2021 the Group has recorded recoveries from previously written off loans in amount of MDL 13,580 thousand (2020: MDL 27,847 thousand) and also from other financial assets in amount of MDL 497 thousand (2020: MDL 562 thousand).

	Note	Group		Bank	
		2021	2020	2021	2020
Loans and advances	12	(42,621)	(52,063)	(43,500)	(52,393)
Credit related commitments	26	(15,078)	(12,225)	(15,078)	(12,225)
Finance lease receivables		(2,528)	(57)	-	-
Other financial and other assets	15,16	(43,814)	(13,416)	(39,423)	(10,616)
Correspondent accounts and placements at banks	9	8	197	8	197
Investments in debt securities	10	(2,608)	(5,210)	(2,608)	(5,210)
Total credit loss allowance charge		(106,641)	(82,774)	(100,601)	(80,247)

37 Taxation

Income tax expense recorded in the statement of profit or loss for the year comprises the following:

	Group		Bank	
	2021	2020	2021	2020
Current income tax expenses	(106,490)	(86,172)	(101,353)	(84,598)
Deferred income tax credit	3,545	23,409	1,108	24,394
Income tax expenses for the year	(102,945)	(62,763)	(100,245)	(60,204)

Current income tax is calculated on the taxable income for the statutory financial statements. For tax purposes, the deductibility of certain expenses, for example entertainment costs, philanthropic, sponsorship and other expenses, expenses with improper supporting documents are limited to a percentage of profit specified in the tax law. The income tax rate applicable to the Bank for 2021 income is 12% (2020: 12%). The balance of the current tax liability at 31 December 2021 is of MDL 30,789 thousand (31 December 2020: MDL 3,566 thousand).

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

	2021	Group 2020	2021	Bank 2020
Profit before tax	832,151	601,680	821,323	584,015
Tax calculated at applicable rate	(99,858)	(72,202)	(98,559)	(70,082)
Tax effect of:				
Non-taxable income	(298)	10,901	(10)	12,037
Non-deductible expenses	(6,209)	(2,426)	(1,793)	(2,206)
Philanthropic, sponsorship and other expenses	117	417	117	47
Utilisation of previously unrecognised tax loss carry forwards	836	1,254	-	-
Recognition the effect of amending the deferred tax	2,467	(707)	-	-
Income tax expense for the year	(102,945)	(62,763)	(100,245)	(60,204)

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

B.C. MAIB S.A.
Notes to Consolidated and Separate financial statements for the year ended 31 December 2021
(All amounts are expressed in thousands MDL, if not stated otherwise)
37 Taxation (continued)
Group

2021	Balance at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Deferred tax assets	Deferred tax liabilities	Net balance at 31 December
Current accounts and deposits with banks	118	(2)	-	116	-	116
Lease receivables	577	89	-	666	-	666
Financial assets at fair value through other comprehensive income, including:	(14,634)	313	19,523	5,258	(56)	5,202
• the revaluation of equity investments	(13,698)	-	13,642	-	(56)	(56)
• the revaluation of debt investments	(1,561)	-	5,881	4,320	-	4,320
• depreciation	625	313	-	938	-	938
Non-current assets held for sale	25	(25)	-	-	-	-
Property and equipment	(27,627)	69	(544)	-	(28,102)	(28,102)
Employee benefits	8,382	1,311	-	9,693	-	9,693
Impairment Assets under construction	14,035	-	-	14,035	-	14,035
Provision	633	(633)	-	-	-	-
Provision for other liabilities	(3,076)	(41)	-	-	(3,117)	(3,117)
Investment property	(5,212)	3,826	-	-	(1,386)	(1,386)
Intangible assets	(3)	10	-	7	-	7
Other assets	129	(57)	-	72	-	72
Borrowings	7	11	-	18	-	18
Tax losses	1,299	(1,299)	-	-	-	-
Other liabilities	113	(26)	-	87	-	87
Total deferred tax assets (liabilities)	(25,234)	3,546	18,979	29,952	(32,661)	(2,709)

2020	Balance at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Deferred tax assets	Deferred tax liabilities	Net balance at 31 December
Current accounts and deposits with banks	113	5	-	118	-	118
Lease receivables	520	57	-	577	-	577
Financial assets at fair value through other comprehensive income, including:	(15,123)	625	(136)	625	(15,259)	(14,634)
• the revaluation of equity investments	(15,080)	-	1,382	-	(13,698)	(13,698)
• the revaluation of debt investments	(43)	-	(1,518)	-	(1,561)	(1,561)
• depreciation	-	625	-	625	-	625
Non-current assets held for sale	(77)	102	-	25	-	25
Property and equipment	(28,709)	904	178	-	(27,627)	(27,627)
Employee benefits	121	8,261	-	8,382	-	8,382
Impairment Assets under construction	-	14,035	-	14,035	-	14,035
Provision	-	633	-	633	-	633
Provision for other liabilities	-	-	(3,076)	-	(3,076)	(3,076)
Investment property	(5,176)	(36)	-	-	(5,212)	(5,212)
Intangible assets	12	(15)	-	-	(3)	(3)
Other assets	90	39	-	129	-	129
Borrowings	17	(10)	-	7	-	7
Tax losses	2,165	(866)	-	1,299	-	1,299
Other liabilities	438	(325)	-	113	-	113
Total deferred tax assets (liabilities)	(45,609)	23,409	(3,034)	25,943	(51,177)	(25,234)

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

B.C. MAIB S.A.
Notes to Consolidated and Separate financial statements for the year ended 31 December 2021
(All amounts are expressed in thousands MDL, if not stated otherwise)
37 Taxation (continued)

	Bank					
	Balance at	Recognized in	Recognized in	Deferred	Deferred tax	Net balance
2021	1 January	profit or loss	other	tax assets	liabilities	at 31
			comprehensive			December
			income			
Financial assets at fair value through other comprehensive income, including:	(14,634)	313	19,523	5,258	(56)	5,202
- <i>the revaluation of equity investments</i>	(13,698)	-	13,642	-	(56)	(56)
- <i>the revaluation of debt investments</i>	(1,561)	-	5,881	4,320	-	4,320
- <i>depreciation</i>	625	313	-	938	-	938
Property and equipment, including:	(27,239)	130	(544)	-	(27,653)	(27,653)
- <i>revaluation reserve</i>	(26,277)	-	(544)	-	(26,821)	(26,821)
- <i>depreciation</i>	(962)	130	-	-	(832)	(832)
Employee benefits	8,238	1,340	-	9,578	-	9,578
Impairment Assets under construction	14,035	-	-	14,035	-	14,035
Provision	633	(633)	-	-	-	-
Provision for other liabilities	(3,076)	(41)	-	-	(3,117)	(3,117)
Total deferred tax assets (liabilities)	(22,043)	1,109	18,979	28,871	(30,826)	(1,955)
2020	Balance at	Recognized in	other	Deferred	Deferred tax	Net balance
	1 January	profit or loss	comprehensive	tax assets	liabilities	at 31
			income			December
Financial assets at fair value through other comprehensive income, including:	(15,123)	625	(136)	625	(15,259)	(14,634)
- <i>the revaluation of equity investments</i>	(15,080)	-	1,382	-	(13,698)	(13,698)
- <i>the revaluation of debt investments</i>	(43)	-	(1,518)	-	(1,561)	(1,561)
- <i>depreciation</i>	-	625	-	625	-	625
Property and equipment, including:	(28,280)	863	178	-	(27,239)	(27,239)
- <i>revaluation reserve</i>	(26,455)	-	178	-	(26,277)	(26,277)
- <i>depreciation</i>	(1,825)	863	-	-	(962)	(962)
Employee benefits	-	8,238	-	8,238	-	8,238
Impairment Assets under construction	-	14,035	-	14,035	-	14,035
Provision	-	633	-	633	-	633
Provision for other liabilities	-	-	(3,076)	-	(3,076)	(3,076)
Total deferred tax assets (liabilities)	(43,403)	24,394	(3,034)	23,531	(45,574)	(22,043)

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***38 Segment reporting**

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

The Group is organised on the basis of the following main business segments:

- **Retail Banking** - this segment includes a wide range of banking products and services to individuals.
 - **Corporate Banking** - this segment includes various types of banking services to large companies.
 - **Small and Medium Enterprises (“SME”)** - this segment includes banking services provided to entities of small and medium-sized businesses.
 - **Corporate Investments** - this segment include trading and corporate finance activities.
 - **MAIB-Leasing** - this segment include leasing of vehicles and leasing of commercial, industrial, agricultural and office equipment, and leasing of real estate.
 - **MMC** - this segment include processing of card transactions.
- (a) **Factors used by the Management to identify the reportable segments.** The Group's segments are strategic units, focused on different categories of clients. Considering the particularity of clients' segmentation and the bank services provided, business units are managed separately..
- (b) **Measurement of reportable segment profit or loss.** For defining profit or loss on reportable segments, the Group apply internal regulations of distribution of revenue and expenses using internal system of pricing transfer and some allocation keys of indirect revenue and expenses.
- (c) **Geographical information.** The Group has no significant income from foreign customers. The Group has no long-term assets located in countries other than the Republic of Moldova.
- (d) **Major customers**

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

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Assets				
Corporate	9,844,908	11,611,075	9,844,908	11,611,075
SME	8,531,238	5,807,831	8,531,238	5,807,831
Individuals	18,668,654	12,590,812	18,668,654	12,590,812
Corporate Investments	151,872	282,472	151,872	282,472
MAIB-Leasing	282,242	283,611	-	-
MMC	64,190	59,454	-	-
Intra-group eliminations	(219,132)	(196,472)	-	-
Total assets	37,323,972	30,438,783	37,196,672	30,292,190
Liabilities				
Corporate	4,216,766	3,033,780	4,216,766	3,033,780
SME	7,622,631	4,956,165	7,622,631	4,956,165
Individuals	19,911,077	17,331,345	19,911,077	17,331,345
Corporate Investments	(334)	3,303	(334)	3,303
MAIB-Leasing	154,852	157,765	-	-
MMC	2,133	4,114	-	-
Intra-group eliminations	(83,017)	(60,134)	-	-
Total liabilities	31,824,108	25,426,338	31,750,140	25,324,593

The “Intragroup eliminations comprises intra-group operations: loans granted to Maib-Leasing by the Bank in amount of MDL 47,357 thousand, cash and current accounts of the subsidiaries in amount of MDL 25,536 thousand, investment in subsidiaries – MDL 139,669 thousand, rental contracts - MDL 753 thousand and other elements MDL 5,817 thousand.

