Banca de Economii S.A.

Financial Statements

For the year ended 31 December 2013

Prepared in Accordance with

International Financial Reporting Standards

UNOFFICIAL TRANSLATION FROM ROMANIAN FOR INFORMATION PURPOSES

CONTENTS

Grant Thornton

Grant Thornton Audit S.R.L

str. Grigore Ureche Nr. 69
MD-2005 Chişinău
Moldova

T + 373 22 86 05 71
F + 373 22 22 74 64
E office@md.gt.com
W www.grantthornton.md

Independent Auditor's Report
to the Shareholders of Banca de Economii S.A.

1. We have audited the accompanying financial statements of Banca de Economii S.A. ("the Bank"), which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

3. 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 from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 entity's 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 the effectiveness of the entity'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 the overall presentation of the financial statements.

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

Grant Thornton

Continued

Basis for qualified opinion

6. As at 31 December 2013 management of the Bank estimated the allowances for impairment losses on loans assessed individually in the total amount of MDL 471,882 thousand. These allowances were estimated based on the expected future cash flows from the sale of pledged assets, evaluated both by independent and by internal experts. We were unable to obtain sufficient audit evidence about the estimated values of sales of pledged assets. Consequently, we were unable to determine whether any adjustments in respect of the value of allowances for impairment losses on loans were necessary.

7. As stated in Note 3(d), the accounting policy of the Bank is that assets taken into possession and held for sale are valued at lower of cost and fair value. As at 31 December 2013 the amount of assets taken into possession and held for sale by the Bank was of MDL 162,475 thousand. We were unable to obtain sufficient audit evidence that these assets are stated at the lower of cost and fair value at 31 December 2013.

8. In March 2013 the Bank signed a cession agreement for sale of loans and repossessed assets in the total amount of MDL 939,906 thousand. The contract was partially paid in Euros and U.S. Dollars. In accordance with the requirements of International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" realized and unrealized exchange differences are recognized in profit or loss. At 31 December 2013 unrealized income from foreign exchange differences related to payments mentioned above in the amount of MDL 68,174 thousand was recognized by the Bank in the total balance of accounts payable, thus accounts payable being overstated and unrealized income from foreign exchange differences understated by the same amount.

Qualified opinion

9. In our opinion, except for the possible effects of the matters described in the paragraphs 6 and 7, and except for the effects of the matter described in the paragraph 8, the financial statements present fairly, in all material respect, the financial position of the Bank as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

10. 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.

28 March 2014

Grant Thornton

Grant Thornton Audit S.R.L.
Chisinau, Republic of Moldova

Eugeniu Raietchi
(Licensed auditor)

Banca de Economii S.A.
STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	31 December 2013 MDL'000	31 December 2012* MDL'000
ASSETS			
Cash on hand	5	490,060	475,497
Balances with National Bank of Moldova	6	931,839	662,968
Placements with banks	7	4,989,808	567,335
Loans and advances to customers	8	1,213,417	2,229,067
Financial assets available for sale	9	10,492	9,342
Investments held to maturity	9	401,583	1,845,399
Property and equipment	10	217,721	239,360
Intangible assets	11	44,940	43,561
Other assets	12	201,672	513,204
Total assets		**8,501,532**	**6,585,733**
LIABILITIES			
Due to banks	13	952,463	1,627
Other borrowings	14	937,731	319,443
Deposits from customers	15	5,473,875	5,300,030
Current income tax liability		1,245	1,127
Deferred tax liability	16	39,351	42,730
Other liabilities	17	127,374	67,028
Total liabilities		**7,532,039**	**5,731,985**
SHAREHOLDERS' EQUITY			
Share capital - ordinary shares	18	197,284	117,034
Share capital - preference shares	18	303	303
Reserves	19	18,752	18,752
Retained earnings		753,154	717,659
Total shareholders' equity		**969,493**	**853,748**
Total liabilities and shareholders' equity		**8,501,532**	**6,585,733**

*Comparative information was modified. See Note 3 (w) for details.

Notes from pages 7 to 53 are an integral part of these financial statements.

The financial statements were authorized for issue on 28 March 2014 by management of the Bank represented by:

Ivan CRIVCEANSCHI

President
Banca de Economii S.A.

Banca de Economii S.A.
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December 2013

	Notes	2013 MDL'000	2012 MDL'000
Interest income	22	278,850	440,835
Interest expense	22	(245,066)	(245,656)
Net interest income		**33,784**	**195,179**
Fee and commission income	23	139,280	140,740
Fee and commission expense	23	(26,643)	(23,336)
Net fee and commission income		**112,637**	**117,404**
Net foreign currency gain	24	41,617	54,041
Other operating income	25	22,462	11,857
Total other operating income		**64,079**	**65,898**
Total operating income		**210,500**	**378,481**
Impairment and fair value gains /(losses)	8/12	53,318	(409,102)
Net operating income		**263,818**	**(30,621)**
Personnel and related expenses	26	(122,983)	(133,914)
General and administrative expenses	27	(79,142)	(98,248)
Depreciation and amortization expenses	10/11	(29,577)	(32,072)
Total operating expenses		**(231,702)**	**(264,234)**
Profit before tax		**32,116**	**(294,855)**
Income tax credit/ (expense) for the year	16	3,379	(18,410)
Total comprehensive income of the year		**35,495**	**(313,265)**
Earnings per share (MDL)	31	**0.90**	**(13.38)**

Notes from pages 7 to 53 are an integral part of these financial statements.

