
Banca de Economii S.A.

Financial Statements

For the Year Ended 31 December 2009

Prepared in Accordance with National Accounting Standards

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

We have audited the accompanying financial statements of Banca de Economii SA ("the Bank"), which comprise the balance sheet as at 31 December 2009 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 National Accounting Standards, applicable in the Republic of Moldova. 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 National 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.

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with National Accounting Standards, applicable in the Republic of Moldova.

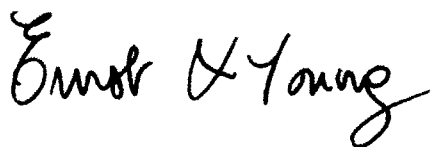


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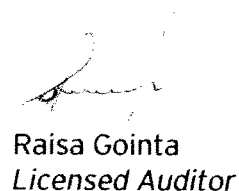
Other matters

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.

31 March 2010

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young SRL
Chisinau, Republic of Moldova

A handwritten signature of 'Raisa Gointa' in black ink, with the text 'Raisa Gointa' and 'Licensed Auditor' printed below it.

Raisa Gointa
Licensed Auditor

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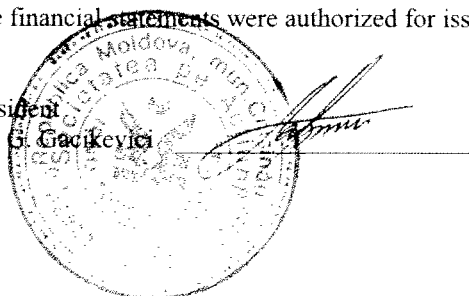
Banca de Economii SA
BALANCE SHEET
As at 31 December 2009

	Notes	2009 MDL'000	2008 MDL'000
ASSETS			
Cash on hand	4	360,205	413,028
Current accounts and deposits with banks	5	246,997	45,212
Balances with National Bank	6	166,298	430,996
Overnight placements	7	260,469	93,720
Held for trading securities	8	4,117	329
Investment securities	8	1,058,463	288,373
Loans, net	9	1,970,123	1,871,066
Property and equipment	10	272,270	202,748
Accrued interest receivable	11	20,734	21,987
Other fixed property	12	80,672	53,956
Other assets	13	682,494	123,423
Total assets		5,122,842	3,544,838
LIABILITIES			
<i>Non-interest bearing deposits</i>			
Banks		-	-
Individuals		219,732	190,484
Enterprises		37,845	34,821
		257,577	225,305
<i>Interest bearing deposits</i>			
Banks		2,984	21,178
Individuals		2,016,164	1,643,762
Enterprises		845,447	751,308
	14	2,864,595	2,416,248
Other borrowings	15	1,091,187	6,936
Accrued interest payable	16	4,507	2,223
Other liabilities	17	54,876	67,613
Provision for losses on off-balance sheet commitments	28	2,286	2,428
Total liabilities		4,275,028	2,720,753
SHAREHOLDERS' EQUITY			
Ordinary shares	19	29,258	29,258
Preferential shares	19	76	76
General reserve		18,752	18,752
Retained earnings		799,728	775,999
Total shareholders' equity		847,814	824,085
Total liabilities and shareholders' equity		5,122,842	3,544,838

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

The financial statements were authorized for issue on 31 March 2010 by the Executives of the Bank represented by:

President
 Mr. G. Gavrilyuc



Chief Accountant
 Mrs. I. Bărgheș

Banca de Economii SA
INCOME STATEMENT
For the Year Ended 31 December 2009

	Notes	2009 MDL'000	2008 MDL'000
Interest income			
Interest income on loans to banks		5,605	7,383
Interest income on overnights		3,601	3,457
Interest income on investment securities		60,530	72,530
Interest income on loans to customers		290,599	296,189
Total interest income		360,335	379,559
Interest expense			
Interest expense on deposits from banks		(1,160)	(1,032)
Interest expense on deposits from individuals		(174,472)	(152,055)
Interest expense on deposits from enterprises		(27,356)	(15,214)
Total interest expense on deposits		(202,988)	(168,301)
Interest expense on overnights		(202)	(287)
Interest expense on other borrowings		(23,088)	(833)
Total interest expense on borrowings		(23,290)	(1,120)
Total interest expense		(226,278)	(169,421)
Net interest income		134,057	210,138
Impairment of interest bearing assets	21	(58,051)	(26,629)
Net interest income after impairment of interest bearing assets		76,006	183,509
Non-interest income			
Non-interest income on trading securities		71	201
Non-interest income/(loss) on investment securities		-	12
Income from FX transactions	22	98,219	144,171
Commission income	23	136,907	137,796
Other non-interest income	24	6,019	6,498
		241,216	288,678
Non-interest expenses			
Salary		(80,994)	(72,432)
Bonuses		(6,443)	(10,329)
SIC		(39,938)	(38,038)
Expenses related to fixed assets	25	(56,113)	(41,979)
Tax and fees		(1,792)	(2,894)
Audit and consulting		(1,483)	(144)
Other non-interest expenses	26	(89,603)	(97,686)
Impairment of non-interest bearing assets	13	(12,227)	13
Recoveries/(Expenses) related to provision for off-balance sheet commitments	27	142	570
		(288,451)	(262,919)
Net income before tax and extraordinary items		28,771	209,268
Tax expense	18	(5,023)	647
Net profit for the year		23,748	209,915

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

The financial statements were authorized for issue on 31 March 2010 by the Executives of the Bank represented by:

President
Mr. G. Gacikovic

Chief Accountant
Mrs. I. Bargaeva

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Year Ended 31 December 2009

	Share capital			Reserves				Dividends paid in advance	Revaluation reserve	Total equity
	Issued shares	Preferential shares	Share premium	General reserve	Retained earnings	Other reserves				
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Balance as at 1 January 2009	29,258	76	-	18,752	775,999	-	-	-	-	824,085
Dividends paid for preferential shares	-	-	-	-	(19)	-	-	-	-	(19)
Net profit for the year	-	-	-	-	23,748	-	-	-	-	23,748
Balance as at 31 December 2009	29,258	76	-	18,752	799,728	-	-	-	-	847,814
Balance as at 1 January 2008	29,258	76	-	18,752	566,400	-	-	-	-	614,486
Dividends paid for preferential shares	-	-	-	-	(19)	-	-	-	-	(19)
Adjustment of the undistributed profit of 2007 year	-	-	-	-	(297)	-	-	-	-	(297)
Net profit for the year	-	-	-	-	209,915	-	-	-	-	209,915
Balance as at 31 December 2008	29,258	76	-	18,752	775,999	-	-	-	-	824,085

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

As of 31 December 2009 the statutory non-distributable reserves remained unchanged comparing to year end of 2008, constituting MDL'000 18,752.