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***38 Segment reporting (continued)**

The segment information for the reportable segments for the year ended at 31 December 2021 and 31 December 2020 is set below:

Group 31 December 2021	Corporate banking	SME	Individuals	Corporate Investments	MAIB Leasing	MMC	Intra-group eliminations	Total per statement of profit or loss
Interest income	483,193	393,587	801,367	-	19,692	-	(846)	1,696,993
Total interest income	483,193	393,587	801,367	-	19,692	-	(846)	1,696,993
Interest expense on customer deposits and other borrowings	(29,340)	(65,386)	(269,237)	(1,466)	(6,313)	(137)	2,501	(369,378)
Total interest expenses	(29,340)	(65,386)	(269,237)	(1,466)	(6,313)	(137)	2,501	(369,378)
Inter-segment revenue	(69,440)	15,520	53,920	-	-	-	-	-
Net interest income	384,413	343,721	586,050	(1,466)	13,379	(137)	1,655	1,327,615
Fee and commission income	48,463	167,010	480,019	196	-	26,418	(25,964)	696,142
Fee and commission expense	(9,536)	(17,943)	(320,625)	(16)	-	-	25,772	(322,348)
Net fee and commission income	38,927	149,067	159,394	180	-	26,418	(192)	373,794
Net foreign exchange gains	113,137	78,074	137,779	-	(4,228)	(78)	-	324,684
Other operating income	5,547	5,220	49,356	14,671	14,229	1,423	(2,550)	87,896
Personnel expenses	(96,194)	(182,568)	(397,301)	(7,081)	(6,011)	(10,595)	-	(699,750)
Impairment, depreciation and amortization expenses	(8,330)	(42,039)	(64,629)	(615)	-	(3,382)	(331)	(119,326)
Other operating expenses	(53,573)	(97,299)	(190,159)	(2,358)	(7,132)	(5,970)	370	(356,121)
Operating profit before credit loss allowance	383,927	254,176	280,490	3,331	10,237	7,679	(1,048)	938,792
Credit loss allowance	(26,930)	(27,255)	(46,416)	-	(6,919)	-	879	(106,641)
Segment profit before tax	356,997	226,921	234,074	3,331	3,318	7,679	(169)	832,151
Income tax expense	(43,572)	(27,697)	(28,569)	(407)	(1,774)	(962)	36	(102,945)
Net segment profit for the year	313,425	199,224	205,505	2,924	1,544	6,717	(133)	729,206

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

38 Segment reporting (continued)

Group 31 December 2020	Corporate banking	SME	Individuals	Corporate Investments	MAIB Leasing	MMC	Intra-group eliminations	Total per statement of profit or loss
Interest income	480,032	265,448	632,774	-	15,382	-	408	1,394,044
Total interest income	480,032	265,448	632,774	-	15,382	-	408	1,394,044
Interest expense on customer deposits and other borrowings	(31,978)	(40,139)	(301,846)	-	(6,239)	(168)	(1,177)	(379,193)
Total interest expenses	(31,978)	(40,139)	(301,846)	-	(6,239)	(168)	(1,177)	(379,193)
Inter-segment revenue	(38,459)	3,532	34,927	-	-	-	-	-
Net interest income	409,595	228,841	365,855	-	9,143	(168)	1,585	1,014,851
Fee and commission income	45,335	173,888	307,193	193	-	26,603	(26,263)	526,949
Fee and commission expense	(6,300)	(10,889)	(210,032)	(10)	-	-	(25,986)	(201,245)
Net fee and commission income	39,035	162,999	97,161	183	-	26,603	(277)	325,704
Net foreign exchange gains	111,660	92,310	136,817	-	1,917	127	-	342,831
Other operating income	24,981	25,395	48,790	1,550	7,188	1,399	(2,625)	106,678
Personnel expenses	(73,303)	(153,753)	(319,700)	(17,253)	(5,636)	(8,388)	-	(578,033)
Impairment, depreciation and amortization expenses	(48,778)	(92,923)	(126,078)	(2,167)	(1,097)	(2,875)	1,011	(272,907)
Other operating expenses	(33,054)	(70,470)	(134,445)	(8,986)	(3,721)	(3,638)	(54)	(254,368)
Operating profit before credit loss allowance	430,136	192,399	68,400	(26,673)	7,794	13,060	(360)	684,756
Credit loss allowance	74,086	(18,765)	(135,568)	-	(3,189)	-	(662)	(82,774)
Segment profit before tax	504,222	173,634	(67,168)	(26,673)	4,605	13,060	302	601,982
Income tax expense	(51,960)	(17,670)	6,171	3,255	(707)	(1,592)	(260)	(62,763)
Net segment profit for the year	452,262	155,964	(60,997)	(23,418)	3,898	11,468	42	539,219

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***38 Segment reporting (continued)**

Bank 31 December 2021	Corporate banking	SME	Individuals	Corporate Investments	Total per statement of profit or loss
Interest income	483,193	393,587	801,367	-	1,678,147
Total interest income	483,193	393,587	801,367		1,678,147
Interest expense on customer deposits and other borrowings	(29,340)	(65,386)	(269,237)	(1,466)	(365,429)
Total interest expenses	(29,340)	(65,386)	(269,237)	(1,466)	(365,429)
Inter-segment revenue	(69,440)	15,520	53,920	-	-
Net interest income	384,413	343,721	586,050	(1,466)	1,312,718
Fee and commission income	48,463	167,010	480,019	196	695,688
Fee and commission expense	(9,536)	(17,943)	(320,625)	(16)	(348,120)
Net fee and commission income	38,927	149,067	159,394	180	347,568
Net foreign exchange gains	113,137	78,074	137,779	-	328,990
Other operating income	5,547	5,220	49,356	14,671	74,794
Personnel expenses	(96,194)	(182,568)	(397,301)	(7,081)	(683,144)
Impairment, depreciation and amortization expenses	(8,330)	(42,039)	(64,629)	(615)	(115,613)
Other operating expenses	(53,573)	(97,299)	(190,159)	(2,358)	(343,389)
Operating profit before credit loss allowance	383,927	254,176	280,490	3,331	921,924
Credit loss allowance	(26,930)	(27,255)	(46,416)	-	(100,601)
Segment profit before tax	356,997	226,921	234,074	3,331	821,323
Income tax expense	(43,572)	(27,697)	(28,569)	(407)	(100,245)
Net segment profit for the year	313,425	199,224	205,505	2,924	721,078

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***38 Segment reporting (continued)**

Bank 31 December 2020	Corporate banking	SME	Individuals	Corporate Investments	Total per statement of profit or loss
Interest income	480,032	265,448	632,774	-	1,378,254
Total interest income	480,032	265,448	632,774	-	1,378,254
Interest expense on customer deposits and other borrowings	(31,978)	(40,139)	(301,846)	-	(373,963)
Total interest expenses	(31,978)	(40,139)	(301,846)	-	(373,963)
Inter-segment revenue	(38,459)	3,532	34,927	-	-
Net interest income	409,595	228,841	365,855	-	1,004,291
Fee and commission income	45,335	173,888	307,193	193	526,609
Fee and commission expense	(6,300)	(10,889)	(210,032)	(10)	(227,231)
Net fee and commission income	39,035	162,999	97,161	183	299,378
Net foreign exchange gains	111,660	92,310	136,817	-	340,787
Other operating income	24,981	25,395	48,790	1,550	100,716
Personnel expenses	(73,303)	(153,753)	(319,700)	(17,253)	(564,009)
Impairment, depreciation and amortization expenses	(48,778)	(92,923)	(126,078)	(2,167)	(269,946)
Other operating expenses	(33,054)	(70,470)	(134,445)	(8,986)	(246,955)
Operating profit before credit loss allowance	430,136	192,399	68,400	(26,673)	664,262
Credit loss allowance	74,086	(18,765)	(135,568)	-	(80,247)
Segment profit before tax	504,222	173,634	(67,168)	(26,673)	584,015
Income tax expense	(51,960)	(17,670)	6,171	3,255	(60,204)
Net segment profit for the year	452,262	155,964	(60,997)	(23,418)	523,811

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

39 Financial risk management

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

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

39.1 Risk management structure

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

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

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

39.2 Basic principles of risk management

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

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

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

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

In order to ensure effective risk management and obtain objective information on the status and extent of risks, the Group's risk exposures are monitored on an ongoing basis, with daily information being presented and analyzed in this respect. Monthly and quarterly reports detailed with Group exposure, compliance with risk

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***39 Financial risk management (continued)**

limits and risk parameters, and the possible impact scenarios in those cases are presented to the Bank's Executives, including specialized committees such as ALCO and the Credit Committee.

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

39.3 Country and transfer risk

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

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

The country risk management system within the Group provides for the application and improvement of the internal model for evaluation and assessing of the risk category established for the country, on the basis of the analysis of complex factors, including the international rating assigned by the international rating agencies stipulated in the internal normative acts. Based on them the risk categories and the exposure limits of the bank toward each country are established. The review and adjustment of the approved limits is done periodically, but not less than once a year. Compliance with country limits is monitored continuously by informing in the pre-set periodicity the Bank's Management Board, the Bank's Risk Committee and the Bank's Council on the level of Group's exposure to the country and transfer risk.

Group's and Bank's country exposure at 31 December 2021 and 31 December 2020:

Country risk category	Group				Bank			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	MDL thousand	%	MDL thousand	%	MDL thousand	%	MDL thousand	%
I	3,719,024	99.04	2,466,901	98.06	3,719,024	99.04	2,466,901	98.06
II	35,458	0.94	42,165	1.68	35,458	0.94	42,165	1.68
III	757	0.02	6,546	0.26	757	0.02	6,546	0.26
IV	-	-	-	-	-	-	-	-
Total	3,755,239	100	2,515,612	100	3,755,239	100	2,515,612	100

The table contains the exposure for a given country, for placements with banks and due to other banks, considered to be the total exposure to entities in that country (banks, companies, governments, other state and public institutions) in the form of investments, balancing accounts, investments, loans, other balance sheet and off-balance sheet assets. Category I includes countries with international rating AAA-AA, category II: A-BBB, category III: BB-B, category IV: less than B. The Group considers as acceptable the level of country risk, given that most of the financial resources exposed to country risk relate to states with a high solvency, and namely I risk category - 98.06%.

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

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***39 Financial risk management (continued)****39.4 Market risk**

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

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

39.4.1 Currency risk

Currency risk is the risk of potential losses arises from foreign asset and liability positions that are denominated in currencies other than domestic currency and are exposed to foreign exchange volatility. The primary objective for managing currency risk is to maintain the balanced structure of foreign assets and liabilities which will eliminate the effects of fluctuations in exchange rates.

The Group measures the currency risk through regulatory defined risk approach based the open currency positions, as well as internally developed key risk metrics based on VAR methodology. The Group identifies and applies the internal system of indicators and limits, which are reflected in the internal management reporting. The Group performs several types of stress scenarios applied to exchange rates in order to evaluate the potential effect of extreme market events on earnings and the capital.

In order to calculate the capital requirement for currency risk, the Group uses the standardized approach in accordance with the NBM regulations.

Internally developed market risk model estimates the market risk derived from foreign exchange rates volatilities. The Bank uses the VAR method with a confidence level of 99%, calculated on the basis of daily fluctuations of exchange rates, for two years period.

VAR index

<i>thousand MDL</i>	VAR limit	Effective as at 31 December	Daily average	Maximum	Minimum
2021	3,000	1,234	668	3,525	42
2020	3,000	287	373	2089	22

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

The table below reflects the potential effect (on profit or loss) from daily exchange rates changes of the currencies the Group mainly operates with and therewith significant exposure (given the size of foreign balance sheet assets and liabilities): EUR and USD reported to MDL.

The stress analysis is applied to open currency positions in each two main currencies (EUR, USD) as of 31 December 2021 and at 31 December 2020, applying reasonable daily deviation increase/decrease in exchange rates of foreign currencies against the national currency.

