Banca de Economii S.A.

Financial Statements
For the Year Ended 31 December 2008
Prepared in Accordance with
International Financial Reporting Standards

CONTENTS

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BANCA DE ECONOMII SA

We have audited the accompanying separate financial statements of Banca de Economii SA ("the Bank"), which comprise the balance sheet as of 31 December 2008 and income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Banks' preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating overall presentation of the financial statements.

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

ERNST & YOUNG

Opinion

In our opinion the separate financial statements give a true and fair view of the financial position of the Bank as of 31 December 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

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

Ernst & Young SRL

Ernst & Young

31 July 2009
Chisinau, Republic of Moldova

	Notes	2008 MDL'000	2007 MDL'000
ASSETS			
Cash on hand	4	413,028	330,115
Balances with National Bank of Moldova	5	430,996	484,977
Placements with banks	6	142,149	186,633
Financial assets held for trading	7	329	1,678
Loans and advances to banks	8	-	10,000
Loans and advances to customers, net	9	1,876,909	1,606,609
Financial investments – available-for-sale	10	8,059	1,839
Financial investments – held-to-maturity	10	283,081	242,218
Investment in subsidiary	10	-	6,120
Property and equipment	11	202,748	147,624
Intangible assets	12	16,610	4,961
Other assets	13	150,250	34,616
Total assets		**3,524,159**	**3,057,390**
LIABILITIES			
Deposits from banks	14	21,178	17,302
Other borrowings	15	7,036	14,448
Deposits from customers	16	2,622,499	2,276,007
Other liabilities	18	59,160	90,238
Total liabilities		**2,709,873**	**2,397,995**
SHAREHOLDERS' EQUITY			
Ordinary shares	19	29,258	29,258
Preference shares	19	76	76
Statutory reserve	20	18,752	18,752
Retained earnings	21	766,200	611,309
Total shareholders' equity		**814,286**	**659,395**
Total liabilities and shareholders' equity		**3,524,159**	**3,057,390**

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

The financial statements were authorized for issue on 31 July 2009 by the Executives of the Bank represented by:

G. Gacikevici

President
Banca de Economii S.A

	Notes	2008 MDL'000	2007 MDL'000
Interest income	24	379,118	410,098
Interest expense	24	(169,421)	(216,291)
Net interest income		**209,697**	**193,807**
Fee and commission income		122,297	108,014
Fee and commission expense		(13,563)	(10,346)
Net fee and commission income	25	**108,734**	**97,668**
Net foreign currency gain	26	144,171	88,412
Other operating income	27	22,854	19,825
Total other operating income		**167,025**	**108,237**
Total operating income		**485,456**	**399,712**
Impairment of loans	9	(73,993)	562
Net operating income		**411,463**	**400,274**
Personnel expenses	28	(124,185)	(94,537)
General and administrative expenses	29	(111,104)	(63,899)
Depreciation and amortisation expenses	30	(19,183)	(17,282)
Total operating expenses		**(254,472)**	**(175,718)**
Profit before tax		**156,991**	**224,556**
Income tax expense for the year	17	(2,081)	(17,341)
Profit for the year		**154,910**	**207,215**

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

The financial statements were authorized for issue on 31 July 2009 by the Executives of the Bank represented by:

G. Gacikevici

Chairman of the Administrative Council
Banca de Economii S.A

	Notes	2008 MDL'000	2007 MDL'000
Share capital			
Balance as at 1 January		29,334	29,334
Issued shares		-	-
Balance as at 31 December	**19**	**29,334**	**29,334**
Statutory reserves			
Balance as at 1 January		18,752	14,730
Allocated for the year		-	4,022
Balance as at 31 December	**20**	**18,752**	**18,752**
Retained earnings			
Balance as at 1 January		611,309	408,135
Net profit for the year		154,910	207,215
Transfers between reserves		-	(4,022)
Dividends		(19)	(19)
Balance as at 31 December	**21**	**766,200**	**611,309**
Total shareholders' equity		**814,286**	**659,395**

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

	Notes	2008 MDL'000	2007 MDL'000
Cash flows from operating activities			
Interest receipts		369,945	402,143
Interest payments		(156,715)	(204,658)
Net fee and commission income		110,639	97,668
Net financial and other operating income		177,265	115,368
Staff costs paid		(118,586)	(94,009)
Payments of general and administrative expenses		(110,079)	(62,724)
Operating profit before changes in operating assets		**272,469**	**253,788**
(Increase)/decrease in operating assets:			
Balances with NBM		3,981	(257,295)
Current accounts and deposits with banks		(4,464)	(1)
Treasury bill over 90 days		126,654	260,718
Loans to customers		(341,419)	(40,478)
Other assets		(115,634)	3,180
Increase/(decrease) in operating liabilities:			
Deposits from banks		3,867	(1,925)
Deposits from customers		333,879	(679,308)
Other liabilities		(7,864)	34,397
Net cash from/(used in) operating activities before income tax		**271,469**	**(426,924)**
Income tax paid		(32,818)	(29,042)
Net cash from/(used in) operating activities		**238,651**	**(455,966)**
Cash flows from investing activities			
Purchase of property and equipment		(72,788)	(34,757)
Purchase of intangible assets		(13,345)	(1,779)
Proceeds from disposal of property and equipment		137	111
Purchase of financial investments		(40,863)	-
Purchase of other investments		(100)	-
Proceeds from disposal of other investments		-	2,081
Net cash used in investing activities		**(126,959)**	**(34,344)**
Cash flows from financing activities			
Repayment of loans and borrowings		(10,966)	(148,145)
Proceeds from loans and borrowings		3,470	136,937
Dividends paid		(24)	(24)
Net cash (used in) financing activities		**(7,520)**	**(11,232)**
Net foreign exchange difference		(9,742)	(5,197)
Net increase/(decrease) in cash and cash equivalents		**94,430**	**(506,739)**
Cash and cash equivalents at 1 January		617,403	1,124,142
Cash and cash equivalents at 31 December	23	**711,833**	**617,403**

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

1. Corporate information

Banca de Economii S.A. ("the Bank") was created on 18 September 1996 as the successor of "Banca de Economii a Moldovei" which was established in 1992 following the restructuring of the Republican Bank of Moldova under the Saving Bank of the USSR into the State Commercial Bank "Banca de Economii a Moldovei".

Currently the Government of the Republic of Moldova owns 56.13% of the ordinary shares of the Bank. The remainder shares are split between a large number of companies and individuals. The Bank's shares are listed on the Moldovan Stock Exchange.

At 31 December 2008 the Bank possessed the license A MMII nr.004454, granted on 26 June 2008 by the National Bank of Moldova, which allows the Bank to be engaged in the following banking activities: both corporate and retail banking operations for individuals and small, micro and medium sized enterprises. The Bank's corporate banking activities consist in deposit taking, cash management, lending, and foreign trade finance. It offers the traditional range of banking services and products associated with foreign trade transactions including payment orders, documentary collections and issuance of letters of credit and guarantees. The Bank also offers a comprehensive range of retail banking services for individuals: saving accounts, demand and time deposits, loans and domestic and international fund transfers.

The Bank operates through its head office located in Chisinau and 37 branches and 434 representative offices (31 December 2007: 37 branches and 431 representative offices) located in Moldova.

During 2008 the Bank has lost its control over the subsidiary I.M.S.I.A. "Moldasig" SRL due to issuance of new shares, acquired by Linekers Investments Limited. Thus the share of the Bank has diminished from 51% to 10.2%.

The registered office of the Bank is located at Columna Street 115, Chisinau, Republic of Moldova.

As at 31 December 2008 the Bank had 2,468 employees (2007: 2,405 employees).

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

2. Accounting policies

2.1 Basis of preparation

The separate financial statements have been prepared on a historical cost basis except for held for trading financial assets measured at fair value. The financial statements are presented in Moldovan Lei (MDL) and all values are rounded to the nearest thousand except when otherwise indicated.

Statement of compliance
The separate financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The Bank prepares these separate financial statements based on the requirements of the shareholders and Executives of the Bank. In addition to these separate IFRS financial statements the Bank also prepares and issues consolidated financial statements incorporating also the accounts of its subsidiary company up to the date of loss of control.

2.2 Significant accounting judgments and estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts and balances reported in the financial statements and accompanying notes.

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

Impairment losses on loans and advances
The Bank reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Bank also makes a collective impairment allowance against exposures, which although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weakness or deterioration in cash flows.

Impairment of equity investments
The Bank treats equity investments as impaired when objective evidence of impairment exists. As there is no active market available, it is impracticable to determine the fair value of equity investments held by the Bank. The impairment is assessed by comparing the Bank's share in net assets based on annual audited financial statements of investees to the carrying value of these investments.

2. Accounting policies (continued)

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that the Bank has adopted those new and amended IFRS and IFRIC interpretations as of 1 January 2008.

- Amendments to *IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets*
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*
- IFRIC 12 – *Service Concession Arrangements*
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction.*

Adoption of these standards and interpretations did not have an effect on the financial performance or position of the Bank.

The amendments to IAS 39 and IFRS 7 did not have an impact on the disclosures presented in these financial statements, as the Bank did not reclassify any financial assets out of the held-for trading category.

IFRIC 11, 12, 14 are not applicable to the bank's operations and hence had no impact on the financial position or performance of the Bank, neither did.

2.4 Significant accounting policies

a. Foreign currency translation

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate. The year-end and average rates for the year were:

	2008		2007	
	USD	**Euro**	**USD**	**Euro**
Average for the period	10.3895	15.2916	12.1362	16.5986
Year end	10.4002	14.7408	11.3192	16.6437

Exchange differences arising on the settlement of the transactions at rates different from those at the date of the transaction, and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

b. Deposits with banks

These are stated at amortized cost, less any provisions for impairment.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

c. *Loans and advances originated by the Bank*

Loans originated by the Bank represent loans where money is provided directly to the borrower and are recognized when the cash is advanced to borrowers. They are initially recorded at the fair value of the cash disbursed, and are subsequently measured at amortized cost using the effective interest rate method.