Banca de Economii SA
CASH FLOW STATEMENT
For the Year Ended 31 December 2009

	Note	2009 MDL'000	2008 MDL'000
Cash flows from operating activities			
Interest receipts		361,588	372,902
Interest payments		(223,994)	(179,904)
Proceeds from loans previously written off		1,018	1,776
Other income		239,071	298,419
Staff costs paid		(127,375)	(120,799)
Payments of general and administrative expenses		(123,290)	(123,518)
Operating profit before reworking capital changes		127,018	248,876
<i>(Increase) / decrease in operating assets:</i>			
Placements in NBM		264,698	3,981
Placements in banks (over 90 days)		(352)	10,122
Loans to customers (short and medium term)		(320,834)	(118,104)
Held for trading state securities		(3,787)	1,347
Other assets		(566,097)	(33,123)
<i>Increase / (decrease) in operating liabilities:</i>			
Due to banks		(18,194)	3,886
Due to customers		525,523	429,443
Other liabilities		(19,618)	(44,398)
Net cash from operating activities before income tax		(11,643)	502,030
Income tax paid		-	(1,301)
Net cash from operating activities		(11,643)	500,729
Cash flows from investing activities			
Purchase of property and equipment		(91,169)	(72,788)
Purchase of intangible assets		(14,089)	(13,168)
Purchase / sale of investment securities		(475,109)	95,654
Loans to customers (long term)		143,079	(297,219)
Interest paid		(26,710)	(72,518)
Net cash from investing activities		(463,998)	(360,039)
Cash flows from financing activities			
Other borrowings		1,084,251	(7,372)
Dividends paid		(19)	(19)
Net cash from financing activities		1,084,232	(7,391)
Unrealized foreign exchange gain/(loss)		2,145	(9,741)
Net increase in cash and cash equivalents		610,736	123,558
Cash and cash equivalents at 1 January		688,255	564,697
Cash and cash equivalents at 31 December	20	1,298,991	688,255

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

1. Corporate information

Banca de Economii SA ("the Bank") was established on 18 September 1996 as the successor of "Banca de Economii a Moldovei" established in 1992, following the restructuring of the Republic 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.

At year-end 2009 the Bank possessed a license of series A MMII nr 004454 dated 26 June 2008 granted 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 425 representatives (31 December 2008: 37 branches and 434 representatives) located in Republic of Moldova.

The registered office of the Bank is located at Columna Street 115, Chisinau, Republic of Moldova, MD-2012.

As at 31 December 2009, the Bank had 2,472 employees (2008: 2,468 employees).

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

2. Basis of presentation

The financial year starts on 1 January and ends on 31 December, and includes all operations performed by the Bank during this period.

All the effective indices related to Bank's activity and which reflect Bank's financial and economic results of the activities performed during the financial year are included and reflected in the financial statements of the financial year.

The financial statements are presented in Moldovan lei ("MDL"), the currency of the country in which the Bank operates. Financial statements are prepared under the historic cost convention.

3. Significant accounting policies

a. Accounting principles

These financial statements are prepared in accordance with National Accounting Standards (NAS) issued by the Ministry of Finance of the Republic of Moldova and reporting regulations set by the National Bank of Moldova.

b. Foreign currency translation

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are reported using the official closing exchange rate. 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 assets and liabilities denominated in foreign currencies are translated to Moldovan Lei at the official foreign exchange rate at the date of transaction.

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

	2009		2008	
	USD	Euro	USD	Euro
Average for the period	11.1134	15.5248	10.3895	15.2916
Year end	12.3017	17.6252	10.4002	14.7408

c. Cash and cash equivalents

Cash comprises cash on hand, cash deposited with NBM, current accounts and short-term placements at other banks, treasury bills. Cash equivalents are other short – term highly liquid assets, with less than 90 days maturity from the date of acquisition, which can be easily converted in cash.

d. Financial instruments

Financial assets originated by the Bank are loans and receivables created by the Bank providing money to a borrower other than those created with the intention of short term profit taking. Financial assets originated by the Bank comprise loans and advances to banks and customers.

Held-to-maturity financial assets are those with fixed or determinated payments and fixed maturity that the Bank has the intention and ability to hold to maturity.

Trading instruments are those that the Bank holds for the purpose of short-term profit taking. These include securities and derivative contracts that are not used in hedging relationships, and liabilities from short sales of financial instruments.

Available-for-sale financial assets are financial assets that are not originated by the Bank, held for trading purposes or held to maturity.

3. Significant accounting policies (continued)

e. 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 straight line 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.

f. Held for trading securities

Held for trading securities are securities, which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. After initial recognition, trading securities are remeasured at fair value based on quoted bid prices. All related realized and unrealized gains or losses are recognized in trading income. Interest income on trading securities is included in interest income. All purchases and sales of treasury securities that require delivery within the time frame established by regulation or market convention are recognized at settlement date.

g. Investment securities

Investment securities include state securities and equity investments.

Securities comprise treasury bills issued by Ministry of Finance and certificates issued by NBM with maturity less than one year and state bonds with maturity of more than one year in domestic currency. Investment state securities purchased with discount are subsequently measured at amortized cost applying straight line method.

State bonds purchased at nominal value with coupon attached are subsequently measured at the lower of cost and fair value. Related interest on state bonds is accrued evenly during maturity period.

h. Investments in other companies

Investments in other companies consist of equity securities and are recognized at cost less impairment.

Dividends received are included separately in the dividend income (other interest income).

i. Loans and advances to customers

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 cost, which is the fair value of the cash disbursed, and are subsequently measured at cost less a provision for loan losses.

In accordance with the NBM regulations on loan granting process, loans originated by the Bank are classified as:

- Performing loans – loans with no overdue (up to 60 days) on principal and/or accrued interest balances;
- Non-performing loans – loans with overdue on principal and/or accrued interest balances for more than 60 days or loans classified as “doubtful” or “loss”.

Loans classified as “doubtful” or “loss” or “overdue more than 60 days” are placed on non-accrual status.

3. Significant accounting policies (continued)

j. Assets subject to impairment and related provisions for losses on assets

Assets are stated at nominal value, less provision for losses on assets impairment. Provisions for losses on assets impairment established at the year end assets portfolio and do not include provisions on accrued interest. According to the regulations issued by the National Bank of Moldova, overdue interest of more than 60 days is no longer accrued and registered on off-balance sheet accounts.

Provisions for losses on assets impairment are accounted as expenses in income statement. When an asset can not be recovered and all legal procedures were performed, impaired asset value is deducted from the provision for losses on assets impairment and from total assets.

Provisions for losses on assets impairment are set depending on the category of the asset to be impaired in accordance with stipulations of the regulation on "Loans and Other Assets provisions for impairment" set by the National Bank of Moldova. Asset classification takes into account both debt service history as well as the financial state and debtor financial performance.

Assets that qualify for provisioning are included in one of the following five categories, applying the following quotes to the remaining balance of assets for each classification category:

<u>Loan category</u>	<u>Rate (%)</u>
A Standard	2%
B Supervised	5%
C Sub-standard	30%
D Doubtful	60%
E Compromised	100%

The Bank calculates provisions for the off-balance sheet commitments according to the Regulations of NBM.

Other provisions are calculated to cover the risks, which are attributable to any portfolio of assets held by the Bank without being specifically identified.

k. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment loss. Subsequent purchase or production costs are capitalized to the extent they increase the future economic benefits of the related assets.

Expenses for repairs and maintenance are charged to operating expenses as incurred.

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

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

Land is not depreciated. Assets under construction are not depreciated until they are transferred into use.

3. Significant accounting policies (continued)

k. Property and equipment (continued)

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

Fixed assets with a purchase value over MDL 3,000 and with a life period of more than one year are capitalized. Fixed assets with an acquisition cost less than MDL 3,000 are recognized as low value and short life items starting with January 2007.

l. Intangible assets

Intangible assets, which are acquired by the Bank, are stated at cost less accumulated amortization. Subsequent expenditures on intangible assets are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over their estimated useful lives, as stated below

Asset type	Years
Software	3-5
Licenses	5-20

Expenditures on development activities are capitalized if the product or process is technically and commercially feasible and the Bank has sufficient resources to complete development. The expenditure capitalized includes direct labour and an appropriate proportion of overheads. Other development expenditures are recognized in the income statement as an expense as incurred.