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***39 Financial risk management (continued)**

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

Open currency position	Nominal value	Possible daily change in foreign exchange rate	Impact	Possible daily change in foreign exchange rate	Group
					Impact
	<i>thousand MDL</i>	<i>%</i>	<i>thousand MDL</i>	<i>%</i>	<i>thousand MDL</i>
As at 31 December 2021					
USD	(64,036)	15.00	(9,605)	(15.00)	9,605
EUR	(83,733)	15.00	(12,560)	(10.00)	8,373
Total			(22,165)		17,978
As at 31 December 2020					
USD	24,528	15.00	3,679	(15.00)	(3,679)
EUR	(31,284)	15.00	(4,693)	(10.00)	3,128
Total			(1,014)		(551)
Bank					
Open currency position	Nominal value	Possible daily change in foreign exchange rate	Impact	Possible daily change in foreign exchange rate	Bank
					Impact
	<i>thousand MDL</i>	<i>%</i>	<i>thousand MDL</i>	<i>%</i>	<i>thousand MDL</i>
As at 31 December 2021					
USD	(65,707)	15.00	(9,856)	(15.00)	9,856
EUR	(109,914)	15.00	(16,487)	(10.00)	10,991
Total			(26,343)		20,847
As at 31 December 2020					
USD	(24,241)	15.00	(3,636)	(15.00)	3,636
EUR	3,933	15.00	590	(10.00)	(393)
Total			(3,046)		3,243

Tables below summarises the **Group's** exposure to foreign currency exchange rate risk at the 31 December 2021 and at the 31 December 2020:

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

B.C. MAIB S.A.
Notes to Consolidated and Separate financial statements for the year ended 31 December 2021
(All amounts are expressed in thousands MDL, if not stated otherwise)
39 Financial risk management (continued)

At 31 December 2021	Total	MDL	USD	EUR	Other
ASSETS					
Cash on hand	1,170,658	567,814	85,712	450,434	66,698
Balances with the NBM	7,575,840	3,997,323	870,915	2,707,602	-
Due from other banks	3,739,820	-	506,073	3,196,630	37,117
Investment in debt securities	4,071,050	4,071,050	-	-	-
Loans and advances to customers	18,627,190	12,997,476	1,725,129	3,904,585	-
Lease receivables	216,767	15,052	3,519	198,196	-
Other financial assets	44,013	22,837	4,612	16,041	523
Other assets	23,107	16,129	1,240	5,738	-
Total assets	35,468,445	21,687,681	3,197,200	10,479,226	104,338
LIABILITIES					
Due to banks	18,458	1,191	17,267	-	-
Borrowings	2,249,615	1,393,778	14,374	841,463	-
Due to customers	28,570,646	15,796,431	3,228,161	9,463,784	82,270
Lease liabilities	70,340	1,299	3,041	66,000	-
Other financial liabilities	263,243	75,467	13,754	173,204	818
Other liabilities	72,227	44,290	9,359	18,508	70
Subordinated debt	298,653	298,653	-	-	-
Total liabilities	31,543,182	17,611,109	3,285,956	10,562,959	83,158
Off balance sheet exposures	(14)	-	24,720	-	(24,734)
GAP	3,925,249	4,076,572	(64,036)	(83,733)	(3,554)

At 31 December 2020	Total	MDL	USD	EUR	Other
ASSETS					
Cash on hand	971,828	444,047	55,107	364,881	107,793
Balances with the NBM	6,384,531	3,626,763	747,614	2,010,154	-
Due from other banks	2,359,578	218	1,099,962	1,212,189	47,209
Investment in debt securities	4,081,752	4,081,752	-	-	-
Loans and advances to customers	14,651,240	9,185,140	1,145,247	4,320,853	-
Lease receivables	166,086	17,446	1,502	147,138	-
Other financial assets	49,817	25,395	11,221	12,981	220
Other assets	21,992	21,992	-	-	-
Total assets	28,686,824	17,402,753	3,060,653	8,068,196	155,222
LIABILITIES					
Due to banks	16,242	986	15,256	-	-
Borrowings	1,072,086	448,714	18,076	605,296	-
Due to customers	23,851,101	13,421,546	2,945,823	7,429,664	54,068
Lease liabilities	81,168	1,725	5,702	73,741	-
Other financial liabilities	191,671	61,982	39,485	90,074	130
Other liabilities	28,895	28,895	-	-	-
Total liabilities	25,241,163	13,963,848	3,024,342	8,198,775	54,198
Off balance sheet exposures	(453)	-	(11,783)	99,295	(87,965)
GAP	3,445,208	3,438,905	24,528	(31,284)	13,059

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***39 Financial risk management (continued)**

Tables below summarises the **Bank's** exposure to foreign currency exchange rate risk at the 31 December 2021 and at the 31 December 2020:

At 31 December 2021	Total	MDL	USD	EUR	Other
ASSETS					
Cash on hand	1,170,643	567,799	85,712	450,434	66,698
Balances with the NBM	7,575,840	3,997,323	870,915	2,707,602	-
Due from other banks	3,739,580	-	506,073	3,196,390	37,117
Investment in debt securities	4,052,472	4,052,472	-	-	-
Loans and advances to customers	18,664,513	12,997,476	1,725,129	3,941,908	-
Other financial assets	31,488	10,312	4,612	16,041	523
Other assets	20,325	13,347	1240	5738	-
Total assets	35,254,861	21,638,729	3,193,681	10,318,113	104,338
LIABILITIES					
Due to banks	18,458	1,191	17,267	-	-
Borrowings	2,160,402	1,440,031	12,526	707,845	-
Due to customers	28,596,152	15,821,937	3,228,161	9,463,784	82,270
Lease liabilities	69,026	1,299	3,041	64,686	-
Other financial liabilities	259,641	71,865	13,754	173,204	818
Other liabilities	68,594	40,657	9,359	18,508	70
Subordinated debt	298,653	298,653	-	-	-
Total liabilities	31,470,926	17,675,633	3,284,108	10,428,027	83,158
Off balance sheet exposures	(14)	-	24,720	-	(24,734)
Excess/(deficit)	3,783,921	3,963,096	(65,707)	(109,914)	(3,554)
At 31 December 2020					
ASSETS					
Cash on hand	971,777	443,996	55,107	364,881	107,793
Balances with the NBM	6,384,531	3,626,763	747,614	2,010,154	-
Due from other banks	2,359,360	-	1,099,962	1,212,189	47,209
Investment in debt securities	4,063,124	4,063,124	-	-	-
Loans and advances to customers	14,669,321	9,185,140	1,145,247	4,338,934	-
Other financial assets	28,644	3,839	11,153	13,432	220
Other assets	20,316	20,316	-	-	-
Total assets	28,497,073	17,343,178	3,059,083	7,939,590	155,222
LIABILITIES					
Due to banks	16,242	986	15,256	-	-
Borrowings	964,635	448,714	18,076	497,845	-
Due to customers	23,874,382	13,444,625	2,945,823	7,429,866	54,068
Lease liabilities	80,562	1,119	5,702	73,741	-
Other financial liabilities	182,525	62,211	58,510	61,674	130
Other liabilities	25,460	25,460	-	-	-
Total liabilities	25,143,806	13,983,115	3,043,367	8,063,126	54,198
Off balance sheet exposures	(453)	-	(11,783)	99,295	(87,965)
Excess/(deficit)	3,352,814	3,360,063	3,933	(24,241)	13,059

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***39 Financial risk management (continued)****39.4.2 Interest rate risk associated with activities outside of non-trading portfolio (“IRRBB”)**

Interest rate risk is the current or prospective risk to capital and earnings arising from movements in interest rates, which affect banking book exposures.

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

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

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

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

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

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

Sensitivity of net interest income, thousand MDL

							Group
Increase in basis points		1-3 months	3-12 months	1-5 years	Over 5 years		Total
2021	+100	(18,242)	(6,926)	18,628	27,051	11,506	32,017
	+50	(9,121)	(3,463)	9,314	13,526	5,753	16,009
2020	+100	17,136	4,668	4,500	1,357	(8)	27,653
	+50	8,568	2,334	2,250	679	(4)	13,827

Decrease in basis points		1-3 months	3-12 months	1-5 years	Over 5 years		Total
2021	-100	18,242	6,926	(18,628)	(27,051)	(11,506)	(32,017)
	-50	9,121	3,463	(9,314)	(13,526)	(5,753)	(16,009)
2020	-100	(17,136)	(4,668)	(4,500)	(1,357)	8	(27,653)
	-50	(8,568)	(2,334)	(2,250)	(679)	4	(13,827)

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021
(All amounts are expressed in thousands MDL, if not stated otherwise)

39 Financial risk management (continued)**39.4.2 Interest rate risk associated with activities outside of non-trading portfolio (“IRRBB”)**

Sensitivity of net interest income, thousand MDL

Increase in basis points							Bank
		1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
2021	+100	(17,894)	(7,105)	18,097	27,478	11,583	32,159
	+50	(8,947)	(3,553)	9,049	13,739	5,791	16,079
2020	+100	15,526	4,765	5,426	1,988	-	27,705
	+50	7,763	2,383	2,713	994	-	13,853

Decrease in basis points							Total
		1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
2021	-100	17,894	7,105	(18,097)	(27,478)	(11,583)	(32,159)
	-50	8,947	3,553	(9,049)	(13,739)	(5,791)	(16,079)
2020	-100	(15,526)	(4,765)	(5,426)	(1,988)	-	(27,705)
	-50	(7,763)	(2,383)	(2,713)	(994)	-	(13,853)

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

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***39 Financial risk management (continued)**

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

31 December 2021	Total	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Non-interest- bearing items
ASSETS							
Cash on hand	1,170,658	-	-	-	-	-	1,170,658
Balances with the National Bank of Moldova	7,575,840	7,575,840	-	-	-	-	-
Due from other banks	3,739,820	3,739,820	-	-	-	-	-
Investments in debt securities	4,071,050	341,376	888,932	2,668,021	171,410	1,311	-
Loans and advances to customers (floating rate)	14,771,278	14,766,419	-	-	-	-	4,859
Loans and advances to customers (fixed rate)	3,855,912	857	1,631	7,956	2,688,504	1,156,964	-
Lease receivables	216,767	13,998	13,219	54,433	131,042	-	4,075
Other financial assets	44,013	44,013	-	-	-	-	-
Total assets	35,445,338	26,482,323	903,782	2,730,410	2,990,956	1,158,275	1,179,592
LIABILITIES							
Due to other banks	18,458	-	-	-	-	-	18,458
Borrowings	2,249,615	370,144	1,524,105	254,288	89,213	-	11,865
Due to customers (fixed rate)	521,194	4	72,183	299,529	149,478	-	-
Due to customers (floating rate)	28,049,452	27,936,102	-	-	-	-	113,350
Lease liabilities	70,340	262	134	15,130	47,163	7,651	-
Other financial liabilities	263,243	-	-	-	-	-	263,243
Subordinated debt	298,653	-	-	298,653	-	-	-
Total liabilities	31,470,955	28,306,512	1,596,422	867,600	285,854	7,651	406,916
Interest gap	3,974,383	(1,824,189)	(692,640)	1,862,810	2,705,102	1,150,624	772,676
Cumulative interest gap		(1,824,189)	(2,516,829)	(654,019)	2,051,083	3,201,707	3,974,383

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

39 Financial risk management (continued)

31 December 2020	Total	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Non-interest- bearing items
ASSETS							
Cash on hand	971,828	-	-	-	-	-	971,828
Balances with the National Bank of Moldova	6,384,531	6,384,531	-	-	-	-	-
Due from other banks	2,359,578	1,911,914	447,664	-	-	-	-
Investments in debt securities	4,081,752	1,902,139	492,219	1,511,761	175,633	-	-
Loans and advances to customers (floating rate)	14,639,526	14,634,667	-	-	-	-	4,859
Loans and advances to customers (fixed rate)	11,714	904	1,795	9,015	-	-	-
Lease receivables	166,086	17,714	10,932	41,997	89,833	-	5,610
Other financial assets	49,817	-	-	-	-	-	49,817
Total assets	28,664,832	24,851,869	952,610	1,562,773	265,466	-	1,032,114
LIABILITIES							
Due to banks	16,242	-	-	-	-	-	16,242
Borrowings	1,072,086	157,219	417,519	472,636	-	-	24,712
Due to customers (fixed rate)	780,058	161,606	47,620	569,181	1,651	-	-
Due to customers (floating rate)	23,071,043	22,957,693	-	-	-	-	113,350
Lease liabilities	81,168	3,328	9,770	28,962	38,261	847	-
Other financial liabilities	191,671	-	-	-	-	-	191,671
Total liabilities	25,212,268	23,279,846	474,909	1,070,779	39,912	847	345,975
Interest gap	3,452,564	1,572,023	477,701	491,994	225,554	(847)	686,139
Cumulative interest gap		1,572,023	2,042,942	2,534,936	2,760,490	2,759,643	3,452,564