The financial statements were authorized for issue on 28 March 2014 by management of the Bank represented by:

Ivan CRIVCEANSCHI

President
Banca de Economii S.A.

Banca de Economii S.A.
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2013

	Share capital - Ordinary shares MDL'000	Share capital - Preference shares MDL'000	Legal reserves MDL'000	General reserve for banking risks MDL'000	Retained earnings MDL'000	Total equity MDL'000
Balance as at 1 January 2013	**117,034**	**303**	**18,752**	**677,073**	**40,586**	**853,748**
Issued shares	80,250	-	-		-	80,250
Transfers between reserves	-	-	-	(122,541)	122,541	-
Transactions with owners	**80,250**	**-**	**-**	**(122,541)**	**122,541**	**80,250**
Profit for the year	-	-	-	-	35,495	35,495
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**35,495**	**35,495**
Balance as at 31 December 2013	**197,284**	**303**	**18,752**	**554,532**	**198,622**	**969,493**
Balance at 1 January 2012	117,034	303	18,752	-	1,030,924	**1,167,013**
Issued shares	-	-	-	-	-	-
Transfers between reserves	-	-	-	677,073	(677,073)	-
Transactions with owners	**-**	**-**	**-**	**677,073**	**(677,073)**	**-**
Loss for the year	-	-	-	-	(313,265)	**(313,265)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(313,265)**	**(313,265)**
Balance at 31 December 2012	**117,034**	**303**	**18,752**	**677,073**	**40,586**	**853,748**

Notes from pages 7 to 53 are an integral part of these financial statements.

	Notes	2013 MDL'000	2012* MDL'000
Cash flows from operating activities			
Interest receipts		350,847	272,820
Interest payments		(242,706)	(246,156)
Net fee and commission income		112,637	117,404
Net financial and other operating income		74,935	75,264
Staff costs paid		(125,894)	(136,782)
Payments of general and administrative expenses		(79,044)	(98,249)
Operating profit before changes in current assets		**90,775**	**(15,699)**
(Increase)/decrease in current assets:			
Balances with National Bank of Moldova		(9,083)	(208,385)
Current accounts and deposits with banks		(5,932)	400,062
Loans and advances to customers		984,393	296,629
Other assets		322,991	(40,709)
Increase/(decrease) in current liabilities:			
Deposits from banks		950,017	866
Deposits from customers		173,833	804,305
Other liabilities		63,178	4,816
Net cash from operating activities before income tax		**2,570,172**	**1,241,885**
Income tax paid		-	(5,177)
Net cash from operating activities		**2,570,172**	**1,236,708**
Cash flows from investing activities			
Purchase of property and equipment		(540)	(480)
Purchase of intangible assets		(8,777)	(6,131)
Purchase/(Receipt) of investment securities		460,124	(171,597)
Purchase of other investments		(1,150)	(352)
Net cash from/(used in) investing activities		**449,657**	**(178,560)**
Cash flows from financing activities			
Proceeds from shares issue		80,250	
Repayment of loans and borrowings		(241,053)	(99,005)
Proceeds from loans and borrowings received		857,811	7,214
Dividends paid		(7)	(27)
Net cash used in financing activities		**697,001**	**(91,818)**
Net foreign exchange difference		(10,856)	(9,366)
Net increase in cash and cash equivalents		**3,705,974**	**956,964**
Cash and cash equivalents at 1 January		2,433,061	1,476,097
Cash and cash equivalents at 31 December	21	**6,139,035**	**2,433,061**

*Comparative information was modified. See Note 3 (w) for details.

Notes from pages 7 to 53 are an integral part of these financial statements.

1 Reporting entity

Banca de Economii S.A. (henceforth referred to as "the Bank") was established on 18th of September 1996 as the successor of "Banca de Economii a Moldovei" which was established in 1992 following the restructuring of the Banca de Economii of USSR, into the State Commercial Bank "Banca de Economii a Moldovei".

Currently the Government of the Republic of Moldova holds 33.33% of the ordinary shares of the Bank. The remaining shares are held by a large number of companies and individuals. By means of a contract signed between Public Property Agency and Ministry of Finance, the Government share of 33.33% is managed by the Ministry of Finance through Government representative.