The Bank presents the information regarding its loan portfolio and the provision for impairment based on the following classification of clients:
- corporate
- retail individuals.

d. Impairment of loans

If there is objective evidence that the Bank will not be able to collect all amounts due (principal and interest) according to original contractual terms of the loan / lease receivable, such loans are considered impaired. The amount of the impairment loss is the difference between the loan / lease receivable's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate or is the difference between the carrying value of the loan / lease receivable and the fair value of collateral, if the loan / lease receivable is collateralised and foreclosure is probable.

Impairment and uncollectibility are measured and recognised individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced to its estimated recoverable amount by a charge to income through the use of a provision for loan impairment account. A write off is made when all or part of a loan is deemed uncollectible. Write offs are charged against previously established provisions and reduce the principal amount of a loan. Recoveries of loans written off in earlier periods are included in income through the movement in the impairment provision.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for loan losses expense.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit rating that considers credit risk characteristics such as industry, collateral type, past-due status and other relevant factors. Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

e. Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

f. Financial assets held for trading

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. They are recorded in the balance sheet at fair value and the changes in fair value between trade and settlement date are recognized in the income statement as "Other operating income".

g. Financial investments

Held-to-maturity financial investments

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in "Interest and similar income" in the income statement. The losses arising from impairment of such investments are recognized in the income statement line "Impairment losses on financial investments".

Available- for- sale financial investments

All the investments which are not classified as held-to-maturity or financial assets held for trading are included in available-for-sale category. All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at settlement date. Available for sale assets are recognized at their cost (including transaction costs), as their fair value cannot be reliably determined.

Investments in subsidiaries

Investments in subsidiaries are recognized initially at cost (including transaction costs). Subsequent to initial recognition, they are measured at cost less any provision for impairment.

h. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment loss.

Expenses for repairs and maintenance are charged to operating expenses as incurred. Subsequent expenditure on property and equipment is only recognized as an asset when the expenditure improves the condition of the asset beyond the originally assessed standard of performance.

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

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

h. Property and equipment (continued)

Depreciation is computed on a straight-line basis over the estimated useful life of the asset, as stated below:

Asset type	Years
Buildings	40-45
ATMs	10
Furniture and equipment	5-15
Computers	3
Vehicles	5-8

i. Intangible assets

Intangibles represent costs incurred for acquisition of computer software and are amortized using the straight-line method over the best estimate of their useful lives, which vary between 1 and 20 years.

Where the carrying amount of an asset is greater than the estimated recoverable amount, it is written down to its recoverable amount.

j. Borrowings

Borrowings are initially recognized at cost, being their issue proceeds net of transaction costs incurred. Subsequently borrowings are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period to maturity using the effective yield method.

k. Offsetting financial assets and liabilities

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

l. Sale and repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the balance sheet as securities and are measured in accordance with respective accounting policies. The liability for amounts received under these agreements is included in due to banks and other financial institutions. The difference between sale and repurchase price is treated as interest expense using the effective yield method. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are recorded as loans and advances to other banks or customers as appropriate.

m. Financial guarantee contracts

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

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortization calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management. Any increase in the liability relating to guarantees is taken to the income statement under other operating expenses.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

n. Recognition of income and expense

Interest income and expense are recognized in the income statement for all interest bearing instruments, including loans that are classified as non-performing, on an accrual basis using the effective yield method. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

Fees and direct costs relating to loan origination are deferred and amortized to interest income over the life of the loan using the straight line method which approximates to the effective interest rate method.

Commission income and fees for various banking services are recorded as income when collected. Dividends are recognized when the shareholders' right to receive the payments is established.

o. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, current accounts and short-term placements at other banks, treasury bills and other short – term highly liquid investments, with less than 90 days maturity from the date of acquisition.

p. Contingencies

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

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

q. Provisions

The Bank recognizes provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events and a reasonable estimate of the obligation can be made.

r. Pension costs and employees' benefits

The Bank makes contributions to the funds set up by the State of Moldova for pensions, health care and unemployment benefits calculated on the basis of salaries of all employees of the Bank. The Bank does not operate any other retirement plan and has no obligation to provide further benefits to current or former employees.

s. Repossessed assets

Repossessed assets include foreclosed collateral on non-performing loans. They are initially recognized at fair value and are subsequently measured at the lower of carrying amount and fair value less costs to sell.

t. Related parties

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 and operating decisions.

Related party transactions represent a transfer of resources or obligations between related parties, regardless of whether a price is charged.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

u. Taxation

A provision is made for all foreseeable taxation liabilities in accordance with domestic legislation currently in force.

Differences between financial reporting under IFRS and local tax regulations give rise to differences between the carrying value of certain assets and liabilities and their tax base. Deferred income tax is provided using the liability method, for all such temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

v. Recognition and de-recognition of financial instruments

The Bank recognizes a financial asset or a financial liability on its balance sheet when, and only when, the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the settlement date, i.e. the date that an asset is delivered to or by the Bank. Regular way purchases of sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

A financial asset is derecognized where:

- The rights to receive cash flows from the asset have expired;
- The Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

w. Operating leases – the Bank as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

x. Events subsequent to the balance sheet date

Post-year-end events that provide additional information about the Bank's position at the balance sheet date (adjusting events) or those that indicate that the going concern assumption is not appropriate are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

2. Accounting policies (continued)

2.5 Standards and interpretations issued but not yet effective

Certain new standards and interpretations have been published that are mandatory for the Bank's accounting periods beginning on or after 1 January 2009 or later periods and which the Bank has not early adopted:

IFRS 1 and IAS 27 Amendments: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for financial years beginning on or after 1 January 2009).

The amendments to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statement. The revision to IAS 27 will have to be applied prospectively. The Bank does not expect these amendments to impact its financial statements.

IFRS 2: Amendments to IFRS 2 Share Based Payment – Vesting Conditions and Cancellations (effective for financial years beginning on or after 1 January 2009).

The amendment clarifies two issues: the definition of "vesting condition", introducing the term "non-vesting condition" for conditions other than service conditions and performance conditions. It also clarifies that the same accounting treatment applies to awards that are effectively cancelled by either the entity or the counterparty. The Bank expects that this Interpretation will have no impact on its financial statements.

IFRS 3: Revisions to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (effective for financial years beginning on or after 1 July 2009).

IFRS 3R introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). IAS 27R requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests. The financial statements of the Bank will not be impacted by the application of the revision.

IFRS 8: Operating Segments (effective for financial years beginning on or after 1 January 2009).

The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organization for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. The Bank will make the necessary changes to the presentation of its financial statements in 2009.

2. Accounting policies (continued)

2.5 Standards and interpretations issued but not yet effective (continued)

IAS 1: Amendments to IAS 1 Presentation of Financial Statements (effective for financial years beginning on or after 1 January 2009).

IAS 1 has been revised to enhance the usefulness of information presented in the financial statements. One of the main revisions are the requirement that the statement of changes in equity includes only transactions with shareholders; the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in profit or loss together with "other comprehensive income"; and the requirement to present restatements of financial statements or retrospective application of a new accounting policy as at the beginning of the earliest comparative period, i.e.: a third column on the balance sheet. The Bank will make the necessary changes to the presentation of its financial statements in 2009.

IAS 23R: Amendment to IAS 23 Borrowing Costs (effective for financial years beginning on or after 1 January 2009).

The main change to IAS 23 is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalize such borrowing costs as part of the cost of the asset. The revised Standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009.

IAS 32: Amendments to IAS 32 and IAS 1 Puttable Financial Instruments (effective for financial years beginning on or after 1 January 2009).

The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Bank does not expect these amendments to impact its financial statements.

IAS: 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for financial years beginning on or after 1 July 2009)
The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Bank has concluded that the amendment will have no impact on the financial position or performance of the Bank, as the Bank has not entered into any such hedges.

2008 Annual Improvements to IFRS: In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard (effective for financial years beginning on or after 1 January 2009).

2009 Annual Improvements to IFRS: In April 2009 the Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard (effective for financial years beginning on or after 1 January 2010).

2. Accounting policies (continued)

2.5 Standards and interpretations issued but not yet effective (continued)

Amendments to IAS 39 and IFRIC 9: Reassessment of Embedded Derivatives (effective for financial years ending on or after 30 July 2009)
The amendment addresses the reassessment of whether to separate the embedded derivatives of financial instruments that had been reclassified out of the held for trading category. The Bank did not reclassify any of its financial instruments, and as a result the amendments will not have an impact on the financial position or performance of the Bank.

Amendments to IFRS 7: Fair value disclosures (effective for annual periods beginning on or after 1 January 2009)
The amendments are intended to enhance disclosure about fair value measurement and liquidity risk. The Bank will make the necessary changes to the presentation of its financial statements in 2009.

IFRIC 13 – *Customer Loyalty Programmes* (effective for financial periods beginning on or after 1 July 2008)
This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Bank expects that the interpretation will have no impact on its financial statements as no such schemes currently exist.

IFRIC 15 – *Agreement for the Construction of Real Estate* (effective for financial years beginning on or after 1 January 2009).
This Interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. Agreements in the scope of this Interpretation are agreements for the construction of real estate. In addition to the construction of real estate, such agreements may include the delivery of other goods or services. The Bank expects that the interpretation will have no impact on its financial statements.

IFRIC 16 – *Hedges of a Net Investment in Foreign Operation* (effective for financial years beginning on or after 1 October 2008).
This Interpretation applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. The Bank expects that the interpretation will have no impact on its financial statements, as it currently does not have any investments in foreign operations.

IFRIC 17 – *Distribution of Non-cash Assets to Owners* (effective for financial years beginning on or after 1 July 2009).
This Interpretation applies to the following types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners: (a) distributions of non-cash assets (e.g. items of property, plant and equipment, businesses as defined in IFRS 3, ownership interests in another entity or disposal groups as defined in IFRS 5) and (b) distributions that give owners a choice of receiving either non-cash assets or a cash alternative. The Bank expects that the interpretation will have no impact on its financial statements.

IFRIC 18 –*Transfers of Assets from Customers* (effective for financial years beginning on or after 1 July 2009).
This Interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. Agreements within the scope of this Interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. The Bank expects that the interpretation will have no impact on its financial statements.