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***39 Financial risk management (continued)**

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

31 December 2021	Total	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Non-interest bearing items
ASSETS							
Cash on hand	1,170,643	1,170,643	-	-	-	-	-
Balances with the National Bank of Moldova	7,575,840	7,575,840	-	-	-	-	-
Due from other banks	3,739,580	3,739,580	-	-	-	-	-
Investments in debt securities	4,052,472	341,373	884,132	2,654,246	171,410	1,311	-
Loans and advances to customers (floating rate)	14,771,278	14,766,419	-	-	-	-	4,859
Loans and advances to customers (fixed rate)	3,893,235	857	1,631	7,956	2,725,827	1,156,964	-
Other financial assets	31,488	31,488	-	-	-	-	-
Total assets	35,234,536	27,626,200	885,763	2,662,202	2,897,237	1,158,275	4,859
LIABILITIES							
Due to other banks	18,458	-	-	-	-	-	18,458
Borrowings	2,160,402	370,144	1,524,105	254,288	-	-	11,865
Due to customers (fixed rate)	521,194	4	72,183	299,529	149,478	-	-
Due to customers (floating rate)	28,074,958	27,961,608	-	-	-	-	113,350
Other financial liabilities	259,641	-	-	-	-	-	259,641
Subordinated debt	298,653	-	-	298,653	-	-	-
Total liabilities	31,333,306	28,331,756	1,596,288	852,470	149,478	-	403,314
Interest gap	3,901,230	(705,556)	(710,525)	1,809,732	2,747,759	1,158,275	(398,455)
Cumulative interest gap		(705,556)	(1,416,081)	393,651	3,141,410	4,299,685	3,901,230

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***39 Financial risk management (continued)**

31 December 2020	Total	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Non-interest bearing items
ASSETS							
Cash on hand	971,777	971,777	-	-	-	-	-
Balances with the National Bank of Moldova	6,384,531	6,384,531	-	-	-	-	-
Due from other banks	2,359,360	1,911,696	447,664	-	-	-	-
Investments in debt securities	4,063,124	1,883,511	492,219	1,511,761	175,633	-	-
Loans and advances to customers (floating rate)	14,632,744	459,757	893,972	4,226,602	7,195,472	1,852,082	4,859
Loans and advances to customers (fixed rate)	36,577	982	1,795	9,015	24,785	-	-
Other financial assets	28,644	28,644	-	-	-	-	-
Total assets	28,476,757	11,640,898	1,835,650	5,747,378	7,395,890	1,852,082	4,859
LIABILITIES							
Due to banks	16,242	16,242	-	-	-	-	-
Borrowings	964,635	113,403	417,519	409,001	-	-	24,712
Due to customers (fixed rate)	780,058	161,606	47,620	569,181	1,651	-	-
Due to customers (floating rate)	23,094,324	22,980,974	-	-	-	-	113,350
Other financial liabilities	182,525	-	-	-	-	-	182,525
Total liabilities	25,037,784	23,272,225	465,139	978,182	1,651	-	320,587
Interest gap	3,438,973	(11,631,327)	1,370,511	4,769,196	7,394,239	1,852,082	(315,728)
Cumulative interest gap		(11,631,327)	(10,260,816)	(5,491,620)	1,902,619	3,754,701	3,438,973

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

39 Financial risk management (continued)

39.4.3 Other price risk

The Group has limited exposure to investments in capital price risk. Transactions in equity products are monitored and authorized by the bank's corporate investment department, as well as by the Supervisory Board or the Management Board as appropriate. At 31 December 2021, there are no capital investments with market price sensitivity (2020: if the share prices at that date were 20% lower (higher) with all other variables kept constant, other components of equity would have been 22,740 thousand MDL lower (higher)).

39.5 Counterparty risk

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

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

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

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

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

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

39.6 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's liquidity risk management system foresees liquidity management in accordance with regulatory requirements, systematic monitoring and analysis of risk factors regarding the Group's current and long-term liquidity.

The Group aims to achieve an optimal balance between assets and liabilities on each maturity gap, by contracting a diversified and high-quality portfolio of assets, ensuring sustainable and successful activity, and attracting financial resources with various maturities. An integral part of the liquidity risk management process represents the system of early warning indicators and liquidity position testing under crisis conditions. The Group maintains and updates the Crisis Recovery Plan, which represents a risk management tool aimed for determining the procedures for early identification of vulnerabilities and measures to be taken in order to mitigate the negative impact of a possible crisis situation.

Group manages the liquidity risk considering: the estimation of the cash flows needs and of the operative liquidity, the daily banking book structure, the liquidity GAP – on each currency and overall, the level and the structure of the liquid assets portfolio, the liquidity indicators having early warning limits internally established, the simulation regarding the liquidity indicators levels, the risk assessment on crisis situations by using stress tests.

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

39 Financial risk management (continued)

If the indicators monitored in the reports enumerated above, register an attention or crisis level the Assets and Liabilities Committee evaluates the situation and recommends necessary measures required for the indicators to revert to normal levels.

In terms of Due to customers, the Group and the Bank are considering the contractual maturity of the deposits when preparing the liquidity analysis, although there might be deposits that can be withdrawn earlier than the contractual maturity. Liabilities to clients due within one month principally include current accounts from which the clients are authorized to make withdrawals at call. The Group's historical experience shows, however, that these accounts represent a stable source of funding, those deposits are renewed in a significant proportion at each maturity date. At the same time, in the context of the high norm of required reserves, the Bank holds a significant volume of liquidity, which is placed in state securities and in interbank deposits with a maturity of up to 6 months. These financial means are liquid assets than can be sold/used as collateral to finance a potential liquidity shortfall.

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***39 Financial risk management (continued)**

The table below sets out the remaining contractual cash flows until the maturity of the **Group's** non-derivative financial liabilities. The amounts disclosed in the table represent undiscounted cash flows at 31 December 2021 for liabilities and discounted cash flows for assets. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. When managing the liquidity from an operational point of view the Group is considering the discounted assets and liabilities.

31 December 2021	On demand	Less than 3 months	From 3 months to 1 year	From 1 yo 5 years	Over 5 years	Total
Financial assets						
Cash on hand	1,170,658	-	-	-	-	1,170,658
Balances with the National Bank of Moldova	7,575,840	-	-	-	-	7,575,840
Due from other banks	3,580,494	159,326	-	-	-	3,739,820
Investments in debt securities	287,310	875,738	2,624,146	278,791	5,065	4,071,050
Loans and advances to customers	537,337	944,184	4,304,962	10,185,732	2,654,975	18,627,190
Lease receivables	18,072	13,218	54,433	131,044	-	216,767
Other financial assets	44,013	-	-	-	-	44,013
Total financial assets	13,213,724	1,992,466	6,983,541	10,595,567	2,660,040	35,445,338
Financial liabilities						
Due to other banks	18,458	-	-	-	-	18,458
Borrowings	84,917	119,081	575,989	1,443,780	93,583	2,317,350
Due to customers	16,391,963	1,591,479	6,291,571	4,772,543	25,358	29,072,914
Lease liabilities	2,917	253	16,158	46,204	4,808	70,340
Other financial liabilities	237,274	-	-	25,969	-	263,243
Subordinated debt	-	-	-	-	515,027	515,027
Total undiscounted financial liabilities	16,735,529	1,710,813	6,883,718	6,288,496	638,776	32,257,332
GAP	(3,521,805)	281,653	99,823	4,307,071	2,021,264	3,188,006
Letters of credit	131,095	-	-	-	-	131,095
Financial guarantees	467,808	-	-	-	-	467,808
Loan commitments	2,245,366	-	-	-	-	2,245,366
Total	19,579,798	1,710,813	6,883,718	6,288,496	638,776	35,101,601
Net liquidity gap on estimated maturities	(6,366,074)	281,653	99,823	4,307,071	2,021,264	343,737

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***39 Financial risk management (continued)**

The table below sets out the remaining contractual cash flows until the maturity of the Group's non-derivative financial liabilities. The amounts disclosed in the table represent undiscounted cash flows at 31 December 2020 for liabilities and discounted cash flows for assets:

31 December 2020	On demand	Less than 3 months	From 3 months to 1 year	From 1 yo 5 years	Over 5 years	Total
Financial assets						
Cash on hand	971,828	-	-	-	-	971,828
Balances with the National Bank of Moldova	6,384,531	-	-	-	-	6,384,531
Due from other banks	1,911,998	447,580	-	-	-	2,359,578
Investments in debt securities	1,882,759	490,791	1,530,092	178,110	-	4,081,752
Loans and advances to customers	467,521	895,767	4,235,617	7,195,394	1,856,941	14,651,240
Lease receivables	45,229	13,159	50,361	102,259	-	211,008
Other financial assets	49,817	-	-	-	-	49,817
Total financial assets	11,713,683	1,847,297	5,816,070	7,475,763	1,856,941	28,709,754
Financial liabilities						
Due to other banks	16,242	-	-	-	-	16,242
Borrowings	21,133	66,530	257,420	713,774	133,732	1,192,589
Due to customers	12,642,984	1,315,800	6,015,774	4,360,034	33,980	24,368,572
Lease liabilities	-	12,937	35,132	61,996	16,139	126,204
Other financial liabilities	191,671	-	-	-	-	191,671
Total undiscounted financial liabilities	12,872,030	1,395,267	6,308,326	5,135,804	183,851	25,895,278
GAP	(1,158,347)	452,030	(492,256)	2,339,959	1,673,090	2,814,476
Letters of credit	61,878	-	-	-	-	61,878
Financial guarantees	457,212	-	-	-	-	457,212
Loan commitments	2,181,205	-	-	-	-	2,181,205
Total	15,572,325	1,395,267	6,308,326	5,135,804	183,851	28,595,573
Net liquidity gap on estimated maturities	(3,858,642)	452,030	(492,256)	2,339,959	1,673,090	114,181

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***39 Financial risk management (continued)**

The table below sets out the remaining contractual cash flows until the maturity of the **Bank's** non-derivative financial liabilities. The amounts disclosed in the table represent undiscounted cash flows at 31 December 2021. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. When managing the liquidity from an operational point of view the Bank is considering the discounted assets and liabilities.