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

m. Repossessed collateral

The collateral taken over from the borrowers according to court decision is carried at lower of loan principle outstanding and fair value. According to the NBM regulations the Bank has to write-off the repossessed collateral when it fails to sell it within 18 months from the date of repossession or after the prolongation approved by NBM for a period of maximum 1 year.

n. Deposits and other amounts owed to banks and customers

Deposits and other amounts owed to banks and customers are accounted for at their nominal value, i.e. at the amount to be repaid.

3. Significant accounting policies (continued)

o. Employee benefits

Short term service benefits

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

Defined contribution plans

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

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

The Bank does not operate any independent pension scheme and, consequently, has no obligation in respect of pensions. The Bank does not operate any other benefit plan or post retirement benefit plan. The Bank has no obligation to provide further services to current or former employees.

p. 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.

q. Net interest income

Interest income and expense are recognized in the income statement as it accrues, taking into account the nominal interest rate. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments. The accrual of interest income is suspended when are classified as doubtful or loss with the NBM regulation on loan classification and provisioning or are overdue more than 60 days. Interest on non-performing loans is removed from the balance sheet and transferred to off-balance sheet items until the moment of payment.

r. Net fee and commission income

Fee and commission income and expense are recognized when the corresponding service is provided or received.

s. Taxation

The income tax rate in effect in 2009 is 0% (2008: 0%).

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 transaction represents a transfer of resources or obligations between related parties, regardless of whether a price is charged.

3. Significant accounting policies (continued)

u. 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.

v. Use of estimates

The preparation of financial statements in accordance with National Accounting Standards requires management to make estimates and assumptions that affect the amounts and balances reported in the financial statements and accompanying notes. These estimates are based on information available as of the date of the financial statements. Actual results, therefore, could differ from those estimates. The estimates are periodically reviewed and the changes are recorded when they become known.

w. 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.

Banca de Economii SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

4. Cash on hand

	Note	2009 MDL'000	2008 MDL'000
Cash		359,959	412,639
Travellers' cheques		206	348
Other		40	41
	20	360,205	413,028

5. Current accounts and deposits with banks

	Note	2009 MDL'000	2008 MDL'000
Current accounts with local banks		1,562	21,043
Current accounts in banks from OECD countries		242,225	22,367
Current accounts in banks from other countries		4,530	3,097
	20	248,317	46,507
Less: Provision for impairment		(1,320)	(1,295)
		246,997	45,212

In accordance with the stipulations of the NBM Regulation on classification of assets and off-balance sheet commitments and the establishment of provisions for losses on assets and off-balance sheet commitments, the Bank calculated as at 31 December 2009 a provision for losses on current accounts and due to banks in the amount of MDL'000 1,320.

The provision was calculated for amounts held by the Bank in countries with ratings, which are lower than A-/A3 (standard).

The movement in provision for impairment of current accounts and deposits with banks during the years 2009 and 2008 are presented below:

	Note	2009 MDL'000	2008 MDL'000
Balance as at 1 January		1,295	2,632
Write-offs		-	-
Recoveries		-	-
Impairment expense / (income) for the year	21	25	(1,337)
Balance as at 31 December		1,320	1,295

6. Balances with National Bank

	2009	2008
	MDL'000	MDL'000
Current account, including MDL reserves	57,180	237,856
Obligatory reserves	109,118	193,140
	166,298	430,996

Current account and compulsory 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 2009 the rate for calculation of the minimum compulsory reserve in all currencies was 8.0% (31 December 2008: 17.5%).

The interest paid by NBM on the compulsory reserves during 2009 varied between 0.22% and 1.04% per annum for reserves in foreign currency and 2% for reserves in MDL (2008: 2% in MDL and 0.42% - 0.82% in foreign currencies 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.

7. Overnight placements

Note	2009 MDL'000	2008 MDL'000
Overnight placements in banks	140,469	93,720
Overnight in NBM	120,000	-
20	260,469	93,720

Overnight placements include placements in Bank of New York Mellon, (New York), in amount of USD'000 9,139 with an interest rate of 0.025%, in Citibank (New York) in amount of USD'000 2,279 with an interest rate of 0.05% (2008: Commerzbank (Frankfurt) EUR'000 2,500 with an interest rate of 1.6%, Bank of New York (New York) USD'000 5,398 with an interest rate of 0.025% and in Citibank (New York) in amount of USD'000 70 with an interest rate of 0.01%).

8. Securities

Held for trading securities

Movement during the year was as follows:

	2009 MDL'000	2008 MDL'000
Balance as at 1 January	329	1,679
Additions	4,117	329
Disposals	(329)	(1,679)
Re-evaluation of securities	-	-
Balance as at 31 December	4,117	329

As at 31 December 2009 held for trading securities include treasury bills issued by the Ministry of Finance of the Republic of Moldova with an interest rate of 11.77% p.a. (31 December 2008: 21.56%).

8. Securities (continued)

Investment securities:

	Note	2009 MDL'000	2008 MDL'000
Certificates issued by the NBM	20	430,000	135,000
State bonds		315,771	46,174
Treasury bills, nominal value		311,963	106,696
Less: discount on treasury bills and NBM certificates		(7,649)	(6,975)
		304,314	99,721
Investments in related parties		7,618	6,700
Investments in non-related parties		1,359	1,359
Total gross investments		8,977	8,059
Total gross investment securities		1,059,062	288,954
Less: : Provision for impairment		(599)	(581)
		1,058,463	288,373

Investments in state securities and certificates issued by the NBM

Certificates issued by the NBM as at 31 December 2009 represent certificates with a maturity up to one month in MDL with an interest rate of 5% - 5.38% (2008: 13.97%).

State bonds as of 31 December 2009 represent MDL treasury bills of 25 - 437 days maturity, issued by the Ministry of Finance of the Republic of Moldova and bear a coupon between 5.40% - 13.92% p a. (2008: between 18.29 - 22.90%).

Treasury bills represent MDL securities of 11 and 364 maturity days issued by the Ministry of Finance of the Republic of Moldova with an interest rate between 1.91% and 25.54% (2008: 13.97% and 22.20%).

Investment shares

Movement within the year was the following:

	2009 MDL'000	2008 MDL'000
Balance as at 1 January	8,059	7,959
Additions	918	100
Disposals	-	-
Balance as at 31 December	8,977	8,059

8. Securities (continued)

As at 31 December 2009 and 2008, the Bank investment securities comprise:

	Field of activity	Ownership 2009, %	2009 MDL'000	2008 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
Moldasig SRL	Insurance	10.20	6,120	6,120
Depozitarul Național	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	10.22	1,018	100
			8,977	8,059

All investments as of 31 December 2009 are carried at cost less any provision for impairment losses as the fair value cannot be reliably determined.