3. Segment information

(i) Geographical segments

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical region as at 31 December 2008. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

The Bank's geographical concentration of assets and liabilities is set out in the table below:

	2008		2007	
	Total assets MDL'000	Total liabilities MDL'000	Total assets MDL'000	Total liabilities MDL'000
Moldova	3,498,697	2,702,857	2,891,751	2,391,343
Germany	13,008	-	74,875	-
Great Britain	7,457	-	-	-
Russian	2,690	-	19,998	-
USA	1,044	-	63,678	-
Austria	612	-	-	-
Romania	126	-	-	-
Belarus	249	-	-	-
Belgium	189	-	-	-
Other countries	87	7,016	7,088	6,652
	3,524,159	**2,709,873**	**3,057,390**	**2,397,995**

(ii) Business segments

The Bank operates within the single banking business segment and its activities are exclusively carried out in the Republic of Moldova.

4. Cash on hand

	2008 MDL'000	2007 MDL'000
Cash	412,639	329,540
Travellers' cheques	348	537
Other	41	38
	413,028	**330,115**

5. Balances with National Bank of Moldova

	2008 MDL'000	2007 MDL'000
Current account	237,856	285,996
Obligatory reserves in FCC	193,140	148,981
Overnight placements	-	50,000
	430,996	**484,977**

Current account and obligatory reserves

The National Bank of Moldova (NBM) requires commercial banks to maintain for liquidity purposes minimum reserves calculated at a certain rate of the average funds borrowed by banks during the previous 15 days including all customer deposits. Based on the decision Nr 85 by the Administrative Council of NBM dated 15 April 2004, the method for calculation and maintaining the compulsory reserves was changed. Funds attracted in Moldovan Lei (MDL) and in non-convertible currencies are reserved in MDL. Funds attracted in US Dollars (USD) and other freely convertible currencies are reserved in USD, funds attracted in EURO (EUR) are reserved in EUR. As of 31 December 2008 the rate for calculation of the minimum compulsory reserve in all currencies was 17.5%, as a result of the decision of the Administrative Council of NBM no. 253 dated 18 December 2008 (31 December 2007: 15%).

The Bank maintains its compulsory reserves in a current account opened with the NBM in amount of 17.5% of funds attracted in Moldovan Lei and non-convertible currencies, 17.5% reserves on funds denominated in USD and EUR are held in a special compulsory reserve account with NBM.

The interest paid by NBM on the compulsory reserves during 2008 varied between 0.39% and 0.82% per annum for reserves in foreign currency (2007: 0.4% - 0.77% per annum) and 2% for reserves in MDL (2007: 2% per annum). The compulsory reserves on funds attracted in USD and EUR are placed in Nostro accounts of NBM at correspondent banks incorporated in OECD countries. The compulsory reserves held in the current account at NBM are available for use in the Bank's day to day operations.

6. Placements with banks

	2008 MDL'000	2007 MDL'000
Deposits in banks (term guarantee)	1,922	2,043
Overnight placements	93,720	88,565
Current accounts in banks from OECD countries	22,367	70,962
Current accounts in banks from non-OECD	3,097	20,799
Current accounts with local banks	21,043	4,264
	142,149	**186,633**

Overnight placements include placements in Bank of New York Mellon (New York) in amount of USD'000 5,398 with an interest rate of 0.025%, in Citibank (New York) in amount of USD'000 70 with an interest rate of 0.01% and in Commerzbank (Frankfurt) EUR'000 2,500 with an interest rate of 1.6% (2007: Commerzbank (Frankfurt) EUR'000 2,500 with an interest rate of 3.5%, EUR'000 1,056 with an interest rate of 3.5% and USD'000 1,000 with an interest rate of 4.3%, Bank of New York (New York) USD'000 2,823.6 with an interest rate of 2.25% and in Citibank (New York) in amount of USD'000 324 with an interest rate of 2.86%).

Placements in banks include restricted deposit in the amount of MDL'000 1,922 (2007: MDL'000 2,043) representing placements with HSBC London for fund transfers through MasterCard system.

7. Financial assets held for trading

As at 31 December 2008 held for trading securities include treasury bills of 364 days maturity issued by the Ministry of Finance of the Republic of Moldova with an interest rate of 21.56% p a. (31 December 2007: 11% and 12%).

8. Loans and advances to banks

	Interest rate %	2008 MDL'000	Interest rate %	2007 MDL'000
BC BCR Chisinau SA	-	-	16%	10,000
		-		**10,000**

9. Loans and advances to customers, net

	2008 MDL'000	2007 MDL'000
Corporate clients	1,686,466	1,380,698
Individuals	306,080	267,261
Gross loans	**1,992,546**	**1,647,959**
Less: Allowance for impairment losses	(115,637)	(41,350)
	1,876,909	**1,606,609**

Included in loans and advances to customers are loans granted to related parties amounting to MDL'000 24,300 (2007: MDL'000 38,292). (Please refer to Note 36)

Analysis of loan portfolio by industry is presented below:

	2008 MDL'000	2007 MDL'000
Industry and commerce	787,562	741,834
Agriculture and food industry	199,673	181,466
Construction	231,221	144,082
Real estate	139,409	140,081
Fuel and energy	144,175	61,338
Consumer	189,393	132,357
Government	32,802	45,531
Transportation and road construction	104,160	127,347
Financial activities / banks	5,029	5,839
Others	159,122	68,084
	1,992,546	**1,647,959**

Interest rates on loans and advances to customers vary between 11.8% and 28.8% p.a. for loans and advances in Moldovan Lei (the weighted average market interest rate according to NBM during 2008 was 22.48% (2007: 18.85%)) and from 11.5% to 15% p.a. for loans and advances in foreign currencies (the weighted average market interest rate according to NBM was 14.56% (2007: 10.88%)).

9. Loans and advances to customers, net (continued)

The movement in provision for impairment of loans during the years 2008 and 2007 are presented below:

	2008 MDL'000	2007 MDL'000
At 1 January	41,350	44,110
Write-offs	(1,481)	(3,020)
Recoveries	1,775	822
Charge / (release) for the year	73,993	(562)
At 31 December	**115,637**	**41,350**

Loans and advances are summarized as follows:

	2008			2007		
	Corporate	Individuals	Total	Corporate	Individuals	Total
			MDL'000			
Neither past due nor impaired	1,413,071	302,012	**1,715,083**	1,207,236	264,017	**1,471,253**
Past due but not impaired	217,947	4,068	**222,015**	173,462	3,244	**176,706**
Individually impaired	55,448	-	**55,448**	-	-	-
Total	**1,686,466**	**306,080**	**1,992,546**	**1,380,698**	**267,261**	**1,647,959**

(i) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

2008	Standard	Watch	Sub-standard	Doubtful	Loss	Total
			MDL'000			
Corporate	1,084,908	232,638	95,525	-	-	1,413,071
Individuals	302,012	-	-	-	-	302,012
Total	**1,386,920**	**232,638**	**95,525**	**-**	**-**	**1,715,083**

2007	Standard	Watch	Sub-standard	Doubtful	Loss	Total
			MDL'000			
Corporate	893,106	295,467	18,663	-	-	1,207,236
Individuals	264,017	-	-	-	-	264,017
Total	**1,157,123**	**295,467**	**18,663**	**-**	**-**	**1,471,253**

9. Loans and advances to customers, net (continued)

(i) Loans and advances neither past due nor impaired (continued)
Below is a brief description of the internal rating categories used by the Bank:
Standard – not overdue loans, for which all contractual conditions are fully met and there are no reasons that would indicate that the Bank currently or in the future would incur losses.
Watch – loans with potential problems due to the financial situation of the counter party or the collateral coverage that need attention from the management of the Bank.
Sub-standard – loans with a higher degree of risk of losses due to the unfavorable or worsening financial situation, insufficient or worsening collateral coverage, other unfavorable factors, that may lead to losses if such factors are not addressed.
Doubtful – loans with problems that reduce the probability of fulfilling current and future obligations related to the loan in full based on current circumstances and conditions.
Loss – loans that cannot be reimbursed, as well as there is no possibility to execute the decision of juridical body to reimburse the loan due to the absence of assets to be realized in order to recover the loan or such assets are illiquid.

(ii) Loans and advances past due but not impaired
Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class of customers that were past due but not impaired were as follows:

	2008			
	Up to 30 days	**From 31 to 60 days**	**From 61 to 90 days**	**Total**
	MDL'000	**MDL'000**	**MDL'000**	**MDL'000**
Corporate	127,331	41,318	49,298	217,947
Individuals	-	3,616	452	4,068
Total	**127,331**	**44,934**	**49,750**	**222,015**

	2007			
	Up to 30 days	**From 31 to 60 days**	**From 61 to 90 days**	**Total**
	MDL'000	**MDL'000**	**MDL'000**	**MDL'000**
Corporate	109,310	6,480	57,672	173,462
Individuals	-	2,209	1,035	3,244
Total	**109,310**	**8,689**	**58,707**	**176,706**

The fair value of collateral that the Bank holds relating to past due loans at 31 December 2008 amounts to MDL'000 432,683 (2007: MDL'000 244,598). The collateral consists mainly of real estate and other properties, and cash deposits.

9. Loans and advances to customers, net (continued)

(iii) Loans and advances individually impaired

The Bank had individually impaired loans and advances to customers as at 31 December 2008 in amount of MDL'000 55,448 (2007: Nil). The fair value of collateral that the Bank holds relating to individually impaired at 31 December 2008 amounts to MDL'000 26,878 (2007: Nil). The collateral consists mainly of real estate and other properties, and ceded receivables.

As of 31 December 2008 the accrued interest related to individually impaired loans amounted to Nil.

The table below shows the carrying amount of the renegotiated loans of the Bank:

	2008 MDL'000	2007 MDL'000
Corporate clients	133,379	125,471
Individuals	7	49
	133,386	**125,520**

10. Financial investments

	2008 MDL'000	2007 MDL'000
Held-to-maturity investments	283,081	242,218
Available-for-sale investments	8,059	1,839
Investment in subsidiary (51%)	-	6,120
	291,140	**250,177**

10. Financial investments (continued)

The movement in equity investment portfolio of the Bank is presented below:

	2008 MDL'000	2007 MDL'000
Held-to-maturity investments		
Balance as at 1 January	242,218	910,835
Additions	240,276	436,660
Disposals	(191,977)	(1,103,285)
Effective interest rate adjustment	(7,436)	(1,992)
Balance as at 31 December	**283,081**	**242,218**
Available for sale investments		
Balance as at 1 January	1,839	546
Additions	6,220	1,297
Disposals	-	(4)
Balance as at 31 December	**8,059**	**1,839**
Investment in subsidiary		
Balance as at 1 January	6,120	6,120
Deemed disposal	(6,120)	-
Balance as at 31 December	-	**6,120**
	291,140	**250,177**

Held-to-maturity investments:

	2008 MDL'000	2007 MDL'000
State bonds	46,270	69,589
NBM certificates	134,285	-
Treasury bills	102,526	172,629
	283,081	**242,218**

Certificates issued by the NBM as at 31 December 2008 represent certificates with a maturity up to one month in MDL with an interest rate of 13.97%.