31 December 2021	On demand	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Financial assets						
Cash on hand	1,170,643	-	-	-	-	1,170,643
Balances with the National Bank of Moldova	7,575,840	-	-	-	-	7,575,840
Due from others banks	3,580,254	159,326	-	-	-	3,739,580
Investments in debt securities	287,310	870,937	2,610,372	278,791	5,062	4,052,472
Loans and advances to customers	537,337	944,184	4,304,962	10,223,055	2,654,975	18,664,513
Other financial assets	31,488	-	-	-	-	31,488
Total financial assets	13,182,872	1,974,447	6,915,334	10,501,846	2,660,037	35,234,536
Financial liabilities						
Due to other banks	18,458	-	-	-	-	18,458
Borrowings	84,550	115,546	559,280	1,368,107	93,583	2,221,066
Due to customers	16,417,483	1,591,479	6,291,571	4,772,543	25,358	29,098,434
Lease liabilities	2,916	253	14,845	46,204	4,808	69,026
Other financial liabilities	233,672	-	-	25,969	-	259,641
Subordinated debt	-	-	-	-	515,027	515,027
Total undiscounted financial liabilities	16,757,079	1,707,278	6,865,696	6,212,823	638,776	32,181,652
GAP	(3,574,207)	267,169	49,638	4,289,023	2,021,261	3,052,884
Letters of credit	131,095	-	-	-	-	131,095
Financial guarantees	467,808	-	-	-	-	467,808
Loan commitments	2,245,366	-	-	-	-	2,245,366
Total	19,601,348	1,707,278	6,865,696	6,212,823	638,776	35,025,921
Net liquidity excess/(gap) on estimated maturities	(6,418,476)	267,169	49,638	4,289,023	2,021,261	208,615

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***39 Financial risk management (continued)**

The table below sets out the remaining contractual cash flows until the maturity of the **Bank's** non-derivative financial liabilities. The amounts disclosed in the table represent undiscounted cash flows at 31 December 2020:

31 December 2020	On demand	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Financial assets						
Cash on hand	971,777	-	-	-	-	971,777
Balances with the National Bank of Moldova	6,384,531	-	-	-	-	6,384,531
Due from others banks	1,911,780	447,580	-	-	-	2,359,360
Investments in debt securities	1,882,759	490,791	1,511,464	178,110	-	4,063,124
Loans and advances to customers	460,739	895,767	4,235,617	7,220,257	1,856,941	14,669,321
Other financial assets	28,644	-	-	-	-	28,644
Total financial assets	11,640,230	1,834,138	5,747,081	7,398,367	1,856,941	28,476,757
Financial liabilities						
Due to other banks	16,242	-	-	-	-	16,242
Borrowings	20,452	63,376	181,998	680,097	133,732	1,079,655
Due to customers	12,666,269	1,315,800	6,015,774	4,360,034	33,980	24,391,857
Lease liabilities	-	12,937	35,132	61,996	16,139	126,204
Other financial liabilities	182,525	-	-	-	-	182,525
Total undiscounted financial liabilities	12,885,488	1,392,113	6,232,904	5,102,127	183,851	25,796,483
GAP	(1,245,258)	442,025	(485,823)	2,296,240	1,673,090	2,680,274
Letters of credit	61,878	-	-	-	-	61,878
Financial guarantees	457,212	-	-	-	-	457,212
Loan commitments	2,186,268	-	-	-	-	2,186,268
Total	15,590,846	1,392,113	6,232,904	5,102,127	183,851	28,501,841
Net liquidity excess/(gap) on estimated maturities	(3,950,616)	442,025	(485,823)	2,296,240	1,673,090	(25,084)

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

39 Financial risk management (continued)**39.7 Credit risk**

The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

Credit risk management. Credit risk is the single largest risk for the Group's business, management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Limits. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

Loan applications originating with the relevant client relationship managers are passed on to the relevant credit approval authority for the approval of the credit limit. Exposure to credit risk is also managed, in part, by obtaining collateral as well as corporate and personal guarantees. In order to monitor exposure to credit risk, regular reports are produced by the Risk Division based on a structured analysis focusing on the customer's business and financial performance.

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies an internal classification as presented below:

Master scale credit risk grade	Corresponding internal classification	PD Range for loans	PD Range for lease receivables
Good	1	0.1 – 8.25%	0.2-4.7%
Satisfactory	2	1.4 – 14.68%	0.2-14.4%
Special monitoring	3	3.85 - 64%	12-95.3%
Default	4, 5	100%	100%

The Bank calculates PD based on a days past due transition matrix, which gives some overlapping of PD between credit risk grades.

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

Good – strong and adequate credit quality with a moderate credit risk: mostly without past due days or with under 30 days past due for secured exposures;

Satisfactory – moderate credit quality with a satisfactory credit risk: 1-30 past due days for unsecured, or more than 30 past due days for secured exposure;

Special monitoring – facilities that require closer monitoring and remedial management, which usually are subject to restructuring and report poor financial results; and

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

39 Financial risk management (continued)

Default – facilities in which a default has occurred.

The classification model is regularly reviewed Risk Division and updated if deemed necessary.

Expected credit loss (“ECL”) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default (“PD”), Exposure at Default (“EAD”), Loss Given Default (“LGD”) and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor (“CCF”). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate (“EIR”) for the financial instrument or an approximation thereof.

ECL are modelled over instrument’s *lifetime period*. The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments if any.

Management models *Lifetime ECL*, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL*, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information*, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

Leased objects are owned by the Group until the lease contract is terminated and they are insured.

Exposure to credit risk of finance lease receivables is managed through analysis of the ability of lessees and borrowers and potential lessees and borrowers to meet interest and principal repayment obligations and through ongoing monitoring of the carrying value of the leased objects against their net realisable value.

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower meets the unlikeliness-to-pay criteria listed below:
 - the Group was forced to restructure the debt;
 - the borrower is deceased;
 - the borrower is insolvent;
 - the borrower was classified in internal rating 4 or 5; and
 - it is becoming likely that the borrower will enter bankruptcy.

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

39 Financial risk management (continued)

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an asset level. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

The Group considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For loans issued:

- at least one day past due for unsecured loans;
- one day past due for prolonged loans;
- 30 days past due for secured loans;
- more than 15 days past due for loans that benefited from COVID-19 measures;
- award of risk grade "Special monitoring";
- SICR based on internal classification and less than 30 days past due;
- inclusion of the loan into a watch list according to the internal credit risk monitoring process; and
- other qualitative criteria that depends on the financial performance of the client.

For lease receivables Group uses the following credit quality categories to manage the credit risk related to lease agreements:

- Stage 1 - if payments are made regularly and in line with the contract terms, payments overdue up to 30 days are permitted;
- Stage 2- if payments are overdue from 31 to 90 days;
- Stage 3 - if payments are overdue for more than 90 days.

The Group also uses other information to determine whether there have been significant increases in credit risk since initial recognition - negative trends in the debtor's financial position, rescheduling of the original contractual terms etc.

When reasonable and justifiable predictive information is available without cost or undue effort, the Group will not only rely on overdue information but may also use other indicators to determine the increase in credit risk:

- negative information on debt service from different sources;
- violations of covenants;
- a negative trend in the debtor's financial condition. It becomes likely that the debtor will initiate the insolvency procedure or will enter into financial reorganization and others.

The level of ECL that is recognised in these Financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed. The monitoring process is done mostly automatically by the

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

39 Financial risk management (continued)

IT system through the set of rules established for the classification process. For items that were manually marked – based on management decision the removal of the SICR factor is done only if it really had been resolved in a manner that would satisfy the Group and management decided to do so.

The Group has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal classification are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings (for exposures to other Groups or State Bonds). The Group performs mandatory assessment on an individual basis for defaulted exposures over MDL 10,000 thousand, same time based on management decision other non-defaulted significant exposures can be also analyzed on a individual basis. The Group performs an assessment on a portfolio basis for all loans that do not fall under individual assessment criteria.

For lease receivables considered significant, the Group applies treatment regardless of the stage in which the asset was classified.

The Group considers the weighted scenarios for all probable cash flows, namely the asset's contractual flows, the proceeds (flows) from the sale of the objects of the leased / pledged assets, of guarantees, specifying the expected cash flow schedule and estimated probability of each scenario.

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome.

The Group performs assessments based on external ratings for interbank placements, debt securities.

Individual assessment is primarily based on the expert judgement of experienced officers from the Risk Management Division. Expert judgements are regularly reviewed in order to decrease the difference between estimates and actual losses.

When assessment is performed on a portfolio basis, the Group determines the staging of the exposures and measures the loss allowance on a collective basis. The Group analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer (corporate, SME, retail), product type, term to maturity, and loan to value ("LTV") ratio. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Division.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month).

This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

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

39 Financial risk management (continued)

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Group uses different statistical approaches depending on the segment and product type to calculate lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data on the theory of Markov Chain process.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. The LGDs are determined based on the historical recovery rates, which are aggregated at the level of segment type. The approach to LGD measurement is performed based on monthly recoveries discounted to the moment of default using interest rates for the loans and exposure weighted average recovery rates.

ECL measurement for financial guarantees and loan commitments. The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment ("*ExOff*"). CCF for undrawn credit lines of corporate customers, credit cards issued to individuals is defined based on statistical analysis of past exposures at default and amounts to 65% for Corporate exposures, 62% for SME exposures, 85% for Retail exposures. For financial guarantees the CCF is determined based on the guarantee type.

Principles of assessment based on external ratings. Certain exposures have external credit risk ratings, and these are used to estimate credit risk parameters PD and LGD from the default and recovery statistics published by the respective rating agencies. This approach is applied to government and towards exposures to other banks.

Forward-looking information incorporated in the ECL models. The assessment of SICR and the calculation of ECLs both incorporate unbiased and supportable forward-looking information. The Group identified certain key economic variables that correlate with developments in credit risk and ECLs. Forecasts of economic variables (the "base economic scenario") are obtained from external sources of information such as World Bank, National Bank and other institutions with details on the matter. The impact of the relevant economic variables on the PD, has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates.

Besides the estimation of the model the Group estimates the weight a certain outcome for a factor that was determined as eligible or relevant based on statistical analysis. The weight for a certain outcome is determined based on the historical analysis/statistical outcomes and expert judgement based on estimates incorporated in the budgeting process. Based on the weighting the Group determines the final forward-looking factor that would adjust the PD in the ECL model.

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit.

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

39 Financial risk management (continued)

Changes in ECL methodology due to COVID-19

The Group did not have substantial changes to the ECL methodology as a result of COVID-19 pandemic and was focused mainly on insuring proper staging (additional criteria for staging were incorporated as a result of COVID-19 measures taken as described above), updated forward looking information – estimated based on new macro-economic expectations and special consideration given to loans included in individual analysis.

Prior to estimating the new FLI the Group applied the 1-30 days past due PD bucket for loans that used special moratoria measures in June 2020. The only long term measure the Group applied is to contaminate the days past due value for retail loans that derived from unpaid amounts during the moratoria period with the days past due from the original loan – by using the higher value from the two reported values.

39.8 Taxation risk

The Group is committed to ensure a sustainable management of taxation risk by building and maintaining a transparent, effective and efficient tax function within the Group. The Group strictly respects and applies the tax legislation in force for all categories of fees and taxes. The implementation of IFRS, put into force since 1 January 2012, was taken into consideration for the revision of the fiscal legislation by introducing specific regulations for treating the adjustments resulted the implementation and further. In this connection, a careful analysis was made to identify the differences in accounting treatments, having a fiscal impact, both on the current tax liability as well as on the deferred tax liability.

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

39.9 Operational risk

The Group is aware of the importance of managing the operational risk arising from its business activities as well as of the need to hold an adequate level of capital to absorb the potential losses associated with this type of risk. The Group has an operational risk management framework that includes policies and processes for identifying, measuring/evaluating, analyzing, managing and controlling operational risk. Policies and processes are appropriate to the size, nature and complexity of the Group's activities and are adjusted periodically according to the operational risk profile.

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

- collection and management of operational risk events. The Group has a historical database, in which operational risk events are centralized, reported by all organizational units;
- definition and monitoring of key risk indicators (KRI), measures, used in the operational risk assessment, monitoring and reporting phases. The purpose of key risk indicators is to act as early warning signs of potential operational and control risk issues; to define tolerance levels and critical thresholds for operational risk and to indicate dynamic changes in the level of operational risk over time;
- identification and assessment of operational risk through the exercise of risk self-assessment and associated controls. The self-assessment process allows the identification and assessment of the operational risks related to that year, as well as the measures to be taken to reduce the losses caused by the occurrence of operational risk events; and
- analysis of test stress scenarios related to operational risk. The scenario analysis aims to assess the potential effects of one or more possible operational risk events (extreme but probable events) on the Group's financial situation.

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

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021****(All amounts are expressed in thousands MDL, if not stated otherwise)****39 Financial risk management (continued)**

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

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

40 Maturity structure

The following tables provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period.