The Bank assessed the following impairment provision for its investments in 2009:

	Cost MDL'000	Provision MDL'000	Net book value MDL'000
Bursa de Valori a Moldovei	7	-	7
SRL Garantinvest	440	(22)	418
ASPA SA	824	(247)	577
Moldasig SRL	6,120	(122)	5,998
Depozitarul Național	6	(4)	2
Magistrala SA	473	(142)	331
Autobank SA, Moscow	49	(30)	19
MoldmediaCard SRL	40	(12)	28
S.R.L. "Biroul de credit"	1,018	(20)	998
	8,977	(599)	8,378

In accordance with the stipulations of the NBM Regulation on classification of assets and off-balance sheet commitments and the establishment of provisions for losses on assets and off-balance sheet commitments, the Bank calculated a provision for losses on investment securities in the amount of MDL'000 599.

8. Securities (continued)

The movement in provision for impairment of investment securities during the years 2009 and 2008 are presented below:

	Note	2009 MDL'000	2008 MDL'000
Balance as at 1 January		581	579
Write-offs		-	-
Recoveries		-	-
Impairment expense for the year	21	18	2
Balance as at 31 December		599	581

9. Loans, net

	2009 MDL'000	2008 MDL'000
Loans	2,146,957	1,987,287
Requirements for the financial leasing	2,236	5,024
Total gross loans	2,149,193	1,992,311
Less: Provision for impairment	(179,070)	(121,245)
	1,970,123	1,871,066

Gross loans include overdue loans of MDL'000 64,477 as at 31 December 2009 (2008: MDL'000 7,584).

According to the term of granting loans are structured as follows:

	2009 MDL'000	2008 MDL'000
Up to 1 year	287,496	128,436
1-5 years	1,803,746	1,817,839
Over 5 years	57,951	46,036
	2,149,193	1,992,311

As of 31 December 2009 the gross book value of loans on which normal interest is not being accrued, or is suspended, amounted to MDL'000 361,917 (2008: MDL'000 105,198). Unrecognized interest relating to such loans amounted to MDL'000 42,012 (2008: MDL'000 20,492).

9. Loans, net (continued)

Analysis of loan portfolio by industry is presented below:

	2009	2008
	MDL'000	MDL'000
Agricultural and food industry	212,312	196,043
Industry and commerce	940,225	798,681
Energy and fuel industry	225,550	144,175
Consumer	123,494	176,237
Government	8,240	32,802
Transportation and road construction	107,985	104,099
Construction	303,922	230,186
Real estate	120,355	135,163
Other	107,110	174,925
	2,149,193	1,992,311

The Bank has granted loans to related parties in amount of MDL'000 21,253 (2008: MDL'000 25,283).

The movement in provision for impairment of loans during the years 2009 and 2008 are presented below:

	Note	2009	2008
		MDL'000	MDL'000
Balance as at 1 January		121,245	92,987
Write-offs		(1,201)	(1,481)
Recoveries		1,018	1,775
Impairment expense / (income) for the year	21	58,008	27,964
Balance as at 31 December		179,070	121,245

The Bank's lending activities are conducted in Moldova. The ability of borrowers to repay their debts depends on a number of factors including the overall financial health of individual borrowers and the Moldovan economy. In general, loans have been secured by collateral (inventory, equipment, cars, real estate, etc.)

As at 31 December 2009, top ten net exposures (including off-balance sheet credit exposures) have a total outstanding balance of MDL'000 867,477 (2008: MDL'000 737,286).

Interest rates on loans and advances to customers vary between 9.5% and 28.8% p.a. for loans and advances in Moldovan Lei (2008: between 11.8% and 28.8%) and from 10% to 15% p.a. for loans and advances in foreign currency (2008: from 11.5% to 15%).

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10. Property and equipment

	Land and Buildings	Furniture and equipment	Motor vehicles	Improve- ments of leasehold assets	Assets under construc- tion	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Cost						
Balance as at 1 January 2009	131,541	121,236	14,571	4,873	17,839	290,060
Additions	4,471	5,331	-	3,255	79,102	92,159
Transfers	41,250	26,172	3,346	7	(70,775)	-
Disposals	(23)	(6,298)	-	(787)	(670)	(7,778)
Balance as at 31 December 2009	177,239	146,441	17,917	7,348	25,496	374,441
Accumulated depreciation						
Balance as at 1 January 2009	15,217	63,317	7,989	789	-	87,312
Charge for the year	3,454	15,078	1,789	1,325	-	21,646
Disposals	(16)	(6,096)	-	(675)	-	(6,787)
Balance as at 31 December 2009	18,655	72,299	9,778	1,439	-	102,171
Net book value						
At 31 December 2009	158,584	74,142	8,139	5,909	25,496	272,270
At 31 December 2008	116,324	57,919	6,582	4,084	17,839	202,748

	Land and Buildings	Furniture and equipment	Motor vehicles	Improve- ments of leasehold assets	Assets under construc- tion	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	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

11. Accrued interest receivable

	2009 MDL'000	2008 MDL'000
Investment state securities	4,781	2,647
Loans and advances to customers	9,761	14,118
Current accounts and deposits with banks	17	-
Other	6,175	5,222
	20,734	21,987

12. Other fixed property

During 2009 the Bank's repossessed assets including real estate retained as collateral for overdue loans:

Party	Type of asset	2009 MDL'000	2008 MDL'000
SA Fabrica de fermentare a tutunului	Real estate	-	2,830
IM Acorex Wine Holding SA	Real estate	45,500	45,500
SRL Serulung	Real estate	85	85
SA Margaritar	Real estate	3,285	5,520
IM Ziatovin SRL	Real estate	2,483	-
Gagauz Petrol	Real estate	9,356	-
II Vartic	Real estate	5,375	-
Va ban Est	Real estate	7,469	-
CA CIFCI	Real estate	486	-
II Lisnica Ala	Real estate	218	-
Feliseta SRL	Real estate	3,300	-
Roza Sor SRL	Real estate	454	-
Edinji Alianta	Real estate	249	-
Rom Product service	Real estate	456	-
Vectar SRL	Real estate	444	-
GT Iasan Vasile	Real estate	293	-
BTA-27 Glodeni	Real estate	141	-
Camoros Com SRL	Real estate	118	-
I. Mogorean	Real estate	381	-
Persoane fizice	Real estate	579	21
		80,672	53,956

13. Other assets

	2009	2008
	MDL'000	MDL'000
Receivables from Western Union, net	8,269	6,849
Intangible assets	28,009	16,610
Low value inventory and materials in stock	5,635	4,625
Due from budget	11	20
Prepaid expenses	25,925	38,509
Amounts of uncertain nature	5,664	4,832
Other receivables	603,854	18,091
Other assets	17,228	34,257
	694,595	123,793
Less: Provision for impairment	(12,101)	(370)
Balance as of 31 December	682,494	123,423

In accordance with the stipulations of the NBM Regulation on classification of assets and off-balance sheet commitments and the establishment of provisions for losses on assets and off-balance sheet commitments, the Bank calculated a provision for losses on other assets in the amount of MDL'000 12,101.

Prepaid expenses represent rent payments in amount of MDL'000 24,121. In other assets are included receivables from Investprivatbank in amount of MDL'000 589,898, which will be recovered from the sale of the assets of the Bank and repossessed equipment in amount of MDL'000 13,615 from IM Acorex Wine Holding SA.