State bonds as of 31 December 2008 represent MDL treasury bills of 730-731 days maturity, issued by the Ministry of Finance of the Republic of Moldova and bear a coupon between 18.29% and 22.90% p a. (2007: between 12.7% and 17.13%).

Treasury bills represent MDL securities of 91 and 364 maturity days issued by the Ministry of Finance of the Republic of Moldova with an interest rate between 13.97% and 22.20% (2007: 10.45% and 17.15%).

10. Financial investments (continued)

Available for sale investments:

As at 31 December 2008 and 2007, the Bank investment securities comprise:

	Field of activity	Ownership 2008, %	2008 MDL'000	2007 MDL'000
Bursa de Valori a Moldovei	Financial investments	2.56	7	7
SRL Garantinvest	Insurance	9.92	440	440
ASPA SA	Metals processing	7.30	824	824
Î.M.S.I.A „Moldasig" SRL	Insurance	10.20	6,120	-
Depozitarul Naţional	Securities	3.13	6	6
Magistrala SA	Road construction	2.27	473	473
Autobank SA, Moscow	Banking	0.01	49	49
MoldmediaCard SRL	Transactions processing	0.44	40	40
S.R.L."Biroul de credit"	Data processing	9.51	100	-
			8,059	**1,839**

Available for sale financial investments are carried at cost as there is no active market to determine reliably their fair value. Subsequently the Bank assesses at each balance sheet date whether there is any objective evidence that the financial asset is impaired. As at the year end there is no internal or external evidence that the assets are impaired.

11. Property and equipment

	Land and buildings MDL'000	Furniture and equipment MDL'000	Motor vehicles MDL'000	Improvements of leasehold assets MDL'000	Assets under construction MDL'000	Total MDL'000
Cost						
Balance as at 1 January 2008	84,520	98,577	12,095	976	24,301	220,469
Additions	5,002	3,735	101	3,908	65,148	77,894
Transfers	42,046	21,642	3,041	20	(66,749)	-
Disposals	(27)	(2,718)	(666)	(31)	(4,861)	(8,303)
Balance as at 31 December 2008	**131,541**	**121,236**	**14,571**	**4,873**	**17,839**	**290,060**
Accumulated depreciation						
Balance as at 1 January 2008	12,844	52,098	7,174	729	-	72,845
Charge for the year	2,373	13,772	1,449	70	-	17,664
Disposals	-	(2,553)	(634)	(10)	-	(3,197)
Balance as at 31 December 2008	**15,217**	**63,317**	**7,989**	**789**	-	**87,312**
Net book value						
At 31 December 2008	**116,324**	**57,919**	**6,582**	**4,084**	**17,839**	**202,748**
At 31 December 2007	**71,676**	**46,479**	**4,921**	**247**	**24,301**	**147,624**

As of 31 December 2008 the cost of fully depreciated property and equipment still in use amounted to MDL'000 36,725 (31 December 2007 MDL'000 26,323).

11. Property and equipment (continued)

	Land and buildings MDL'000	Furniture and equipment MDL'000	Motor vehicles MDL'000	Improvements of leasehold assets MDL'000	Assets under construction MDL'000	Total MDL'000
Cost						
Balance as at 1 January 2007	81,870	84,492	12,048	1,232	7,872	187,514
Additions	2,139	2,238	6	16	30,475	34,874
Transfers	632	13,026	379	-	(14,037)	-
Disposals	(121)	(1,179)	(338)	(272)	(9)	(1,919)
Balance as at 31 December 2007	**84,520**	**98,577**	**12,095**	**976**	**24,301**	**220,469**
Accumulated depreciation						
Balance as at 1 January 2007	10,862	40,302	6,093	926	-	58,183
Charge for the year	2,058	12,910	1,413	27	-	16,408
Disposals	(76)	(1,114)	(332)	(224)	-	(1,746)
Balance as at 31 December 2007	**12,844**	**52,098**	**7,174**	**729**	-	**72,845**
Net book value						
At 31 December 2007	**71,676**	**46,479**	**4,921**	**247**	**24,301**	**147,624**
At 31 December 2006	**71,008**	**44,190**	**5,955**	**306**	**7,872**	**129,331**

12. Intangible assets

Cost	Software in use MDL'000	Software under development MDL'000	Total MDL'000
Balance as at 1 January 2008	15,675	17	15,692
Additions	9,946	3,222	13,168
Disposals	(4,223)	-	(4,223)
Balance as at 31 December 2008	**21,398**	**3,239**	**24,637**
Accumulated depreciation			
Balance as at 1 January 2008	10,731	-	10,731
Charge for the year	1,519	-	1,519
Disposals	(4,223)	-	(4,223)
Balance as at 31 December 2008	**8,027**	**-**	**8,027**
Net book value			
At 31 December 2008	**13,371**	**3,239**	**16,610**
At 31 December 2007	**4,944**	**17**	**4,961**

Cost	Software in use MDL'000	Software under development MDL'000	Total MDL'000
Balance as at 1 January 2007	13,993	17	14,010
Additions	2,249	-	2,249
Disposals	(567)	-	(567)
Balance as at 31 December 2007	**15,675**	**17**	**15,692**
Accumulated depreciation			
Balance as at 1 January 2007	9,954	-	9,954
Charge for the year	874	-	874
Disposals	(97)	-	(97)
Balance as at 31 December 2007	**10,731**	**-**	**10,731**
Net book value			
At 31 December 2007	**4,944**	**17**	**4,961**
At 31 December 2006	**4,039**	**17**	**4,056**

13. Other assets

	2008 MDL'000	2007 MDL'000
Receivables from Western Union	6,849	1,293
Inventory and other items	4,625	4,456
Transit and suspense accounts	4,832	5,239
Repossessed assets	76,282	4,152
Due from budget	20	2,676
Debtors on capital investments	6,791	7,697
Prepaid expenses	38,509	6,772
Non-interest-related calculated incomes	5,221	456
Advance payments for serviced to be received	5,991	-
Other assets	5,748	5,645
	154,868	**38,386**
Less: allowance for losses on other assets	(4,618)	(3,770)
	150,250	**34,616**

During the year 2008 the Bank took in possession foreclosed collateral for non-performing loans from:

Counter party	Type of asset	2008 MDL'000	2007 MDL'000
SA Fabrica de fermentare a tutunului	Real Estate and other collateral	2,930	2,830
IM Acorex Wine Holding SA	Real Estate and other collateral	62,138	-
SRL Serulung	Real Estate	85	-
SA Margaritar	Real Estate and other collateral	10,740	-
CP Agrocazaiac	Real Estate	-	717
Individuals	Real Estate	21	296
Others		368	309
		76,282	**4,152**

Prepaid expenses represent rent payments in amount of MDL'000 35,996. There is a three year prepayment in amount of MDL'000 22,885 under the rent contract number 147 dated 29 October 2008, the amount was paid to an individual.

14. Deposits from banks

	2008 MDL'000	2007 MDL'000
Loans and deposits from other banks		
Loro accounts	378	6,707
Short term deposits	20,800	10,595
	21,178	**17,302**

As at 31 December 2008 the short term deposits represent a deposit received from BCR Chisinau SA of USD'000 2,000 with an interest of 10% and which matures in July 2009 (2007: EUR'000 636 with an interest of 2.9% and which matured in February 2008).

15. Other borrowings

	Interest rate, %	2008 MDL'000	2007 MDL'000
Loans and deposits from other banks			
Czech Export Bank		-	6,691
Commerzbank SA		-	2,830
		-	**9,521**
Borrowings from other international financial			
IFAD	9.8%-11.7%	4,466	4,927
RISP	11.2%	2,570	-
		7,036	**4,927**
		7,036	**14,448**

The table below presents the borrowings from the Ministry of Finance received through the Credit Line Directorate Line (DLC) representative at the Ministry of Finance of the Republic of Moldova (resources: World Bank, RISP), International Fund for Agricultural Development IFAD (UCIP-IFAD) at the Ministry of Finance of the Republic of Moldova (resources IFAD).

15. Other borrowings (continued)

Creditor	Final maturity	Original currency	Contract amount in original currency (000)	Interest rate, %	Amount (MDL'000)
DLC, IA nr. BEM-08/05; 04.03.2005	04.03.2010	MDL	580	11.7	271
DLC, IA nr. BEM-12/05; 31.10.2005	31.10.2015	MDL	750	11.7	767
TOTAL contr. 50-OL of 30.12.2002			**1,330**		**1,038**
DLC, IA nr. 19 of 30.03.2007	15.05.2014	MDL	1,250	11.3	1,279
DLC, IA nr. 48 of 01.08.2007	15.11.2022	MDL	1,200	11.3	1,228
DLC, IA nr. 154/08 of 16.12.2008	15.11.2013	MDL	300	9.8	307
DLC, IA nr. 153/08 of 16.12.2008	15.11.2011	MDL	300	9.8	307
DLC, IA nr. 160/08 of 16.12.2008	15.11.2013	MDL	300	9.8	307
TOTAL contr. IFAD-R7 of 30.01.2006			**3,350**		**3,428**
TOTAL IFAD			**4,680**		**4,466**
DLC, payable nr. 90/08 of 06.10.2008	01.10.2023	MDL	1,027	11.2	1,027
DLC, payable nr. 89/08 of 06.10.2008	01.10.2023	MDL	1,543	11.2	1,543
TOTAL contr. GR RISP 2 of 03. 10.2008			**2,570**		**2,570**
TOTAL RISP			**2,570**		**2,570**
Total			**7,250**		**7,036**

Loan from RISP

The borrowings under the Rural Investment and Services Project (RISP) were received as a result of an agreement signed between the Ministry of Finance of Republic of Moldova and the World Bank, and the Bank is acting as an intermediary in financing rural sector enterprises. Each withdrawal from the credit line has a grace period of 3 years. After the expiration of the grace period, the outstanding principal amount is reimbursed in 24 semi-annual instalments on 1 April and 1 October of each year. The Bank received loans from RISP denominated in MDL. Interest on MDL loans is 11.2% (2007: 12.7%)

Loan from IFAD

International Fund for Agricultural Development (IFAD) granted a loan to the Republic of Moldova for re-crediting the small rural businesses involved in agricultural sector. According to the agreement of 30 December 2002, the Bank is an intermediate and bears full credit risk related to individual loan agreements signed with end-borrowers. The loans are granted for a period of 7 years with a grace period of up to 3 years. Interest on these loans is variable and is determined at each 15 May and 15 November according to reimbursement schedule for each contract apart. The Bank received loans from IFAD denominated in MDL, bearing an interest of 9.8% - 11.3% (2007: 13.2%).