31 December 2021	Group			Bank		
	Total	Less than 1 year	More than 1 year	Total	Less than 1 year	More than 1 year
ASSETS						
Cash on hand	1,170,658	1,170,658	-	1,170,643	1,170,643	-
Balances with the National Bank of Moldova	7,575,840	7,575,840	-	7,575,840	7,575,840	-
Due from other banks	3,739,820	3,739,820	-	3,739,580	3,739,580	-
Investments in debt securities	4,071,050	3,795,578	275,472	4,052,472	3,777,000	275,472
Investments in equity securities	3,769	-	3,769	3,769	-	3,769
Investments in subsidiaries	-	-	-	139,669	-	139,669
Loans and advances to customers	18,627,190	5,788,559	12,838,631	18,664,513	5,788,559	12,875,954
Lease receivables	216,767	85,724	131,043	-	-	-
Investment property	32,559	-	32,559	-	-	-
Other financial assets	44,013	44,013	-	31,488	31,488	-
Other assets	164,810	164,810	-	159,309	159,309	-
Premises and equipment	1,453,924	-	1,453,924	1,448,194	-	1,448,194
Intangible assets	154,910	-	154,910	143,849	-	143,849
Right of use assets	68,662	-	68,662	67,346	-	67,346
Total assets	37,323,972	22,365,002	14,958,970	37,196,672	22,242,419	14,954,253
LIABILITIES						
Due to other banks	18,458	18,458	-	18,458	18,458	-
Borrowings	2,249,615	729,672	1,519,943	2,160,402	729,672	1,430,730
Due to customers	28,570,646	24,038,574	4,532,072	28,596,152	24,064,080	4,532,072
Lease liabilities	70,340	19,329	51,011	69,026	18,015	51,011
Other financial liabilities	263,243	237,274	25,969	259,641	233,672	25,969
Current tax liability	30,789	30,789	-	30,789	30,789	-
Deferred tax liabilities	2,709	2,709	-	1,955	1,955	-
Provision for loan commitments	37,129	37,129	-	37,129	37,129	-
Other liabilities	282,526	282,526	-	277,935	277,935	-
Subordinated debt	298,653	-	298,653	298,653	-	298,653
Total liabilities	31,824,108	25,396,460	6,427,648	31,750,140	25,411,705	6,338,435
Maturity excedent/(gap)	5,499,864	(3,031,458)	8,531,322	5,446,532	(3,169,286)	8,615,818

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***40 Maturity structure (continued)**

31 December 2020	Group			Bank		
	Total	Less than 1 year	More than 1 year	Total	Less than 1 year	More than 1 year
ASSETS						
Cash on hand	971,828	971,828	-	971,777	971,777	-
Balances with the National Bank of Moldova	6,384,531	6,384,531	-	6,384,531	6,384,531	-
Due from other banks	2,359,578	2,359,578	-	2,359,360	2,359,360	-
Investments in debt securities	4,081,752	3,903,642	178,110	4,063,124	3,885,014	178,110
Investments in equity securities	117,457	-	117,457	117,457	-	117,457
Investments in subsidiaries	-	-	-	139,669	-	139,669
Loans and advances to customers	14,651,240	5,598,905	9,052,335	14,669,321	5,594,200	9,075,121
Lease receivables	166,086	85,350	80,736	-	-	-
Investment property	72,539	-	72,539	-	-	-
Other financial assets	49,817	49,817	-	28,644	28,644	-
Other assets	172,449	172,449	-	162,662	162,662	-
Premises and equipment	1,225,579	-	1,225,579	1,219,040	-	1,219,040
Intangible assets	110,968	-	110,968	102,237	-	102,237
Right of use assets	74,959	-	74,959	74,368	-	74,368
Total assets	30,438,783	19,526,100	10,912,683	30,292,190	19,386,188	10,906,002
LIABILITIES						
Due to other banks	16,242	16,242	-	16,242	16,242	-
Borrowings	1,072,086	320,963	751,123	964,635	257,146	707,489
Due to customers	23,851,101	19,744,397	4,106,704	23,874,382	19,767,678	4,106,704
Lease liabilities	81,168	35,268	45,900	80,562	34,662	45,900
Other financial liabilities	191,671	191,671	-	182,525	182,525	-
Current tax liability	3,566	3,566	-	3,566	3,566	-
Deferred tax liabilities	25,234	3,463	21,771	22,043	3,463	18,580
Provision for loan commitments	22,314	22,314	-	22,314	22,314	-
Other liabilities	162,956	162,956	-	158,324	158,324	-
Total liabilities	25,426,338	20,500,840	4,925,498	25,324,593	20,445,920	4,878,673
Maturity exceedent/(gap)	5,012,445	(974,740)	5,987,185	4,967,597	(1,059,732)	6,027,329

41 Contingent liabilities

At 31 December 2021 and 31 December 2020, the Group and the Bank are the defendant in several lawsuits arising in the ordinary corporate activity. According to Management and the Legal Department of the Group and Bank, the loss probability is small and accordingly no provision has been recorded in these Financial statements.

From time to time and in the normal course of business, claims against the Group or Bank may be received. On the basis of its own estimates and both internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been made in these Financial statements.

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***42 Fair value and fair value hierarchy**

Fair value measurements are analysed by the fair value level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgments in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

Group	31 December 2021				31 December 2020			
	Level 1	Level 2	Level 3	Fair value Total	Level 1	Level 2	Level 3	Fair value Total
ASSETS AT FAIR VALUE								
Financial assets								
<i>Investments in debt securities</i>	-	4,052,472	-	4,052,472	-	2,464,160	-	2,464,160
-Treasury bills	-	3,678,618	-	3,678,618	-	2,083,061	-	2,083,061
-Government bonds	-	373,854	-	373,854	-	381,099	-	381,099
Investments in equity securities	-	-	3,769	3,769	113,698	-	3,759	117,457
Non-financial assets								
Premises and equipment	-	-	488,242	488,242	-	-	479,733	479,733
-Land	-	-	193,973	193,973	-	-	168,174	168,174
-Buildings	-	-	294,269	294,269	-	-	311,559	311,559
Investment property	-	-	32,559	32,559	-	-	72,539	72,539
Total assets with recurring fair value measurements	-	4,052,472	524,570	4,577,042	113,698	2,464,160	556,031	3,133,889
LIABILITIES AT FAIR VALUE								
Financial liabilities								
Contingent consideration liability	-	-	25,969	25,969	-	-	25,629	25,629
Total liabilities with recurring fair value measurements	-	-	25,969	25,969	-	-	25,629	25,629

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

42 Fair value and fair value hierarchy (continued)

Bank	31 December 2021				31 December 2020			
	Level 1	Level 2	Level 3	Fair value Total	Level 1	Level 2	Level 3	Fair value Total
ASSETS AT FAIR VALUE								
Financial assets								
<i>Investments in debt securities</i>	-	4,052,472	-	4,052,472	-	2,464,160	-	2,464,160
-Treasury bills	-	3,678,618	-	3,678,618	-	2,083,061	-	2,083,061
-Government bonds	-	373,854	-	373,854	-	381,099	-	381,099
Investments in equity securities	-	-	3,769	3,769	113,698	-	3,759	117,457
Non-financial assets								
Premises and equipment	-	-	485,336	485,336	-	-	477,056	477,056
-Land	-	-	193,658	193,658	-	-	167,889	167,889
-Buildings	-	-	291,678	291,678	-	-	309,167	309,167
Total assets with recurring fair value measurements	-	4,052,472	489,105	4,541,577	113,698	2,464,160	480,815	3,058,673
LIABILITIES AT FAIR VALUE								
Financial liabilities								
Liability contingent on uncertain events	-	-	25,969	25,969	-	-	25,629	25,629
Total liabilities with recurring fair value measurements	-	-	25,969	25,969	-	-	25,629	25,629

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

42 Fair value and fair value hierarchy (continued)

The valuation technique, inputs used in the fair value measurement for level 2 and 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows as at 31 December 2021 and 31 December 2020:

	Fair value	Valuation technique	Reasonable change	Group Sensitivity of fair value
31 December 2021				
Investments in debt securities – level 2	4,052,472			
-Treasury bills	3,678,618	Discounted cash flows ("DCF")	± 10 %	± 20,232
-Government bonds	373,854	Discounted cash flows ("DCF")	± 10 %	±2,056
		EBITDA multiple		±377
Investments in equity securities – level 3	3,769	Revenue multiple	±10%	
Premises and equipment – level 3	488,242			
Land	193,973	Market analogues	±10%	±19,397
Buildings	294,269	Market analogues	±10%	±29,427
Investment property – level 3	32,559	Market analogues	±10%	±3,256
31 December 2020				
Investments in debt securities – level 2	2,464,160			
-Treasury bills	2,083,061	Discounted cash flows ("DCF")	± 10 %	± 11,457
-Government bonds	381,099	Discounted cash flows ("DCF")	± 10 %	± 2,096
		EBITDA multiple		
Investments in equity securities – level 3	3,759	Revenue multiple	±10%	±376
Premises and equipment – level 3	479,733			
Land	168,174	Market analogues	±10%	±16,817
Buildings	311,559	Market analogues	±10%	±31,156
Investment property– level 3	72,539	Market analogues	±10%	±7,254

Bank	Fair value	Valuation technique	Reasonable change	Sensitivity of fair value
31 December 2021				
Investments in debt securities – level 2	4,052,472			
-Treasury bills	3,678,618	Discounted cash flows ("DCF")	± 10 %	± 20,232
-Government bonds	373,854	Discounted cash flows ("DCF")	± 10 %	±2,056
Investments in equity securities – level 3	3,769	Net assets method	±10%	±377
Premises and equipment – level 3	485,336			
Land	193,658	Market analogues	±10%	±19,367
Buildings	291,678	Market analogues	±10%	±29,168
31 December 2020				
Investments in debt securities – level 2	2,464,160			
-Treasury bills	2,083,061	Discounted cash flows ("DCF")	± 10 %	± 11,457
-Government bonds	381,099	Discounted cash flows ("DCF")	± 10 %	± 2,096
		EBITDA multiple		
Investments in equity securities – level 3	3,759	Revenue multiple	±10%	±376
Premises and equipment – level 3	477,056			
Land	167,889	Market analogues	±10%	±16,789
Buildings	309,167	Market analogues	±10%	±30,917

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

42 Fair value and fair value hierarchy (continued)

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

There were no changes in valuation technique for level 1, 2 and 3 recurring fair value measurements during the year ended 31 December 2021 (31 December 2020: none).

The sensitivity of fair value measurement disclosed in the above table shows the direction that an increase or decrease in the respective input variables would have on the valuation result. For treasury bills and government bonds measured at OCI is estimated by taking into consideration the actual interest rate environment and in this case they are allocated to Level 2. For equity securities, increases in the EBITDA multiple would each lead to an increase in estimated value. However, an increase in the discount for lack of marketability would lead to a decrease in value. For debt securities, increases in discount rates would both lead to a decrease in estimated value. No inter-relationships between unobservable inputs used in the Group's valuation of its Level 3 equity investments have been identified.

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

In selecting the most appropriate valuation model the Corporate Investments Department performs back testing and considers which model's results have historically aligned most closely to actual market transactions. In order to value Level 3 equity investments, the Group utilises comparable trading multiples. The Management Board determines comparable public companies (peers) based on industry, size, developmental stage and strategy. Management then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortisation (EBITDA). The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances.

The Level 3 debt instruments are valued at the net present value of estimated future cash flows. The Group also considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

The fair values of premises and land are determined by experts with recognized and relevant professional qualification. The valuations are carried out mainly using the comparative analysis. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and sales transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, covenant and other material factors. The valuation technique is based on changing the fair value to 1 m².