The movement in provision for impairment of other assets during the years 2009 and 2008 are presented below:

	2009	2008
	MDL'000	MDL'000
Balance as at 1 January	370	376
Write-offs	(500)	(5)
Recoveries	4	12
Annual expenses	12,227	(13)
Balance as at 31 December	12,101	370

13. Other assets (continued)

Intangible assets

Movement in intangible assets during the year ended 31 December 2009 and 2008 is presented in the table below:

	Intangible assets in use MDL'000	Intangible assets in progress MDL'000	Total MDL'000
Cost			
Balance as at 1 January 2009	21,398	3,239	24,637
Additions	10,389	14,052	24,441
Disposals	(18)	(10,353)	(10,371)
Balance as at 31 December 2009	31,769	6,938	38,707

Accumulated depreciation

Balance as at 1 January 2009	8,027	-	8,027
Charge for the year	2,689	-	2,689
Disposals	(18)	-	(18)
Balance as at 31 December 2009	10,698	-	10,698

Net book value

At 31 December 2009	21,071	6,938	28,009
At 31 December 2008	13,371	3,239	16,610

	Intangible assets in use MDL'000	Intangible assets in progress MDL'000	Total MDL'000
Cost			
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

15. Other borrowings

		2009 MDL '000	2008 MDL '000
<i>Loans and deposits from other banks</i>			
NBM	Interest rate, % 0.01% - 5%	1,075,489	-
		1,075,489	-
<i>Borrowings from other financial institutions</i>			
EFSE	3.7%-6.54%	11,073	4,365
EFSE	5.96%-7.54%	4,624	2,570
		15,697	6,935
<i>Issued securities</i>			
Bank's certificates		1	1
		1	1
		1,091,187	6,936

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

Creditor	Final Maturity	Original Currency	Contract Amount in original currency ('000)	Interest Rate %	Amount (MDL '000)
NBM, contr.nr.2 din 27.03.2009	27.03.2010	MDL	300,000	5.0	300,000
NBM, contr.nr.8 din 26.05.2009	26.05.2010	MDL	100,000	5.0	88,191
NBM, contr.nr.17 din 30.06.2009	30.06.2012	MDL	650,000	0.01	589,898
NBM, contr.nr.20 din 20.07.2009	20.07.2010	MDL	100,000	5.0	97,400
TOTAL	x	x	1,150,000	x	1,075,489

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15. Other borrowings (continued)

Creditor	Final maturity	Original currency	The amount of the contract in the original currency ('000)	Interest rate, %	Amount (MDL '000)
DLC, AIÎ nr. BEM-08/05; 04.03.2005	04.03.2010	MDL	580	3.7	130
TOTAL contr. 50-OL; 30.12.2002	X	x	580	x	130
DLC, AIÎ nr. 19; 30.03.2007	15.05.2014	MDL	1,250	5.1	1,250
DLC, AIÎ nr. 48; 01.08.2007	15.11.2022	MDL	1,200	5.1	1,200
DLC, AII nr.154/08;16.12.2008	15.11.2013	MDL	300	6.54	284
DLC, AII nr. 153/08; 16.12.2008	15.11.2011	MDL	300	6.54	270
DLC, AII nr.160/08;16.12.2008	15.11.2013	MDL	300	6.54	284
DLC, AII nr. 24/09; 10.03.2009	15.11.2013	MDL	299	6.54	289
DLC, AII nr. 6/09; 21.04.2009	15.05.2016	MDL	700	5.1	700
DLC, AII nr. 4/09; 10.04.2009	15.05.2016	MDL	1,000	5.1	1,000
DLC, AII nr. 23/09; 02.07.2009	15.05.2016	MDL	115	5.1	115
DLC, AII nr. 80/09; 18.05.2009	15.05.2014	MDL	300	6.54	291
DLC, AII nr. 86/09; 19.05.2009	15.05.2014	MDL	295	6.54	295
DLC, AII nr. 53/09; 29.12.2009	15.11.2012	MDL	981	5.1	981
TOTAL contr. IFAD-R7; 30.01.2006	x	x	7,040	x	6,959
DLC, AII nr. 10/09; 10.04.2009	15.01.2016	MDL	1,000	6.45	1,000
DLC, AII nr. 15/09; 16.07.2009	15.07.2016	MDL	115	6.45	115
DLC, AII nr. 22/09; 02.12.2009	15.01.2013	MDL	1,000	6.45	1,000
TOTAL contr. IFAD PRA R9; 02.03.2009	x	x	2,115	x	2,115
DLC, AII nr. 17/09; 16.07.2009	15.07.2016	MDL	1,670	7.54	1,670
DLC, AII nr. 23/09; 12.12.2009	15.01.2017	MDL	200	7.54	200
TOTAL contr. IFAD PDAR R10; 02.03.2009	x	x	1,870	x	1,870
DLC, payment obligation nr.90/08r 06.10.2008	01.10.2023	MDL	1,026	7.54	1,026
DLC, payment obligation nr. 89/08r 06.10.2008	01.10.2023	MDL	1,543	7.54	1,543
DLX, payment obligation nr. 32/09r 28.10.2009	01.10.2014	MDL	375	7.54	375
TOTAL contr. 6R RISP 2 03.10.2008	x	x	2,944	x	2,944
DLC, AII nr. 21/09; 09.06.2009	01.10.2015	MDL	1,679	5.96	1,679
TOTAL contr. RISP R8 25.11.2004	x	x	1,679	x	1,679
Total			16,228		15,697

IFAD resources are destined for farms, manufacturing companies, processing, agrarian trade or rendering of agrarian services, which activate under any legal organization based on private property and engaged in economic activity in rural region.

Interest on these loans is variable and is determined once every half a year.

16. Accrued interest payable

	2009	2008
	MDL'000	MDL'000
Interest bearing deposits from banks	2,069	-
Interest bearing deposits from individuals	1,537	1,560
Interest bearing deposits from enterprises	649	558
Other borrowings	252	105
	4,507	2,223

17. Other liabilities

	Note	2009	2008
		MDL'000	MDL'000
Payables on Moldova-Express system		25,434	35,182
Payables on Moldova Express Plus system		3,556	4,297
Transit and suspense accounts		10,447	11,856
Taxes Payable		6,045	2,287
Provision		5,463	3,464
Other		3,931	10,527
		54,876	67,613

18. Taxation

	2009	2008
	MDL'000	MDL'000
<i>Current income tax</i>		
Current income tax	5,023	1,301
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	(1,948)
	-	(1,948)
Income tax expense for the year	5,023	(647)

The standard income tax rate in 2009 was 0%.

18. Taxation (continued)

The reconciliation between income tax expense reflected in the financial statements and the amounts calculated at the standard tax rate of 0% (2008: 0) is as follows:

	2009 MDL'000	2008 MDL'000
Accounting profit before tax	28,771	209,268
At Moldovan statutory income tax rate of 0% (2008 – 0%)	-	-
Excess over the limit for charity expenses	5,023	1,301
Non-deductible expenses (at tax rate)	-	-
Non-taxable income (at tax rate)	-	-
Temporary differences	-	(1,948)
	5,023	(647)

Deferred tax liability:

	2009 MDL'000	2008 MDL'000
Balance as at 1 January	-	3,164
Income statement charge	-	(3,164)
Balance as at 31 December	-	-
Deferred tax liability relates to the following:	-	-
Accelerated depreciation for tax purposes	-	-
	-	-

Deferred tax asset:

	2009 MDL'000	2008 MDL'000
Balance as at 1 January	-	1,216
Income statement charge	-	(1,216)
Balance as at 31 December	-	-
Deferred tax liability relates to the following:	-	-
Accelerated depreciation for tax purposes	-	-
	-	-

19. Share capital

Share capital as of 31 December 2009 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 2008: 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 the right to one vote at the General Shareholders' Meeting.