16. Deposits from customers

	2008 MDL'000	2007 MDL'000
Payable on demand		
Corporate customers	578,425	582,880
Public Institutions	78,382	49,629
Individuals	545,748	529,048
	1,202,555	**1,161,557**
Term deposits		
Corporate customers	129,880	67,088
Public Institutions	-	-
Individuals	1,290,064	1,047,362
	1,419,944	**1,114,450**
	2,622,499	**2,276,007**

The Bank's term deposit portfolio includes deposits with no rights to withdraw prior to maturity. Should the deposit 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. However there are deposits that as per the placement agreement, in case of premature withdrawal allow interest computation at a reduced rate.

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

	2008								2007							
	MDL			FCY					MDL			FCY				
	%		%	%		%			%		%	%		%		
Corporate customers																
Demand deposits	0.0	-	5.0	0.0	-	0.0			0.0	-	16.0	0.0	-	0.3		
Term deposits up to 3 months	-	-	-	-	-	-			-	-	-	-	-	-		
Term deposits >3 months< 1 year	0.0	-	17.5	4.0	-	9.0			0.0	-	1.0	4.0	-	4.5		
Term deposits over 1 year	-	-	-	5.0	-	9.0			1.0	-	10.0	4.5	-	6.5		
Public institutions																
Demand deposits	0.0	-	12.0	0.0	-	5.1			0.0	-	16.0	0.0	-	5.1		
Term deposits up to 3 months	-	-	-	-	-	-			-	-	-	-	-	-		
Term deposits >3 months< 1 year	-	-	-	-	-	-			-	-	-	-	-	-		
Term deposits over 1 year	-	-	-	-	-	-			-	-	-	-	-	-		
Individuals																
Demand deposits	0.0	-	9.0	0.0	-	1.0			0.0	-	9.0	0.0	-	1.0		
Term deposits up to 3 months	3.0	-	18.0	2.0	-	6.0			3.0	-	3.0	2.0	-	5.0		
Term deposits >3 months< 1 year	4.5	-	23.0	3.5	-	13.0			4.5	-	17.0	3.5	-	9.0		
Term deposits over 1 year	10.0	-	23.0	2.7	-	13.0			10.0	-	17.5	2.7	-	9.5		

17. Taxation

	2008 MDL'000	2007 MDL'000
Current income tax		
Current income tax	1,301	26,903
Adjustment in respect of current income tax of prior years	780	(464)
	2,081	26,439
Deferred income tax		
Relating to origination and reversal of temporary differences	-	(9,098)
	-	(9,098)
Income tax expense for the year	**2,081**	**17,341**

Current income tax is calculated on the taxable income per statutory financial statements. For tax purposes, the deductibility of certain expenses, for example entertainment costs, is limited to a percentage of profit, specified in the tax law.

Starting from 1 January 2008, the income tax rate is 0%. The standard income tax rate in 2007 was 15%.

The reconciliation between income tax expense reflected in the financial statements and the amounts calculated at the standard tax rate of 0% (2007: 15%) is as follows:

	2008 MDL'000	2007 MDL'000
Accounting profit before tax	**156,991**	**224,556**
At Moldovan statutory income tax rate of 0% (2007 – 15%)	-	33,683
Tax allowance	-	(1,137)
Effect of changes in tax rates	-	(9,098)
Excess over the limit for charity expenses	1,301	-
Non-deductible expenses (at tax rate)	-	3,503
Income not subject to tax (at tax rate)	-	(9,146)
Adjustment in respect of current income tax of prior years	780	(464)
At the effective income tax rate of 1.3% (2007 – 7.7%)	**2,081**	**17,341**

Deferred tax was calculated by applying the 2009 standard tax rate of 0% (2008: standard tax rate of 0%). Since major part of temporary differences have a maturity of more than one year, the full rate was applied for calculation of deferred tax as of 31 December 2008. Significant components of the Bank's gross deferred income tax liabilities are as follows:

17. Taxation (continued)

	2008 MDL'000	2007 MDL'000
Balance as at 1 January	-	9,098
Income statement (credit)/charge	-	(9,098)
Balance as at 31 December	-	-

Deferred income tax as of 31 December 2008 relates to the following:

	Balance sheet		Income statement	
	2008 MDL'000	2007 MDL'000	2008 MDL'000	2007 MDL'000
Deferred income tax liability/(asset)				
Loans and advances to customers	-	-	-	(6,509)
Fixed assets	-	-	-	(3,023)
Other	-	-	-	434
Net deferred tax liability	-	-		
Deferred income tax charge/(credit)	-	-	-	**(9,098)**

18. Other liabilities

	2008 MDL'000	2007 MDL'000
Payables on Moldova-Express system	35,182	61,408
Payables on Moldova-Express Plus system	4,297	9,981
Transit and suspense accounts	7,559	10,702
Income tax and other payable	2,287	-
Provision for unused vacation	5,599	2,213
Non interest bearing accruals	2,398	3,133
Other liabilities	1,838	2,801
	59,160	**90,238**

19. Ordinary shares

Share capital as of 31 December 2008 constituted 5,851,691 ordinary authorized shares and 75,745 preferential shares, issued in circulation with the nominal value of MDL 5 and respectively MDL 1 per share (31 December 2007: 5,851,691 ordinary authorized shares and 75,745 preferential shares). The holders of ordinary shares are entitled to receive dividends as declared and have equal voting right.

	Nr of Shares	2008 MDL'000	Nr of Shares	2007 MDL'000
Ordinary Shares	5,851,691	29,258	5,851,691	29,258
Preference Shares	75,745	76	75,745	76
		29,334		**29,334**

As of 31 December 2008 and 2007, the shareholders' structure of the Bank is as follows:

Shareholder	**2008** Share MDL'000	**2008** Share %	**2007** Share MDL'000	**2007** Share %
Public Property Agency of the Ministry of Economy and Commerce	16,466	56.13	16,466	56.13
Minerva SRL	2,925	9.97	2,925	9.97
Sisteme Informationale Integrate SRL	2,867	9.78	2,867	9.78
Intercontinent SRL	2,615	8.92	2,615	8.92
Zilena Com SRL	2,500	8.52	2,500	8.52
Others less than 5% ownership	1,961	6.68	1,961	6.68
Total	**29,334**	**100.00**	**29,334**	**100.00**

19. Ordinary shares (continued)

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at the General Meeting of the Shareholders of the Bank.

Preference shares have a nominal value of MDL 1 and have priority when dividends are declared and in case of liquidation. Preference shares do not bear voting rights. All shares rank equally with regard to the Bank's residual assets, except that preference shareholders participate to a proportional extent of the face value of the share.

20. Statutory reserves

In accordance with the local legislation, 5% of the net profit of the Bank is required to be transferred to a non-distributable statutory reserve until such time as this represents 15% of the share capital of the Bank. General reserve cannot be distributed among the shareholders.

21. Reconciliation of the statutory retained earnings to IFRS retained earnings

A reconciliation of retained earnings and net income of the Bank under Moldovan and International Financial Reporting Standards is given below:

	Retained earnings 2008 MDL'000	Net profit 2008 MDL'000	Retained earnings 2007 MDL'000	Net profit 2007 MDL'000
Per statutory financial statements	**775,999**	**209,915**	**566,400**	**195,260**
Adjustments to IFRS				
Unamortised commission	(11,961)	(424)	(11,537)	(1,496)
Fair value loss on securities	(460)	1,532	(1,992)	(1,992)
The accumulated amount for the estimated possible loan losses	4,272	(47,364)	51,636	(1,796)
Reversal of provision on other assets	2,426	(1,160)	3,586	3,586
Provision for unused vacations	(5,599)	(3,386)	(2,213)	(555)
Provision on contingent commitments	2,428	(569)	2,997	2,997
Deferred income tax adjustments	-	(2,432)	2,432	9,977
Prior year income tax correction	-	(297)	-	-
Cut-off adjustments	(905)	(905)	-	1,234
Total adjustments	**(9,799)**	**(55,005)**	**44,909**	**11,955**
Per IFRS	**766,200**	**154,910**	**611,309**	**207,215**

22. Capital adequacy

The table below presents the computation of capital adequacy starting from IFRS figures, in accordance with the guidelines (July 1988) of the Bank for International Settlements for capital adequacy computation:

	Nominal amount			Risk weighted amount	
	2008	**2007**		**2008**	**2007**
	MDL'000	**MDL'000**		**MDL'000**	**MDL'000**
Balance sheet assets (net of reserves)					
Cash on hand	413,028	330,115	0%	-	-
Balances with National Bank	430,996	484,977	0%	-	-
Placements with banks	142,149	186,633	20%	28,430	37,327
Financial assets held for trading	329	1,678	0%	-	-
Loans and advances to banks	-	10,000	0%	-	-
Loans from customers, with mortgage	985,516	759,469	50%	492,758	379,735
Loans from customers, without mortgage	891,393	847,140	100%	891,393	847,140
Financial investments – available-for-sale	8,059	1,839	100%	8,059	1,839
Financial investments – held-to-maturity	283,081	242,218	0%	-	-
Investment in subsidiary	-	6,120	100%	-	6,120
Property and equipment	202,748	147,624	100%	202,748	147,624
Intangible assets	16,610	4,961	100%	16,610	4,961
Other assets	150,250	34,616	100%	150,250	34,616
Total balance sheet items	**3,524,159**	**3,057,390**		**1,790,248**	**1,459,362**
Off-balance sheet items					
Letters of credit	20,080	12,975	100%	20,080	12,975
Guarantees issued	28,893	93,871	100%	28,893	93,871
Commitments to lend funds	174,797	156,773	50%	87,399	78,387
Total off-balance sheet position	**223,770**	**263,619**		**136,372**	**185,233**
Total	**3,747,929**	**3,321,009**		**1,926,620**	**1,644,595**

22. Capital adequacy (continued)

	2008 MDL'000	2007 MDL'000
Tier 1 capital		
Share capital, nominal	29,334	29,334
Retained earnings	766,200	611,309
Less: net intangible assets	(16,610)	(4,961)
Total tier 1 capital	**778,924**	**635,682**
Tier 2 capital		
Statutory reserves	18,752	18,752
Total tier 2 capital	**18,752**	**18,752**
Total capital	**797,676**	**654,434**
Tier 1 ratio	40.43%	38.65%
Tier 1 and 2 ratio	41.40%	39.79%

During 2008 and 2007 the Bank complied in full with the capital requirements imposed by the National Bank of Moldova set at the level of 12%.