Assets and liabilities not measured at fair value but for which fair value is disclosed

The fair values in Level 2 and Level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

For assets, the Group used assumptions about counterparty's incremental borrowing rate and prepayment rates. Liabilities were discounted at the Group's own incremental borrowing rate. Liabilities were discounted at the Bank's own incremental borrowing rate. The Group's liabilities to its customers are subject to state deposit insurance scheme. The fair value of these liabilities reflects these credit enhancements.

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***42 Fair value and fair value hierarchy (continued)**

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

Group	31 December 2021					31 December 2020				
	Carrying value	Fair value			Carrying value	Fair value				
		Level 1	Level 2	Level 3		Total	Level 1	Level 2	Level 3	Total
Financial assets										
Cash on hand	1,170,658	1,170,658	-	-	1,170,658	971,828	971,828	-	-	971,828
Accounts with NBM	7,575,840	-	7,575,840	-	7,575,840	6,384,531	-	6,384,531	-	6,384,531
Due from banks	3,739,820	-	3,739,820	-	3,739,820	2,359,578	-	2,359,578	-	2,359,578
Investments in debt securities	18,578	-	18,578	-	18,578	1,617,592	-	1,617,592	-	1,617,592
Loans to customers:	18,627,190	-	-	14,165,141	14,165,141	14,651,240	-	-	11,416,983	11,416,983
<i>Loans to legal entities:</i>	12,054,689	-	-	10,413,006	10,413,006	10,337,758	-	-	8,944,416	8,944,416
Investment loans	4,213,516	-	-	3,269,430	3,269,430	3,601,787	-	-	2,781,586	2,781,586
Working capital loans	3,187,693	-	-	2,875,681	2,875,681	2,989,287	-	-	2,703,031	2,703,031
Revolving lines	4,652,576	-	-	4,266,931	4,266,931	3,744,597	-	-	3,457,476	3,457,476
Other loans for legal entities	904	-	-	964	964	2,087	-	-	2,323	2,323
<i>Loans to individuals:</i>	6,572,501	-	-	3,752,135	3,752,135	4,313,482	-	-	2,472,567	2,472,567
Mortgage loans	3,436,643	-	-	1,215,704	1,215,704	2,468,832	-	-	962,487	962,487
Consumer loans	2,891,194	-	-	2,320,090	2,320,090	1,627,975	-	-	1,317,499	1,317,499
Credit cards	237,315	-	-	208,497	208,497	211,980	-	-	187,359	187,359
Other loans to individuals	7,349	-	-	7,844	7,844	4,695	-	-	5,222	5,222
Lease receivables	216,767	-	-	211,950	211,950	166,086	-	-	185,457	185,457
Other financial assets	44,013	-	-	44,013	44,013	49,817	-	-	49,817	49,817
Total	31,392,866	1,170,658	11,334,238	14,421,104	26,926,000	26,200,672	971,828	10,361,701	11,652,257	22,985,786

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

42 Fair value and fair value hierarchy (continued)

	31 December 2021					31 December 2020				
	Carrying value	Fair value			Carrying value	Fair value				
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	Total	
Financial liabilities										
Due to banks	18,458	-	18,458	-	18,458	16,242	-	16,242	-	16,242
Borrowings	2,249,615	-	-	2,157,138	2,157,138	1,072,086	-	-	1,030,825	1,030,825
Due to customers	28,570,646	-	15,521,676	12,981,857	28,503,533	23,851,101	-	11,592,580	12,386,619	23,979,199
Legal entities, including:	9,815,927	-	8,187,383	1,642,182	9,829,565	7,008,818	-	5,893,503	1,112,716	7,006,219
- current accounts	8,187,383	-	8,187,383	-	8,187,383	5,893,503	-	5,893,503	-	5,893,503
- term deposits	1,628,544	-	-	1,642,182	1,642,182	1,115,315	-	-	1,112,716	1,112,716
Individuals, including:	18,754,719	-	7,334,293	11,339,675	18,673,968	16,842,283	-	5,699,077	11,273,903	16,972,980
- current accounts	7,334,293	-	7,334,293	-	7,334,293	5,699,077	-	5,699,077	-	5,699,077
- term deposits	11,420,426	-	-	11,339,675	11,339,675	11,143,206	-	-	11,273,903	11,273,903
Other financial liabilities	263,243	-	-	263,243	263,243	191,671	-	-	191,671	191,671
Subordinated debt	298,653	-	-	230,600	230,600	-	-	-	-	-
Total	31,400,615	-	15,540,134	15,632,838	31,172,972	25,131,100	-	11,608,822	13,609,115	25,217,937

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

42 Fair value and fair value hierarchy (continued)

Bank	31 December 2021					31 December 2020				
	Carrying value	Fair value			Fair value Total	Carrying value	Fair value			Fair value Total
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
Financial assets										
Cash on hand	1,170,643	1,170,643	-	-	1,170,643	971,777	971,777	-	-	971,777
Accounts with NBM	7,575,840	-	7,575,840	-	7,575,840	6,384,531	-	6,384,531	-	6,384,531
Due from banks	3,739,580	-	3,739,580	-	3,739,580	2,359,360	-	2,359,360	-	2,359,360
Investments in debt securities	-	-	-	-	-	1,598,964	-	1,598,964	-	1,598,964
Loans to customers:	18,664,513	-	-	14,190,552	14,190,552	14,669,321	-	-	11,427,229	11,427,229
<i>Loans to legal entities:</i>	<i>12,099,361</i>	-	-	<i>10,446,261</i>	<i>10,446,261</i>	<i>10,360,534</i>	-	-	<i>8,959,884</i>	<i>8,959,884</i>
Investment loans	4,213,516	-	-	3,269,430	3,269,430	3,601,787	-	-	2,781,586	2,781,586
Working capital loans	3,233,269	-	-	2,909,900	2,909,900	3,014,150	-	-	2,720,822	2,720,822
Revolving lines	4,652,576	-	-	4,266,931	4,266,931	3,744,597	-	-	3,457,476	3,457,476
<i>Loans to individuals:</i>	<i>6,565,152</i>	-	-	<i>3,744,291</i>	<i>3,744,291</i>	<i>4,308,787</i>	-	-	<i>2,467,345</i>	<i>2,467,345</i>
Mortgage loans	3,436,643	-	-	1,215,704	1,215,704	2,468,832	-	-	962,487	962,487
Consumer loans	2,891,194	-	-	2,320,090	2,320,090	1,627,975	-	-	1,317,499	1,317,499
Credit cards	237,315	-	-	208,497	208,497	211,980	-	-	187,359	187,359
Other financial assets	31,488	-	-	31,488	31,488	28,644	-	-	28,644	28,644
Total	31,182,064	1,170,643	11,315,420	14,222,040	26,708,103	26,012,597	971,777	10,342,855	11,455,873	22,770,505

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

42 Fair value and fair value hierarchy (continued)

	31 December 2021					31 December 2020				
	Carrying value	Fair value			Carrying value	Fair value				
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
Financial liabilities										
Due to banks	18,458	-	18,458	-	18,458	16,242	-	16,242	-	16,242
Borrowings	2,160,402	-	-	2,160,402	2,160,402	964,635	-	-	967,185	967,185
Due to customers	28,596,152	-	15,547,182	12,981,857	28,529,039	23,874,382	-	11,615,861	12,386,619	24,002,480
Legal entities, including:	9,841,433	-	8,212,889	1,642,182	9,855,071	7,032,099	-	5,916,784	1,112,716	7,029,500
- current accounts	8,212,889	-	8,212,889	-	8,212,889	5,916,784	-	5,916,784	-	5,916,784
- term deposits	1,628,544	-	-	1,642,182	1,642,182	1,115,315	-	-	1,112,716	1,112,716
Individuals, including:	18,754,719	-	7,334,293	11,339,675	18,673,968	16,842,283	-	5,699,077	11,273,903	16,972,980
- current accounts	7,334,293	-	7,334,293	-	7,334,293	5,699,077	-	5,699,077	-	5,699,077
- term deposits	11,420,426	-	-	11,339,675	11,339,675	11,143,206	-	-	11,273,903	11,273,903
Other financial liabilities	259,641	-	-	259,641	259,641	182,525	-	-	182,525	182,525
Subordinated debt	298,653	-	-	230,600	230,600	-	-	-	-	-
Total	31,333,306	-	15,565,640	15,632,500	31,198,140	25,037,784	-	11,632,103	13,536,329	25,168,432

Cash and cash equivalents - The fair value of cash and cash equivalents equals to their carrying amount. *Net loans receivables* - Loans receivables are reduced by the impairment allowance on loans receivables. The estimated fair value of loans receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. *Debt instruments at amortised cost* - include only interest-bearing assets held for collection of contractual cash flows and where those cash flows represent SPPI. Fair value for debt securities at AC is based on market prices or broker/dealer price quotations. *Borrowings, due to banks* - the fair value of floating rate borrowings approximates their carrying amount. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

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

B.C. MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***43 Classification of financial assets and liabilities by measurement category**

The Group classifies financial assets in the following categories:

- a) financial assets at fair value through other comprehensive income:
- (i) debt instruments at fair value through other comprehensive income;
 - (ii) equity instruments at fair value through other comprehensive income;
- b) financial assets at amortised cost.

The table below provides a reconciliation of financial assets with these measurement categories as of 31 December 2021:

	Group				Bank			
	Financial assets at AC	Financial assets at FVOCI	Financial liabilities at FVTPL	Total	Financial assets at AC	Financial assets at FVOCI	Financial liabilities at FVTPL	Total
31 December 2021								
Assets								
Cash on hand and balances with National Bank	8,746,498	-	-	8,746,498	8,746,483	-	-	8,746,483
Due from other banks:	3,739,820	-	-	3,739,820	3,739,580	-	-	3,739,580
- Correspondent accounts	3,213,731	-	-	3,213,731	3,213,491	-	-	3,213,491
- Overnight deposits	366,793	-	-	366,793	366,793	-	-	366,793
- Collateral deposits	159,296	-	-	159,296	159,296	-	-	159,296
Investments in debts securities:	18,578	4,052,472	-	4,071,050	-	4,052,472	-	4,052,472
- Treasury bills	18,578	3,678,618	-	3,697,196	-	3,678,618	-	3,678,618
- Government bonds	-	373,854	-	373,854	-	373,854	-	373,854
Investments in equity securities	-	3,769	-	3,769	-	3,769	-	3,769
Loans and advances to customers:	18,627,190	-	-	18,627,190	18,664,513	-	-	18,664,513
- Loans to legal entities	12,054,689	-	-	12,054,689	12,099,361	-	-	12,099,361
- Loans to individuals	6,572,501	-	-	6,572,501	6,565,152	-	-	6,565,152
Lease receivables:	216,767	-	-	216,767	-	-	-	-
- Legal entities	70,650	-	-	70,650	-	-	-	-
- Individuals	146,117	-	-	146,117	-	-	-	-
Other financial assets:								
Other financial assets	44,013	-	-	44,013	31,488	-	-	31,488
Total financial assets	31,392,866	4,056,241	-	35,449,107	31,182,064	4,056,241	-	35,238,305
Liabilities								
Other financial liabilities:								
Contingent consideration liability	-	-	25,969	25,969	-	-	25,969	25,969

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

B.C. MAIB S.A.