Preferential shares give additional privileges, as compared to ordinary shares relating to the order of distribution of dividends declared and the value of dividends, as well as the receipt of the goods of the Bank in the case of liquidation of the Bank. The preferential shares do not offer the voting right to the holder.

All shares rank equally with regard to the Bank's residual assets, except for preferential shares as described above.

Structure of shareholders of the Bank with more than 5% shares:

Shareholder	2009		2008	
	Share MDL'000	Share %	Share MDL'000	Share %
Department of Privatisation and State Property Administration	16,466	56.13	16,466	56.13
Minerva SRL	2,925	9.97	2,925	9.97
Sisteme Informacionale 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

20. Cash and cash equivalents

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

	Note	2009 MDL'000	2008 MDL'000
Cash on hand	4	360,205	413,028
Current accounts and deposits with banks	5	248,317	46,507
Overnight placements in other banks	7	260,469	93,720
Securities issued by NBM	8	430,000	135,000
		1,298,991	688,255

21. Impairment of interest bearing assets

	Note	2009 MDL'000	2008 MDL'000
Current accounts and deposits with banks	5	25	(1,337)
Securities	8	18	2
Loans	9	58,008	27,964
		58,051	26,629

22. Result from foreign currency transactions

	2009 MDL'000	2008 MDL'000
Foreign currency translation gain	96,074	153,912
Foreign currency translation loss	2,145	(9,741)
	98,219	144,171

23. Commission income

	2009 MDL'000	2008 MDL'000
Transfers via Western Union	13,077	20,430
Commission on card operations	16,831	14,612
Transfers via Moldova-Express	15,483	18,588
SWIFT transfers, individuals	666	2,145
Transfers via Unistream	2,480	1,169
Cash transactions	32,578	30,587
Commission on guarantees and letters of credit	1,919	2,255
Commission on sale/purchase securities	9	78
Allowances	6,661	5,021
Pension	5,250	4,875
Salaries	903	726
Commissions on provided services	34,661	35,836
Other	6,389	1,474
	136,907	137,796

24. Other income

	2009 MDL'000	2008 MDL'000
Revenue from disposal of assets retained into possession and expensed	2	1,423
Income from rent	1,762	1,420
Income from fines and penalties received	1,804	934
Revenues from disposal of tangibles	-	137
Revenues from disposal of other assets	-	836
Other	2,451	1,748
	6,019	6,498

25. Expenses related to property and equipment

	2009	2008
	MDL'000	MDL'000
Depreciation	21,646	17,665
Repairs and maintenance	3,319	3,733
Utilities	6,771	5,536
Rent	19,243	10,576
Safeguarding of assets and insurance costs	4,546	3,813
Other	588	656
	56,113	41,979

26. Other non-interest expenses

	2009	2008
	MDL'000	MDL'000
Amortization of intangible assets	2,689	1,519
Other expenses with personnel	1,009	1,734
Stationery and supplies	3,323	3,522
Advertising	3,230	4,482
Other taxes and commissions	4,380	2,344
Postage and telecommunication	6,722	8,856
Transportation and packaging	4,932	6,619
Contributions to Deposit Guarantee Fund	4,600	3,723
Commissions on debit card services	5,964	4,531
Charity	35,877	41,514
Provisions for other losses	1,366	-
Other	15,511	18,842
	89,603	97,686

Charity expenses include expenses related to the sponsorship of the repair works of the Republic of Moldova Presidency and Parliament buildings in an amount of MDL'000 30,000 and expenses related to the sponsorship of the National festival "Martisor" in an amount of MDL'000 4,000.

27. Guarantees and other financial commitments

The aggregate amounts of outstanding guarantees, commitments, and other off-balance sheet items as of 31 December 2009 and 2008 are:

	2009	2008
	MDL'000	MDL'000
Guarantees	67,272	28,893
Crediting commitments	129,044	174,797
Letters of credit	10,223	20,080
	206,539	223,770

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.

Issued guarantees include guarantees issued for "Air Moldova" in amount of MDL'000 13,000, "Moldconstruct Market" SRL in amount of MDL'000 17,096, "Moldvama GRUP" IS in amount of MDL'000 8,000, "Docmen-Declarant" in amount of MDL'000 8,000, "Supronex" SRL in amount of MDL'000 7,565, "Interbroker-Prim" SRL in amount of MDL'000 8,000.

In accordance with the stipulations of the NBM Regulation on classification of assets and off-balance sheet commitments and the establishment of provisions for losses on assets and off-balance sheet commitments, the Bank calculated a provision for losses on off-balance sheet commitments. As at 31 December 2009 these provisions were in the amount of MDL'000 2,286.

The movement in provision for losses on off-balance sheet commitments during the years 2009 and 2008 are presented below:

	2009	2008
	MDL'000	MDL'000
Balance as at 1 January	2,428	2,998
Recoveries	-	-
Write-offs	-	-
Annual expenses / (income)	(142)	(570)
Balance as at 31 December	2,286	2,428

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

28. Capital commitments

There were no capital commitments as of 31 December 2009 and 2008.

29. Contingencies

As of 31 December 2009 and 2008, 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.

30. 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 were granted at market rates. Below we present the balances and transactions with related parties during the year:

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30. Related parties (continued)

Related parties	Loans outstanding as at the year end, net MDL '000	Provision for impairment MDL '000	Deposits at the year end MDL '00	Interest and commission income MDL '000	Interest and commission expenses MDL '000	Non- interest income MDL '000
						0
Department of Privatisation and State Property Administration	2009	-	-	-	-	-
	2008	-	-	-	-	-
Minerva SRL	2009	-	3	-	-	-
	2008	-	3	-	-	-
Sisteme informazionale integrate SRL	2009	-	-	-	-	-
	2008	-	3	-	-	-
Avicola Roso SL SA	2009	585	29	182	-	2
	2008	1,491	30	125	-	-
LKV-Service SRL	2009	-	-	169	-	-
	2008	2,948	147	356	-	-
Interbroker-Prim SRL	2009	8,000	80	-	-	-
	2008	-	-	-	-	-
Other Bank administrators members of loan committee and their related parties	2009	2,168	43	668	-	14
	2008	3,344	67	2,053	-	-
Total	2009	10,753	152	1,019	-	16
Total	2008	7,783	244	6	2,534	-

31. Fair value

Fair value is the amount at which a financial instrument could be exchanged in an arms-length transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price in an active market.

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

Loans and advances to customers: 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.

Investment and trading securities: These include only interest-bearing assets held to maturity, as assets available-for-sale are measured at cost. Assets available-for-sale comprise of listed and unlisted equity instruments without quoted prices in an active market and it is not possible to reliably estimate a fair value using alternative methods.

Deposits from banks and customers: For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the balance sheet date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. For deposits maturing within one year, it is assumed that their fair value is not significantly different from carrying value. The value of long-term relationships with depositors is not taken into account in estimating fair values.

32. Risk Management

Currency risk

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

The main foreign currencies with which the Bank operates are EUR, USD and RUB.

The Bank performed a sensitivity analysis to currency risk at which it is reasonably exposed at 31 December 2009, showing how net income and equity could have been affected as a result of possible changes in currency rates.

32. Risk management (continued)

Currency risk (continued)

The table below shows the currencies for which the Bank has significant exposure to currency risk as at 31 December 2009 for the balance sheet items. The analysis demonstrates the effects of reasonably possible changes in currency rates against Moldovan Leu with all other variables held constant on the Bank's profit before tax. There is no additional impact on Bank's equity. Negative amounts indicate possible net losses in profits before taxation and positive indicate vice versa.