23. Cash and cash equivalents

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

	Balance as of 31 December		Change	
	2008 MDL'000	2007 MDL'000	2008 MDL'000	2007 MDL'000
Cash on hand	413,028	330,115	82,913	5,690
Balances with National Bank (<90 days)	-	50,000	(50,000)	(96,546)
Current accounts and deposits with banks (<90 days)	122,470	186,633	(64,163)	(9,205)
Treasury bills (<90 days)	41,335	50,655	(9,320)	(406,678)
Securities issued by NBM	135,000	-	135,000	-
	711,833	**617,403**	**94,430**	**(506,739)**

24. Net interest income

	2008 MDL'000	2007 MDL'000
Interest income		
Due from NBM and other banks	10,840	33,687
Financial instruments – held to maturity	72,530	129,141
Loans and advances to banks	267	5,133
Loans and advances to customers	295,481	242,137
	379,118	**410,098**
Interest expense		
Deposits from banks	(1,496)	(1,193)
Other borrowings	(656)	(1,027)
Deposits from customers-individuals	(153,910)	(77,715)
Deposits from customers-companies	(13,359)	(136,356)
	(169,421)	**(216,291)**
Net interest income	**209,697**	**193,807**

25. Net fee and commission income

	2008 MDL'000	2007 MDL'000
Fee and commission income		
Transfers via Western Union	20,430	23,541
Transfers via Moldova-Express	18,588	15,649
SWIFT transfers	2,145	2,266
Transfers via Unistream	1,169	-
Cash transactions	51,027	36,468
Commission on guarantees and letters of credit	1,350	2,825
Commission on sale/purchase of securities	87	127
Allowances	5,021	5,467
Pension	4,875	2,342
Salaries	726	487
Cash delivery service	15,396	16,159
Other	1,483	2,683
	122,297	**108,014**
Fee and commission expense		
Cash withdrawals	(11,308)	(8,134)
Payment transactions	(2,255)	(2,212)
	(13,563)	**(10,346)**
Net fee and commission income	**108,734**	**97,668**

26. Net foreign currency gain

	2008 MDL'000	2007 MDL'000
Net result from currency trading	153,912	93,608
Net result from revaluation of monetary assets and liabilities	(9,741)	(5,196)
	144,171	**88,412**

27. Other operating income

	2008 MDL'000	2007 MDL'000
Dividends received	-	4,306
Income from card operations	14,611	11,569
Revenue from disposal of repossessed assets	1,423	1,349
Income from rent	1,420	1,295
Income from fines and penalties received	934	994
Revenues from disposal of tangibles	137	111
Revenues from disposal of other assets	836	-
Changes in fair value of securities	1,532	(1,992)
Other	1,961	2,193
	22,854	**19,825**

28. Personnel expenses

	2008 MDL'000	2007 MDL'000
Wages and salaries	72,432	56,961
Bonuses	10,329	7,133
Social insurance	20,297	16,180
Medical insurance	2,553	1,623
Provision for unused vacation	3,386	555
Other payments	15,188	12,085
	124,185	**94,537**

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

29. General and administrative expenses

	2008 MDL'000	2007 MDL'000
Administration and marketing	19,574	18,860
Communications	8,856	9,035
Repairs and maintenance	4,389	3,989
Utilities	3,522	3,258
Rent	10,576	6,008
Contributions to Deposit Guarantee Fund	3,723	4,035
Transportation expenses	6,619	5,455
Transactions with cards	4,531	4,507
Expenses related to taxes	2,894	1,358
Sponsorship	41,514	3,559
Impairment of other assets	1,154	-
Other expenses	3,752	3,835
	111,104	**63,899**

Sponsorship expenses mainly include donations for the reconstruction of the Curchi Monastery in amount of MDL'000 30,000 and donations to recover from the consequences of natural disasters in amount of MDL'000 10,000.

30. Depreciation and amortisation expenses

	2008 MDL'000	2007 MDL'000
Depreciation	17,664	16,408
Amortisation	1,519	874
	19,183	**17,282**

31. Guarantees and other commitments

The aggregate amounts of outstanding guarantees, commitments, and other off-balance sheet items as of 31 December 2008 and 2007 are:

	2008 MDL'000	2007 MDL'000
Letters of credit	20,080	12,975
Guarantees	28,893	93,871
Commitments to lend funds	174,797	156,773
	223,770	**263,619**

31. Guarantees and other commitments (continued)

In the normal course of business, the Bank issues guarantees and letters of credit on behalf of its customers. The credit risk on guarantees is similar to that arising from granting of loans. In the event of a claim on the Bank as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Bank. No provision is required as of 31 December 2008.

Commitments to lend funds do not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.
The table below shows contractual expiry by maturity of Bank's guarantees and other financial commitments as of 31 December 2008 and 2007:

2008	Less than 1 month MDL'000	1 to 3 months MDL'000	3 months to 1 year MDL'000	1 to 5 years MDL'000	Over 5 years MDL'000	Total MDL'000
Letters of credit	-	11,530	-	8,550	-	**20,080**
Guarantees	96	28	7,462	21,307	-	**28,893**
Commitments to lend funds	-	19,253	36,431	118,963	150	**174,797**
Total	**96**	**30,811**	**43,893**	**148,820**	**150**	**223,770**

2007	Less than 1 month MDL'000	1 to 3 months MDL'000	3 months to 1 year MDL'000	1 to 5 years MDL'000	Over 5 years MDL'000	Total MDL'000
Letters of credit	-	-	-	12,975	-	**12,975**
Guarantees	60	2,073	55,542	36,196	-	**93,871**
Commitments to lend funds	11,839	51	19,091	125,792	-	**156,773**
Total	**11,899**	**2,124**	**74,633**	**174,963**	**-**	**263,619**

Operating lease commitments – Bank as lessee

The Bank has entered into commercial leases on premises. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

	2008 MDL'000	2007 MDL'000
Within one year	114	26
After one year but not more than five years	189	40
More than five years		
	303	**66**

32. Capital commitments

There were no capital commitments as of 31 December 2008 and 2007.

33. Contingencies

As of 31 December 2008 and 2007 the Bank is a defendant in a number of lawsuits arising out of normal corporate activities. In the opinion of Management and the Bank's legal department, the probability of loss is remote.

34. Earnings per share

	Ordinary shares outstanding	Profit for the year MDL'000	Basic and diluted EPS MDL
As of 31 December 2007	5,851,691	207,215	35.41
As of 31 December 2008	5,851,691	154,910	26.47

35. Fair value of financial instruments

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value:

	Carrying value 2008 MDL'000	Fair value 2008 MDL'000	Unrecognised gain / (loss) 2008 MDL'000	Carrying value 2007 MDL'000	Fair value 2007 MDL'000	Unrecognised gain / (loss) 2007 MDL'000
Financial assets						
Placements with banks	142,149	142,149	-	186,633	186,633	-
Financial assets held for trading	329	329	-	1,678	1,678	-
Loans and advances to banks	-	-	-	10,000	10,000	-
Loans and advances to customers	1,876,909	1,720,574	(156,335)	1,606,609	1,504,055	(102,554)
Investment securities – HTM	283,081	273,761	(9,320)	242,218	242,218	-
Investment securities – AFS	8,059	8,059	-	1,839	1,839	-
Investment in subsidiary	-	-	-	6,120	6,120	-
Financial liabilities						
Due to banks	21,178	21,178	-	17,302	17,302	-
Due to customers	2,622,499	2,512,360	110,139	2,276,007	2,156,421	119,586
Other borrowings	7,036	6,427	609	14,448	14,380	68
Total unrecognised gain	**-**	**-**	**(54,907)**	**-**	**-**	**17,100**

(i) Loans and advances to banks

Loans and advances to banks include inter-bank placements and loans. The fair value of floating rate placements and overnight deposits approximates their carrying amount. The estimated fair value of fixed interest bearing placements is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) Loans and advances to customers

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

(iii) Borrowings, including due to other banks and due to customers

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.