Notes to Consolidated and Separate financial statements for the year ended 31 December 2021

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

43 Classification of financial assets and liabilities by measurement category (continued)

The table below provides a reconciliation of financial assets under these measurement categories as at 31 December 2020:

31 December 2020	Group				Bank			
	Financial assets at AC	Financial assets at FVOCI	Financial liabilities at FVTPL	Total	Financial assets at AC	Financial assets at FVOCI	Financial liabilities at FVTPL	Total
Assets								
Cash on hand and balances with National Bank	7,356,359	-	-	7,356,359	7,356,308	-	-	7,356,308
Due from other banks:	2,359,578	-	-	2,359,578	2,359,400	-	-	2,359,400
- Correspondent accounts	1,244,878	-	-	1,244,878	1,244,660	-	-	1,244,660
- Overnight deposits	483,214	-	-	483,214	483,214	-	-	483,214
- Placements with other banks with original maturities of less than three months	464,930	-	-	464,930	464,930	-	-	464,930
- Placements with other banks with original maturities of more than three months	86,073	-	-	86,073	86,073	-	-	86,073
- Collateral deposits	80,523	-	-	80,523	80,523	-	-	80,523
Investments in debts securities:	1,617,592	2,464,160	-	4,081,752	1,598,964	2,464,160	-	4,063,124
- Treasury bills	18,628	2,083,061	-	2,101,689	-	2,083,061	-	2,083,061
- Government bonds	-	381,099	-	381,099	-	381,099	-	381,099
- Certificates issued by NBM	1,598,964	-	-	1,598,964	1,598,964	-	-	1,598,964
Investments in equity securities	-	117,457	-	117,457	-	117,457	-	117,457
Loans and advances to customers:	14,651,240	-	-	14,651,240	14,669,321	-	-	14,669,321
- Loans to legal entities	10,337,758	-	-	10,337,758	10,360,534	-	-	10,360,534
- Loans to individuals	4,313,482	-	-	4,313,482	4,308,787	-	-	4,308,787
Lease receivables:	166,086	-	-	166,086	-	-	-	-
- Legal entities	53,483	-	-	53,483	-	-	-	-
- Individuals	112,603	-	-	112,603	-	-	-	-
Other financial assets:								
Other financial assets	49,817	-	-	49,817	28,644	-	-	28,644
Total financial assets	26,200,672	2,581,617	-	28,782,289	26,012,637	2,581,617	-	28,594,254
Liabilities								
Other financial liabilities:								
Contingent consideration liability	-	-	25,629	25,629	-	-	25,629	25,629

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

44 Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2021 and 2020 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

Transactions with other significant shareholders. Other significant shareholders are those with the power to participate in the financial and operating policy decisions of a Group with which they transact, through controlling over 20% of the Group's voting power, or otherwise. During 2020 and 2021 there were no transactions or balances recorded with HEIM Partners Limited, the significant shareholder of the Group.

Transactions with subsidiaries. The Bank holds investments in subsidiaries, represented by MAIB-Leasing SA and Moldmediacard SRL, with whom it entered into a number of banking transactions in the normal course of business.

Transactions with key management personnel. The Group entered into a number of banking transactions with the management in the normal course of business. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. This includes the members of the Council of the Bank, Management Board and executive management of the Group. These transactions were carried out on commercial terms and conditions and at market rates.

Transactions with other related parties. The Group considers the following additional related parties: companies in which key management personnel have direct or indirect interests and close family members of key management personnel.

Terms and conditions

A related party transaction represents a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. All these transactions were carried out under conditions similar to those applicable to third party agreements, in terms of interest rates and collateral clauses.

In relation to related parties, the accounts have the following characteristics:

Current accounts were the interest rate is 0%.

Term deposits maturing between 2022 and 2024, and the interest rate is fixed between 0.05-4,75% depending on the currency and maturity of the deposit.

Loans and advances to customers were opened between 2013 and December 2021, maturing between 2022 and 2034, the interest rate is between 3.50-11.9% for loans and 11% for credit cards. Financial guarantees and other commitments given includes revocable and irrevocable letters of guarantee, undrawn commitments for loans and credit cards granted.

The Bank has signed with Moldmediacard a contract through which the subsidiary provides services for processing cards transactions. The commission is calculated based on a % applied to the level of processed transactions and is presented under "Fee and commission expenses". Fees for transactions are established in the agreement between parties and are considered to be performed at arm's length.

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

44 Related parties (continued)

In the table below are disclosed the balances and transactions related parties of the **Group** as at year ended 31 December:

	2021		2020	
	Key management personnel	Other related parties	Key management personnel	Other related parties
Statement of financial position elements				
Loans and advances to customers	16	690	259	2,435
Credit loss allowance	-	(7)	(2)	(27)
Lease receivables	676	-	136	-
Other assets	-	1,836	-	8,254
Due to customers	52,364	38,913	65,373	28,923
Lease liabilities	-	1,033	-	1,638
Provision for loan commitments	30	59	19	61
Statement of profit or loss				
Interest income	34	442	52	305
Interest expense	(780)	(71)	(1,274)	(161)
Fee and commission income	209	1,133	152	867
Personnel expenses	(59,789)	(1,762)	(64,114)	(1,187)
Other operating expenses	-	(1,798)	-	(681)
Credit loss allowance	(7)	(74)	(19)	(79)
Other commitments				
Guarantees and other financial commitments	1,734	7,011	1,646	11,000

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

BC Maib S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***44 Related parties (continued)**In the table below are disclosed the balances and transactions related parties of the **Bank** as at year ended 31 December:

	2021			2020		
	Subsidiaries	Key management personnel	Other related parties	Subsidiaries	Key management personnel	Other related parties
Statement of financial position elements						
Loans and advances to customers	46,303	16	690	25,375	259	2,435
Credit loss allowance	(677)	-	(7)	(369)	(2)	(27)
Other assets	-	-	1,836	-	-	8,254
Due to customers	25,506	52,364	38,913	23,281	65,373	28,923
Lease liabilities	118	-	1,033	119	-	1,638
Provision for loan commitments	-	30	59	39	19	61
Statement of profit or loss						
Interest income	1,950	9	442	504	26	305
Interest expense	(14)	(780)	(71)	(18)	(1,274)	(161)
Fee and commission income	880	209	1,133	277	152	867
Fee and commission expense	(30,926)	-	-	(31,183)	-	-
Other operating income	450	-	-	450	-	-
Personnel expenses	-	(55,317)	(1,762)	-	(59,779)	(1,187)
Other operating expenses	-	-	(1,798)	-	-	(681)
Credit loss allowance	(269)	7	74	(369)	(19)	(79)
Other commitments						
Guarantees and other financial commitments	-	1,734	7,011	5,063	1,646	11,000

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

BC MAIB S.A.**Notes to Consolidated and Separate financial statements for the year ended 31 December 2021***(All amounts are expressed in thousands MDL, if not stated otherwise)***44 Related parties (continued)****Key management remuneration**

The executive management and non-executive members of Management Board and Council received remuneration during the years 2021 and 2020, as follows:

	2021	Group 2020	2021	Bank 2020
Executive management remuneration	31,806	40,747	31,806	40,747
Medical insurance contributions	-	1,514	-	1,514
Social contributions	7,633	6,059	7,633	6,059
Total executive management	39,439	48,320	39,439	48,320
Council of the Bank remuneration	8,817	5,437	8,817	5,437
Medical insurance contributions	-	152	-	152
Social contributions	1,487	609	1,487	609
Total Council of the Bank	10,304	6,198	10,304	6,198

45 Reclassification of comparative figures of financial year ended 31 December 2020

During the financial year ended 31 December 2021, the Group and the Bank made the following reclassifications of the amounts previously reported in order to present them in a more accurate manner.

- i) *The reclassification of the comparative figures for the consolidated statement of financial position as at 31 December 2020 is presented below:*

Financing contracts of MDL 6,782 thousand were reclassified from position "Other financial assets" to position "Loans and advances to customers".

	Reported	Reclassified	Adjusted
Loans and advances to customers	14,644,458	6,782	14,651,240
Other financial assets	56,599	(6,782)	49,817

- ii) *The reclassification of the comparative figures for the separate statement of profit or loss and other comprehensive income for the year ended 31 December 2020 is presented below:*

The line previously called "Impairment, depreciation and amortization expenses" was divided into two separate lines in order to separately reflect the impairment of premises "Depreciation and amortization expenses" and "Impairment losses for premises and equipment".

	Group			Bank		
	Reported	Reclassified	Adjusted	Reported	Reclassified	Adjusted
Impairment, depreciation and amortization expenses	(272,907)	272,907	-	(269,946)	269,946	-
Depreciation and amortization expenses	-	(155,951)	(155,951)	-	(152,990)	(152,990)
Impairment losses for premises and equipment	-	(116,956)	(116,956)	-	(116,956)	(116,956)

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

46 Events after the end of the reporting period

Impact of Russia's military invasion of Ukraine

Following the Russia military invasion of Ukraine from 24 February 2022, the Moldovan authorities declared a State of Emergency for 60 days until 24 April 2022. After initial shock and very high level of uncertainty around how the crisis will continue and potentially escalate further, the situation became more stable toward the end of March 2022. The military situation in the Republic of Moldova is stable with no signs of any military movements, including break-away region of Transnistria.

The Russian – Ukraine conflict has a major impact on the economy of the Republic of Moldova and other European countries. The Ministry of Economy of Moldova adjusted the expected growth rate for 2022 to 0.3% (as oppose to 13.9% growth for 2021). The main driver of the lower growth are significantly higher external prices as a result of the military invasion in Ukraine. The EBRD adjusted the GDP growth for 2022 downward a bit earlier from 4% to 2%. The inflation rate is expected to be higher than initially estimated, closer to 25% according to the NBM expectations.

At the level of the banking system, on 15 March 2022 the Executive Committee of the NBM, adopted the following decisions:

- To increase the base rate applied to major short-term monetary policy operations by 2%, from 10.50% to 12.50% per year.
- To increase interest rates:
 - on overnight loans by 2%, from 12.50% to 14.50% per year; and
 - on overnight deposits by 2%, from 8.50% to 10.50% per year.
- To maintain the required reserves ratio from the financial resources attracted in freely convertible currency at the current level of 30% from the calculation base.

NBM carefully monitors the situation in the banking system, reiterating that it is stable and viable, and has enough instruments for reacting in the event of a sign of decline in the financial stability of the Moldovan banks.

In terms of decisions taken by the Group and Bank, following the Russia military invasion of Ukraine, on 24 February 2022 a core management team was set up at the level of the Bank to follow up and proactively manage the current situation and possible impact on the Bank. Based on the current publicly available information, the management of the Bank did an assessment over the possible impact on the Bank's activity, liquidity, financial stability and performance and the results of the assessment show that the current situation will not affect the Bank's going concern assumptions.

The Group's and Bank's exposure towards Russian, Ukrainian, and Belorussian banks was gradually reduces reaching the level of MDL 31 million as of 31 March 2022. Less than 10% of legal entities serviced by the Bank have business relations with Russia, Ukraine, or Belorussia. Given the uncertain nature of the current developments, it is still premature to quantify the potential future impact on the Bank's financial results for 2022 and beyond. Any economic impact on the Bank and its customers with economic links to this geographical area at risk will depend primarily on the duration of the military invasion and the intensity of the political and economic measures taken, as well as the restrictions implemented.

At the date of approving these financial statements, the situation of the Russia's military invasion in Ukraine is still evolving. The management of the Bank closely monitors any developments and is prepared to take appropriate actions to mitigate the current and future potential effects on the Bank. These possible future measures, adopted by the Bank, could cover the areas of accounting estimates, calculation methods and assumptions considered for determining the expected credit losses for financial assets and other provisions.

The Russia's military invasion in Ukraine and related impacts on the Group and Bank are non-adjusting post balance sheet events that do not impact the measurement and classification of assets and liabilities in the consolidated and separate financial statements as of 31 December 2021 or for the year then ended.

The consolidated and separate financial statements were signed on 22 April 2022 by:

Chairman of the Management Board

Mr. Giorgi Shagidze

Chief Accountant

Mrs. Carolina Semeniuc

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