OCP	Nominal value	Possible rate	Income/(loss)	Possible rate	Income/(loss)
	MDL'000	increase, in	effect	decrease, in	effect
		%	MDL'000	%	MDL'000
As at 31 December 2009					
EUR	42	+5%	37	-5%	(37)
USD	(337)	+10%	(415)	-10%	415
RUB	14,975	+5%	304	-5%	(304)

OCP	Nominal value	Possible rate	Income/(loss)	Possible rate	Income/(loss)
	MDL'000	increase, in	effect	decrease, in	effect
		%	MDL'000	%	MDL'000
As at 31 December 2008					
EUR	(1,257)	+5%	(926)	-5%	926
USD	847	+10%	881	-10%	(881)
RUB	15,055	+5%	267	-5%	(267)

The foreign currency breakdown of the Bank's assets and liabilities is presented in the note 34.

32. Risk management (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

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 Banks 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 has estimated the impact of reasonably possible changes in interest rates for its assets and liabilities and their impact on net interest income. The maximum increase in interest rates is determined based on the historical evolution of interest rates on the national financial market. The maximum decrease of interest rates is established based on base rate when the calculation is made decreased by 75%.

Sensitivity of Net Interest Income, MDL '000

	Increase in basis points						Total
		1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	
2008	+63	199,284	(64,219)	(305,940)	603,493	29,864	462,483
	+26	82,244	(26,503)	(126,261)	249,061	12,325	190,866
2009	+63	323,168	(78,347)	(291,668)	(54,522)	13,691	(87,678)
	+26	133,371	(32,334)	(120,371)	(22,501)	5,650	(36,185)

Sensitivity of Net Interest Income, MDL '000

	Decrease in basis points						Total
		1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	
2008	-3.75	(11,862)	3,823	18,211	(35,922)	(1,778)	(27,529)
	-2.5	(7,908)	2,548	12,140	(23,948)	(1,185)	(18,352)
2009	-3.75	(19,236)	4,664	17,361	3,245	(815)	5,219
	-2.5	(12,824)	3,109	11,574	2,164	(543)	3,479

32. Risk management (continued)

Liquidity risk

Liquidity risk arises in the general funding of the Bank's activities and in management of liquidity positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, other borrowings and share capital. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses the risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall Bank strategy.

The gap analysis of the Bank's assets and liabilities based on their remaining maturities for 2009 and 2008 is presented in Note 35.

Counterparty and country risk

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

Credit risk

Within its usual activity, the Bank is subject to credit risks in relation to the loans and prepayments granted for clients, its exposures to banks and other financial instruments and its off-balance sheet exposures. The Bank can also be affected by losses due to credit risk concentration in a certain economic group within the context economic changes in Moldova. Credit risk management is regularly monitored by observing the credit limits, evaluation of debtors quality and some conservative policies towards the constitution of provisions.

33. Maximum exposure to Credit Risk

In the ordinary course of business the Bank is exposed to credit risk that is the amount that best represents the maximum exposure to credit risk, thus the gross accounting value of the exposed assets without taking account of any collateral or other credit enhancements. This is associated with the Bank's assets and some off-balance sheet accounts. Credit risk concentration could result in significant losses for the Bank, if significant economic negative factors affect the economy. The relevant analysis is presented below:

	Notes	2009 MDL'000	2008 MDL'000
Current accounts and deposits with banks	5	248,317	46,507
Balances with National Bank of Moldova	6	166,298	430,996
Overnight placements	7	260,469	93,720
Held for trading securities	8	4,117	329
Investments securities	8	1,050,085	280,895
Loans, gross	9	2,149,193	1,992,311
Accrued interest receivable	11	20,734	21,987
Other assets	13	619,393	41,723
		4,518,606	2,908,468
Guarantees		67,272	28,893
Future credit commitments and other		129,056	174,827
Letters of credit		10,223	20,080
		206,551	223,800
Maximum exposure to credit risk		4,725,157	3,132,268

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For the Year Ended 31 December 2009

34. Balance sheet structure by currency

	31 December 2009				
	Total MDL'000	MDL MDL'000	EUR MDL'000	USD MDL'000	Other MDL'000
ASSETS					
Cash on hand	360,205	209,488	106,792	34,680	9,245
Current accounts and deposits with banks	246,997	3	233,926	2,988	10,080
Balances with National Bank	166,298	57,180	71,223	37,895	-
Overnight placements	260,469	120,000	-	140,469	-
Held for trading securities	4,117	4,117	-	-	-
Investment securities	1,058,463	1,058,463	-	-	-
Loans, net	1,970,123	1,377,215	400,245	192,663	-
Property and equipment	272,270	272,270	-	-	-
Accrued interest receivable	20,734	20,480	164	90	-
Other fixed property	80,672	80,672	-	-	-
Other assets	682,494	659,960	1,314	21,205	15
Total assets	5,122,842	3,859,848	813,664	429,990	19,340
LIABILITIES					
<i>Non-interest bearing deposits</i>					
Banks	-	-	-	-	-
Individuals	219,732	83,039	111,367	25,326	-
Enterprises	37,845	32,972	1,231	1,648	1,994
	257,577	116,011	112,598	26,974	1,994
<i>Interest bearing deposits</i>					
Banks	2,984	12	-	2,972	-
Individuals	2,016,164	1,208,159	619,535	188,470	-
Enterprises	845,447	504,017	112,022	218,831	10,577
	2,864,595	1,712,188	731,557	410,273	10,577
Other borrowings	1,091,187	1,091,187	-	-	-
Accrued interest payable	4,507	3,721	473	268	45
Other liabilities	54,876	37,303	7,472	8,907	1,194
Provision for losses on off-balance sheet commitments	2,286	913	1,256	117	-
Total liabilities	4,275,028	2,961,323	853,356	446,539	13,810
GAP	847,814	898,525	(39,692)	(16,549)	5,530

34. Balance sheet structure by currency (continued)

	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
Current accounts and deposits with banks	45,212	18,565	13,475	2,972	10,200
Balances with National Bank	430,996	237,856	124,516	68,624	-
Overnight placements	93,720	-	36,852	56,868	-
Held for trading securities	329	329	-	-	-
Investment securities	288,373	288,373	-	-	-
Loans, net	1,871,066	1,304,602	367,005	199,459	-
Property and equipment	202,748	202,748	-	-	-
Accrued interest receivable	21,987	21,558	397	32	-
Other fixed property	53,956	53,956	-	-	-
Other assets	123,423	93,035	12,693	17,695	-
Total assets	3,544,838	2,548,316	617,871	360,667	17,984
LIABILITIES					
<i>Non-interest bearing deposits</i>					
Banks	-	-	-	-	-
Individuals	190,484	78,941	83,629	27,914	-
Enterprises	34,821	29,014	1,756	3,955	96
	225,305	107,955	85,385	31,869	96
<i>Interest bearing deposits</i>					
Banks	21,178	82	-	21,096	-
Individuals	1,643,762	1,039,770	445,232	158,760	-
Enterprises	751,308	492,618	108,516	140,395	9,779
	2,416,248	1,532,470	553,748	320,251	9,779
Other borrowings	6,936	6,936	-	-	-
Accrued interest payable	2,223	1,941	152	117	13
Other liabilities	67,613	34,199	24,123	7,594	1,697
Provision for losses on off-balance sheet commitments	2,428	1,746	348	334	-
Total liabilities	2,720,753	1,685,247	663,756	360,165	11,585
GAP	824,085	863,069	(45,885)	502	6,399