36. Related parties

During the year a number of banking and non-banking transactions were entered into with related parties in the normal course of business. These include loans granting, deposit taking, trade finance, payment settlement, foreign currency transactions and acquisition of services and goods from related parties. Loans to employees and other related parties were granted at market rates. Below we present the balances and transactions with related parties during the year:

Related party		Loans outstanding as at the year end, net	Deposits at the year end	Interest and commission income	Interest and commission expenses	Non-interest income	Non-interest expenses /costs	Dividends received
		MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
I.M.S.I.A „Moldasig" SRL	2008	-	7,606	-	289	560	-	-
	2007	-	1,876	-	-	269	1,105	4,306
Public Property Agency of the Ministry of Economy and Commerce	2008	-	-	-	-	-	-	-
	2007	-	-	-	-	-	-	-
Minerva SRL	2008	-	3	-	-	-	-	-
	2007	-	7	-	-	-	-	-
Sisteme Informationale Integrate SRL	2008	-	3	-	-	-	-	-
	2007	-	14	-	-	-	-	-
Intercontinent SRL	2008	-	-	-	-	-	-	-
	2007	-	-	-	-	-	-	-
Zilena Com SRL	2008	-	-	-	-	-	-	-
	2007	-	-	-	-	-	-	-
P.E. Railway station of Moldova	2008	16,774	-	2,666	-	-	-	-
	2007	15,633	-	3,752	-	-	-	-
Avicola Roso SL SA	2008	1,429	-	125	-	-	-	-
	2007	2,000	-	17	-	-	-	-
LKV-Service SRL	2008	2,826	-	356	-	-	-	-
	2007	-	-	-	-	-	-	-
Other Bank administrators members of loan committee and their related parties	2008	3,271	-	2,053	-	-	-	-
	2007	20,659	3,846	2,374	224	-	262	-
Total	**2008**	**24,300**	**7,612**	**5,200**	**289**	**560**	**-**	**-**
Total	**2007**	**38,292**	**5,743**	**6,143**	**224**	**269**	**1,367**	**4,306**

36. Related parties (continued)

Directors' remuneration
The executive management received remuneration totalling MDL'000 8,421 (2007: MDL'000 9,953). The non-executive members of the Bank Council received fees totalling MDL'000 1,166 (2007: MDL'000 1,581).

37. Risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

37.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

The Bank 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 industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product and industry sector are approved quarterly by the Board of Directors.

The exposure to any borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

37. Risk management (continued)

37.1 Credit risk (continued)

Credit-related commitments

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

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

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

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

	Notes	2008 MDL'000	2007 MDL'000
Balances with National Bank	5	430,996	484,977
Placements with banks	6	142,149	186,633
Financial assets held for trading	7	329	1,678
Loans and advances to banks	8	-	10,000
Loans and advances to customers, net	9	1,876,909	1,606,609
Financial investments – available-for-sale	10	8,059	1,839
Financial investments – held-to-maturity	10	283,081	242,218
Investment in subsidiary	10	-	6,120
Other assets	13	23,847	12,469
Total		**2,765,370**	**2,552,543**
Letters of credit	31	20,080	12,975
Guarantees	31	28,893	93,871
Financing commitments		174,827	239,797
Total		**223,800**	**346,643**
Total credit risk exposure		**2,989,170**	**2,899,186**

The above table represents a worse case scenario of credit risk exposure to the Bank at 31 December 2008 and 2007, without taking account of any collateral held or other credit enhancements attached. For on balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 63% of the total maximum exposure is derived from loans and advances to banks and customers (2007: 57%); 9% represents investments in treasury bills (2007: 9%).

37. Risk management (continued)

37.1 Credit risk (continued)

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

Concentration of gross exposure as at 31 December 2008 for first ten debtor clients, presented in groups or individually:

	2008		2007	
	MDL'000	**in % to equity – 814,286 MDL'000**	**MDL'000**	**in % to equity – 659,395 MDL'000**
MOLDOVAGAZ SA	120,000	14.74%	-	-
AEROPORTUL INTERNATIONAL CHISINAU	93,404	11.47%	46,769	7.09%
MOLDRESURSE	89,000	10.93%	89,000	13.50%
MELODIA SA	83,445	10.25%	38,480	5.84%
SANIN SRL, SANIN PLUS SRL	73,602	9.04%	56,295	8.54%
CORPORATIA FIN RURALA	70,000	8.60%	19,900	3.02%
RUSAGRO-PRIM SRL	69,500	8.53%	50,000	7.58%
TOMAILI-ARGO II	65,262	8.01%	49,605	7.52%
AROMA SA	58,839	7.23%	38,550	5.85%
BASAVINEX SA, ROMANESTI SA	50,052	6.15%	64,782	10.63%
Total	**773,104**	**94.96%**	**453,381**	**68.76%**

For significant credit risk concentration at the industry level please refer to Note 9.

37. Risk management (continued)

37.2 Market risk

The economy of the Republic of Moldova continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country; a low level of liquidity in the public and private debt and equity markets and relatively high inflation.

Additionally, the financial services sector in the Republic of Moldova is vulnerable to adverse currency fluctuations and economic conditions.

The prospects for future economic stability in the Republic of Moldova are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal and regulatory developments.

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

37. Risk management (continued)

37.2 Market risk (continued)

37.2.1 Currency risk

Currency risk is the risk of loss resulting from changes in exchange rates.

The national currency did not suffer depreciation during 2008, thus the net assets expressed in MDL were not exposed to value risk. The Bank maintains a long equilibrated position between the assets and liabilities in currency in order to ensure against this risk.

Sensitivity analysis to currency risk

The Bank performed a sensitivity analysis to currency risk at which it is reasonably exposed at 31 December 2008, showing how income statement could have been affected as a result of possible changes in currency rates.

The tables below show the currencies for which the Bank has significant exposure to currency risk as at 31 December 2008 and as at 31 December 2007, for the balance sheet items that are sensible to the currency rates' modifications. The analysis demonstrates the effect of reasonably possible changes in currency rates against Moldovan Leu with all other variables held constant. Except for the effect presented below, there is no other impact on Company's equity:

OCP	Nominal value MDL	Possible rate increase, in %	Income/(Loss) effect MDL	Possible rate decrease, in %	Income/(Loss) Effect MDL
As at 31 December 2008					
EUR	(45,782)	+5%	(2,289)	-5%	2,289
USD	921	+5%	46	-5%	(46)

OCP	Nominal value MDL	Possible rate increase, in %	Income/(Loss) effect MDL	Possible rate decrease, in %	Income/(Loss) Effect MDL
As at 31 December 2007					
EUR	(112,501)	+5%	(5,625)	-5%	5,625
USD	51,368	+5%	2,568	-5%	(2,568)

The foreign currency breakdown of the Bank's assets and liabilities and the sensibility analysis of Bank's exposure to currency risk is presented below:

37. Risk management (continued)

37.2 Market risk (continued)

37.2.1 Currency risk (continued)

Balance sheet structure by currency

	31 December 2008				
	Total MDL'000	MDL MDL'000	EUR MDL'000	USD MDL'000	Other MDL'000
ASSETS					
Cash on hand	413,028	327,294	62,933	15,017	7,784
Balances with National Bank	430,996	237,856	124,516	68,624	-
Placements with banks	142,149	21,782	50,327	59,840	10,200
Financial assets held for trading	329	329	-	-	-
Loans and advances to banks	-	-	-	-	-
Loans and advances to customers	1,876,909	1,310,445	367,005	199,459	-
Financial investments – available-for-sale	8,059	8,059	-	-	-
Financial investments – held-to-maturity	283,081	283,081	-	-	-
Investment in subsidiary	-	-	-	-	-
Property and equipment	202,748	202,748	-	-	-
Intangible assets	16,610	16,610	-	-	-
Other assets	150,250	119,862	12,693	17,695	-
Total assets	**3,524,159**	**2,528,066**	**617,474**	**360,635**	**17,984**
LIABILITIES					
Deposits from banks	21,178	82	-	21,096	-
Other borrowings	7,036	7,036	-	-	-
Deposits from customers	2,622,499	1,642,467	639,133	331,024	9,875
Other liabilities	59,160	25,746	24,123	7,594	1,697
Total liabilities	**2,709,873**	**1,675,331**	**663,256**	**359,714**	**11,572**
GAP	**814,286**	**852,735**	**(45,782)**	**921**	**6,412**

37. Risk management (continued)

37.2 Market risk (continued)

37.2.1 Currency risk (continued)

Balance sheet structure by currency (continued)

	31 December 2007				
	Total MDL'000	MDL MDL'000	EUR MDL'000	USD MDL'000	Other MDL'000
ASSETS					
Cash on hand	330,115	243,685	49,585	30,028	6,817
Balances with National Bank	484,977	335,996	91,805	57,176	-
Placements with banks	186,633	17,922	66,948	90,406	11,357
Financial assets held for trading	1,678	1,678	-	-	-
Loans and advances to banks	10,000	10,000	-	-	-
Loans and advances to customers	1,606,609	1,105,355	265,420	235,834	-
Financial investments – available-for-sale	1,839	1,839	-	-	-
Financial investments – held-to-maturity	242,218	242,218	-	-	-
Investment in subsidiary	6,120	6,120	-	-	-
Property and equipment	147,624	147,624	-	-	-
Intangible assets	4,961	4,961	-	-	-
Other assets	34,616	24,666	6,170	3,644	136
Total assets	**3,057,390**	**2,142,064**	**479,928**	**417,088**	**18,310**
LIABILITIES					
Deposits from banks	17,302	17	10,595	6,690	-
Other borrowings	14,448	4,926	6,677	2,845	-
Deposits from customers	2,276,007	1,358,993	564,178	347,637	5,199
Other liabilities	90,238	69,094	10,979	8,548	1,617
Total liabilities	**2,397,995**	**1,433,030**	**592,429**	**365,720**	**6,816**
GAP	**659,395**	**709,034**	**(112,501)**	**51,368**	**11,494**

37. Risk management (continued)

37.2 Market risk (continued)

37.2.2 Interest rate risk

Interest rate risk is the risk of loss resulting from changes in interest rates. Interest rate risk consists of the fluctuation risk in the value of financial instrument as a result of variation in interest rates on the inter-bank market and the GAP risk between maturities for interest bearing assets and liabilities.

Interest rate fluctuations can affect Bank's profit, assets economic value, liabilities and off-balance sheet items. Thus, the effective period of interest rate established for a financial instrument indicates the extent of Bank's risk toward interest rate risk. The bank re-establishes the cost of assets and liabilities. The financial instruments are bearing the interest market rate, thus the fair values do not differ significantly from the accounting values.

The Bank grants loans and accepts deposits at both fixed rates and variable ones. Loans at variable rates to clients as well as deposits from clients represent instruments for which the Bank has the right to modify unilaterally the rates as a consequence of possible changes on the market. Bank notifies its clients 15 days in advance of the changes. By these instruments the Bank secured additionally its exposure to interest rate risk and is able to manage the impact over income statement from the market.

According to the internal and external financial market evolution, the Bank forecasts the evolution of interest rates for its assets and liabilities and their impact on net interest income. The Bank estimates a fluctuation in interest rates of +/- 100 and +/-50 basis points to be reasonable for 2008 and 2007:

	Increase in basis points	Sensitivity of Net Interest Income, MDL '000	Decrease in basis points	Sensitivity of Net Interest Income, MDL '000
2008	+100	(6,586)	-100	6,586
	+50	(3,293)	-50	3,293
2007	+100	(8,874)	-100	8,874
	+50	(4,437)	-50	4,437

An illustration of the Bank's exposure to interest rate risks at 31 December 2008 and 31 December 2007 is presented below. The table below present the Bank's assets and liabilities at 31 December 2008 and 31 December 2007 at carrying amounts, categorized by the earlier of contractual repricing or maturity dates:

As of 31 December 2008	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Non-interest bearing items MDL'000
ASSETS							
Cash on hand	413,028	-	-	-	-	-	413 028
Balances with National Bank	430,996	430,996	-	-	-	-	-
Placements with banks	142,149	142,149	-	-	-	-	-
Financial assets held for trading	329	-	-	329	-	-	-
Loans with variable interest rate	1,876,909	1,876,909	-	-	-	-	-
Loans with fixed interest rate	-	-	-	-	-	-	-
Financial investments – available-for-sale	8,059	-	-	-	-	-	8,059
Financial investments – held-to-maturity	283,081	152,703	30,608	80,521	11,771	7,478	-
Property and equipment	202,748	-	-	-	-	-	202,748
Intangible assets	16,610	-	-	-	-	-	16,610
Other assets	150,250	-	-	-	-	-	150,250
Total assets	**3,524,159**	**2,602,757**	**30,608**	**80,850**	**11,771**	**7,478**	**790,695**
LIABILITIES							
Deposits from banks	21,178	-	-	20,800	-	-	378
Other borrowings	7,036	101	-	198	3,235	3,502	-
Deposits from customers (variable interest rate)	2,620,343	2,620,343	-	-	-	-	-
Deposits from customers (fixed interest rate)	2,156	859	647	650	-	-	-
Other liabilities	59,160	-	-	-	-	-	59,160
Total liabilities	**2,709,873**	**2,621,303**	**647**	**21,648**	**3,235**	**3,502**	**59,538**
Interest gap	**814,286**	**(18,546)**	**29,961**	**59,202**	**8,536**	**3,976**	**731,157**
Cumulative interest gap		**(18,546)**	**11,415**	**70,617**	**79,153**	**83,129**	**814,286**

As of 31 December 2007	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Non-interest bearing items MDL'000
ASSETS							
Cash on hand	330,115	-	-	-	-	-	330,115
Balances with National Bank	484,977	484,977	-	-	-	-	-
Placements with banks	186,633	186,633	-	-	-	-	-
Financial assets held for trading	1,678	-	-	1,678	-	-	-
Loans and advances to banks	10,000	10,000	-	-	-	-	-
Loans with variable interest rate	1,391,088	1,391,088	-	-	-	-	-
Loans with fixed interest rate	215,521	-	-	-	215,521	-	-
Financial investments – available-for-sale	1,839	-	-	-	-	-	1,839
Financial investments – held-to-maturity	242,218	50,655	34,286	124,553	32,724	-	-
Investment in subsidiary	6,120	-	-	-	-	-	6,120
Property and equipment	147,624	-	-	-	-	-	147,624
Intangible assets	4,961	-	-	-	-	-	4,961
Other assets	34,616	-	-	-	-	-	34,616
Total assets	**3,057,390**	**2,123,353**	**34,286**	**126,231**	**248,245**	**-**	**525,275**
LIABILITIES							
Deposits from banks	17,302	17,302	-	-	-	-	-
Other borrowings	14,448	3,457	2,831	4,346	1,804	2,010	-
Deposits from customers (variable interest rate)	2,276,007	2,276,007	-	-	-	-	-
Other liabilities	90,238	-	-	-	-	-	90,238
Total liabilities	**2,397,995**	**2,296,766**	**2,831**	**4,346**	**1,804**	**2,010**	**90,238**
Interest gap	**659,395**	**(173,413)**	**31,455**	**121,885**	**246,441**	**(2,010)**	**435,037**
Cumulative interest gap		**(173,413)**	**(141,958)**	**(20,073)**	**226,368**	**224,358**	**659,395**

37. Risk management (continued)

37.3 Operational risk

The Bank dispose of a rigorous conceived administration body. It includes the clear organizational structure with well defined responsibilities, transparent and coherent, efficient risk identification, administration, monitoring and reporting processes and adequate internal control mechanism, which include solid administration and accounting procedures.

The Bank observes the stipulations for operational risk administration from the regulations and other documents, as well as the recommendations issued by the NBM.

37.4 Liquidity risk

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees. The Bank does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for financial institutions to be completely matched, as transacted business is often of uncertainty term and different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

Management is confident that in spite of a substantial portion of deposits having contractual maturity dates within three months, diversification of these deposits by number and type of deposits, and the past experience of the Bank would indicate that these deposits provide a long-term and stable source of funding for the Bank.

The tables bellow analyses the Bank's assets and liabilities into relevant maturity grouping based on the remaining period at balance sheet date to the contractual maturity date.

As of 31 December 2008	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	Undefined maturity*
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS							
Cash on hand	413,028	413,028	-	-	-	-	-
Balances with National Bank	430,996	180,367	56,552	156,369	37,543	165	-
Placements with banks	142,149	122,470	-	19,679	-	-	-
Financial assets held for sale	329	-	-	329	-	-	-
Loans and advances to customers	1,876,909	17,660	154,924	341,975	1,300,130	45,081	17,139
Financial investments – available-for-sale	8,059	-	-	-	-	-	8,059
Financial investments – held-to-maturity	283,081	152,703	30,608	80,521	11,771	7,478	-
Property and equipment	202,748	-	-	-	-	-	202,748
Intangible assets	16,610	-	-	-	-	-	16,610
Other assets	150,250	35,047	8,904	30,243	25,036	3,209	47,811
Total assets	**3,524,159**	**921,275**	**250,988**	**629,116**	**1,374,480**	**55,933**	**292,367**
LIABILITIES							
Deposits from banks	21,178	378	-	20,800	-	-	-
Other borrowings	7,036	101	-	198	3,235	3,502	-
Deposits from customers	2,622,499	1,107,203	346,605	937,578	230,101	1,012	-
Other liabilities	59,160	57,814	40	1,194	93	19	-
Total liabilities	**2,709,873**	**1,165,496**	**346,645**	**959,770**	**233,429**	**4,533**	-
Maturity gap	**814,286**	**(244,221)**	**(95,657)**	**(330,654)**	**1,141,051**	**51,400**	**292,367**
Cumulative maturity gap		**(244,221)**	**(339,878)**	**(670,532)**	**470,519**	**521,919**	**814,286**

As of 31 December 2007	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	Undefined maturity*
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS							
Cash on hand	330,115	330,115	-	-	-	-	-
Balances with National Bank	484,977	311,202	34,425	105,436	33,800	114	-
Placements with banks	186,633	186,633	-	-	-	-	-
Financial assets held for trading	1,678	-	-	1,678	-	-	-
Loans and advances to banks	10,000	10,000	-	-	-	-	-
Loans and advances to customers	1,606,609	146,541	172,146	436,724	798,430	23,103	29,665
Financial investments – available-for-sale	1,839	-	-	-	-	-	1,839
Financial investments – held-to-maturity	242,218	50,655	34,286	124,553	32,724	-	-
Investment in subsidiary	6,120	-	-	-	-	-	6,120
Property and equipment	147,624	-	-	-	-	-	147,624
Intangible assets	4,961	-	-	-	-	-	4,961
Other assets	34,616	16,498	-	4,456	13,662	-	-
Total assets	**3,057,390**	**1,051,644**	**240,857**	**672,847**	**878,616**	**23,217**	**190,209**
LIABILITIES							
Deposits from banks	17,302	17,302	-	-	-	-	-
Other borrowings	14,448	3,457	2,831	4,346	1,804	2,010	-
Deposits from customers	2,276,007	890,200	274,526	840,824	269,545	912	-
Other liabilities	90,238	83,304	-	3,770	3,164	-	-
Total liabilities	**2,397,995**	**994,263**	**277,357**	**848,940**	**274,513**	**2,922**	**-**
Maturity gap	**659,395**	**57,381**	**(36,500)**	**(176,093)**	**604,103**	**20,295**	**190,209**
Cumulative maturity gap		**57,381**	**20,881**	**(155,212)**	**448,891**	**469,186**	**659,395**

37. Risk management (continued)

37.4 Liquidity risk (continued)

* Assets with undefined maturity include non-monetary assets, which are planned to be recovered through their use, as well as monetary assets the term of recovery of which is not determined as of the year end. Such assets include overdue loans and advances to customers and equity investments. Liabilities with undefined maturity include non-monetary liabilities.

The table below summarizes the maturity profile of the Bank's financial liabilities at 31 December 2008 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment at the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

31 December 2008	**On demand**	**Less than 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**	**Total**
	MDL'000	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**
Financial liabilities						
Due to banks	378	-	21,898	-	-	22,276
Other borrowings	-	-	1,272	5,107	5,441	11,820
Due to customers	1,131,369	376,925	974,082	285,621	1,860	2,769,857
Total undiscounted financial liabilities	**1,131,747**	**376,925**	**997,252**	**290,728**	**7,301**	**2,803,953**

31 December 2007	**On demand**	**Less than 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**	**Total**
	MDL'000	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**	**MDL'000**
Financial liabilities						
Due to banks	6,707	10,629	-	-	-	17,336
Other borrowings	-	6,253	4,868	3,362	3,040	17,523
Due to customers	1,117,164	214,870	786,382	220,105	1,101	2,339,622
Total undiscounted financial liabilities	**1,123,871**	**231,752**	**791,250**	**223,467**	**4,141**	**2,374,481**

38. Subsequent events

On 30 June 2009 the Bank has signed an intention agreement with the bank BC "INVESTPRIVATBANK" S.A. in process of liquidation, based on which, the parties agreed to sign subsequently a contract regarding the purchase or take over of the assets and liabilities of BC "INVESTPRIVATBANK" S.A. validated and registered with the National Bank of Moldova.