35. Maturity structure

The maturity structure of the Bank's assets and liabilities based on the remaining maturity as of 31 December 2009 and 2008 is as follows:

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NOTES TO THE FINANCIAL STATEMENTS
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As of 31 December 2009

	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	360,205	360,205	-	-	-	-	-
Current accounts and deposits with banks	246,997	246,997	-	-	-	-	-
Balances with National Bank	166,298	74,725	23,561	57,124	10,827	61	-
Overnight placements	200,469	200,469	-	-	-	-	-
Held for trading securities	4,117	-	-	4,117	-	-	-
Investment securities	1,058,463	489,017	439,774	117,294	4,000	8,378	-
Loans, net	1,970,123	98,627	154,756	774,236	742,646	26,523	173,335
Property and equipment	272,270	-	-	-	-	-	272,270
Accrued interest receivable	20,734	20,734	-	-	-	-	-
Other fixed property	80,672	3,455	464	28,770	47,983	-	-
Other assets	682,494	12,213	11,227	164,962	458,951	1,070	34,071
Total assets:	5,122,842	1,566,442	629,782	1,146,503	1,264,407	36,032	479,676
LIABILITIES							
Due to banks	2,984	2,984	-	-	-	-	-
Due to customers	3,119,188	1,399,966	442,346	1,072,473	203,263	1,140	-
Other borrowings	1,091,187	-	300,000	186,690	599,656	4,841	-
Accrued interest payable	4,507	4,507	-	-	-	-	-
Other liabilities	54,876	49,853	5,023	-	-	-	-
Provision for losses on off-balance sheet commitments	2,286	200	166	735	1,185	-	-
Total liabilities	4,275,028	1,457,510	747,535	1,259,898	804,104	5,981	-
Maturity gap	847,814	108,932	(117,753)	(113,395)	460,303	30,051	479,676
Cumulative maturity gap	-	108,932	(8,821)	(122,216)	338,087	368,138	847,814

NOTES TO THE FINANCIAL STATEMENTS
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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	-	-	-	-	-
Current accounts and deposits with banks	45,212	25,533	-	19,679	-	-	-
Balances with National Bank	430,996	180,367	56,552	156,369	37,543	165	-
Overnight placements	93,720	93,720	-	-	-	-	-
Held for trading securities	329	-	-	329	-	-	-
Investment securities	288,373	157,995	30,608	80,521	11,771	7,478	-
Loans, net	1,871,066	11,817	154,924	341,975	1,300,130	45,081	17,139
Property and equipment	202,748	-	-	-	-	-	202,748
Accrued interest receivable	21,987	21,987	-	-	-	-	-
Other fixed property	53,956	84	6,560	1,790	45,522	-	-
Other assets	123,423	35,047	8,904	30,243	25,036	3,209	20,984
Total assets	3,544,838	939,578	257,548	630,906	1,420,002	55,933	240,871
LIABILITIES							
Due to banks	21,178	378	-	20,800	-	-	-
Due to customers	2,620,375	1,105,079	346,605	937,578	230,101	1,012	-
Other borrowings	6,936	1	-	198	3,235	3,502	-
Accrued interest payable	2,223	2,223	-	-	-	-	-
Other liabilities	67,613	66,267	40	1,194	93	19	-
Provision for losses on off-balance sheet	2,428	-	110	1,601	2	2	-
Total liabilities	2,720,753	1,173,948	346,755	960,485	235,030	4,535	-
Maturity gap	824,085	(234,370)	(89,207)	(329,579)	1,184,972	51,398	240,871
Cumulative maturity gap		(234,370)	(323,577)	(653,156)	531,816	583,214	824,085

35. Maturity structure (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.

36. Interest rate risk exposure

The interest rate risk structure of the Bank's assets and liabilities as of 31 December 2009 and 2008 is as follows:

NOTES TO THE FINANCIAL STATEMENTS
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As of 31 December 2009

ASSETS

	Total	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Non-interest bearing items
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Cash on hand	360,205	-	-	-	-	-	360,205
Current accounts and deposits with banks	246,997	243,160	-	-	-	-	3,837
Balances with National Bank	166,298	166,298	-	-	-	-	-
Overnight placements	260,469	260,469	-	-	-	-	-
Held for trading securities	4,117	-	-	4,117	-	-	-
Investment securities	1,058,463	489,017	439,774	117,294	4,000	-	8,378
Loans with variable interest rate	1,970,123	1,687,537	-	-	-	-	282,586
Property and equipment	272,270	-	-	-	-	-	272,270
Accrued interest receivable	20,734	-	-	-	-	-	20,734
Other fixed property	80,672	-	-	-	-	-	80,672
Other assets	682,494	-	-	147,475	442,423	-	92,596
Total assets	5,122,842	2,846,481	439,774	268,886	446,423	-	1,121,278

LIABILITIES

Deposits from banks	2,984	-	-	-	-	-	2,984
Due to customers, variable interest rate	3,117,032	2,313,044	-	-	-	-	803,988
Due to customers, fixed interest rate	2,156	2,041	115	-	-	-	-
Other borrowings	1,091,187	-	300,000	186,690	599,656	4,841	-
Accrued interest payable	4,507	-	-	-	-	-	4,507
Other payables	54,876	-	-	-	-	-	54,876
Provision for losses on off-balance sheet commitments	2,286	-	-	-	-	-	2,286
Total liabilities	4,275,028	2,315,085	300,115	186,690	599,656	4,841	868,641
Interest gap	847,814	531,396	139,659	82,196	(153,233)	(4,841)	252,637
Cumulative interest gap		531,396	671,055	753,251	600,018	595,177	847,814

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

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
	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000
ASSETS						
Cash on hand	413,028	-	-	-	-	413,028
Current accounts and deposits with banks	45,212	-	-	-	-	45,212
Balances with National Bank	430,996	-	-	-	-	430,996
Overnight placements	93,720	93,720	-	-	-	-
Held for trading securities	329	-	-	329	-	-
Investment securities	288,373	157,995	30,608	80,521	11,771	7,478
Loans with variable interest rate	1,871,066	1,871,066	-	-	-	-
Property and equipment	202,748	-	-	-	-	202,748
Accrued interest receivable	21,987	-	-	-	-	21,987
Other fixed property	53,956	-	-	-	-	53,956
Other assets	123,423	-	-	-	-	123,423
Total assets	3,544,838	2,122,781	30,608	80,850	11,771	7,478
LIABILITIES						
Deposits from banks	21,178	-	-	20,800	-	378
Due to customers, variable interest rate	2,618,219	2,618,219	-	-	-	-
Due to customers, fixed interest rate	2,156	859	647	650	-	-
Other borrowings	6,936	1	-	198	3,235	3,502
Accrued interest payable	2,223	-	-	-	-	2,223
Other payables	67,613	-	-	-	-	67,613
Provision for losses on off-balance sheet	2,428	-	-	-	-	2,428
Total liabilities	2,720,753	2,619,079	647	21,648	3,235	3,502
Interest gap	824,085	(496,298)	29,961	59,202	8,536	3,976
Cumulative interest gap	(496,298)	(466,337)	(407,135)	(398,599)	(394,623)	824,085



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