As at 31 December 2013 the Bank is listed on the Moldova Stock Exchange with the following exchange symbols: MD14BECM1002 and MD24BECM1000. As at 31 December 2013 the Bank possessed the banking license A MMII nr.004454 issued on 26 June 2008 by the National Bank of Moldova (NBM), which allows the Bank to perform the entire range of activities. The Bank's corporate banking activities consist in attracting deposit, cash management, lending and financing foreign trade operations. It offers the traditional range of banking services and products associated with foreign trade transactions including payment orders, documentation and issuing letters of credit and guarantees. The Bank also offers a comprehensive range of retail banking services for individuals: savings accounts, demand deposits and time deposits, loans and transfers of domestic and international funds.

The Bank operates through its head office located in Chisinau, 37 branches and 533 representative offices (31 December 2012: 37 branches and 534 representative offices) located in the Republic of Moldova.

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

As at 31 December 2013 the Bank has 2,386 employees (31 December 2012: 2,455 employees).

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") effective at the date of reporting of financial statements, adopted by International Accounting Standards Board ("IASB").

2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis except for assets available for sale and repossessed assets, measured at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of financial statements in compliance with IFRSs requires management to make estimates and assumptions that affect the amounts and balances reported in the financial statements and accompanying notes. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Use of estimates and judgments is mainly discussed in Note 4 and 34.

3 Significant accounting policies

a) Foreign currency transactions

Foreign currency transactions incurred during the reporting period are recorded at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the official rates prevailing on the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of comprehensive income.

The exchange rates applicable for year-end and average rates for the year were as follows:

	2013		2012	
	USD	**Euro**	**USD**	**Euro**
Average for the period	12.5907	16.7241	12.1122	15.5632
Year end	13.0570	17.9697	12.0634	15.9967

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 statement of comprehensive income.

Non-monetary assets and liabilities recorded at historical cost in foreign currency are retranslated using the exchange rates as at the dates of the initial transactions.

b) Financial assets and liabilities

(i) Recognition

Financial assets and financial liabilities are initially recognised at fair value, plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. Purchases and sales of financial assets are recognised on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

3 Significant accounting policies (continued)

b) Financial assets and liabilities (continued)

(ii) Classification

The Bank classifies its financial assets and liabilities in the following categories:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Bank intends to sell immediately or in the near term, those that the Bank, upon initial recognition, designates as at fair value through profit and loss, those that the Bank, upon initial recognition, designates as available for sale or those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. Loans and receivables comprise loans and advances to banks and customers.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity and which are not designated as at fair value through profit or loss or as available-for-sale.

Available-for-sale financial assets are those financial assets that are designated as available for sale or are not classified as loans and advances, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale instruments include treasury bonds and other bonds eligible for discounting with central banks, investments in unit funds, equity investments and other investment securities that are not at fair value through profit and loss or held-to-maturity.

(iii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

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

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

Securities sold under reverse repurchase agreements are derecognised in the balance sheet and corresponding receivables from the buyer for the payment are recognised as at the date the Bank transfers the assets. The Bank uses the specific identification method to determine the gain or loss on derecognition.

(iv) Offsetting

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the amount at maturity, minus any reduction for impairment.

3 Significant accounting policies (continued)

b) Financial assets and liabilities (continued)

(vi) Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures which represent the best estimate of market value, financial instrument is initially recognised at transaction price and any change in value as a result of measurement at fair value, is recognised in the statement of comprehensive income on appropriate basis during useful life of the instrument, but not later than when the instrument is derecognised. Where a fair value cannot be reliably estimated, unquoted equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment. As at 31 December 2013 and 31 December 2012, the instruments held by the Bank, which are not quoted on an active market and their value could not be reliably estimated, are recorded at their cost minus their related depreciation.

(vii)Identification and measurement of impairment

At each balance sheet date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Bank considers evidence of impairment of assets both at individual and collective level. All individually significant financial assets are tested for impairment separately. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults within a group.

The Bank, based on its internal methodology of impairment evaluation, included observable data on the following loss events that come to its attention as objective evidence that loans to customers or groups of loans to customers are impaired:

1) significant financial difficulty of the issuer or obligor;
2) a breach of contract, such as a default or delinquency in interest or principal payments;
3) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
4) probability that the borrower will enter bankruptcy or other financial reorganisation;
5) the disappearance of an active market for that financial asset because of financial difficulties; or
6) observable data indicating that there is a measurable decrease in the estimated future cash flows of a certain group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

3 Significant accounting policies (continued)

b) Financial assets and liabilities (continued)

a) adverse changes in the payment status of borrowers in the group, or
b) national or local economic conditions that correlate with defaults on the assets in the group.
c) evolution of debtors after the balance sheet date.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. 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 risk 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 recognised are not included in a collective assessment of impairment. The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective assessment for impairment, loans and advance to customers are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of the Bank's credit risk evaluation or the Bank's grading process that considers the number of days of existing debt for each debtor/contract).

The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of loans to customers that are collectively evaluated for impairment are estimated on the basis of historical loss experience for loans with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that currently do not exist.

In case that subsequent events cause decrease of impairment loss, the impairment loss is reversed through profit and loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the acquisition cost and current fair value out of equity to profit or loss. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss.

(vii)Identification and measurement of impairment (continued)

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity.

The Bank reviews on a regular basis the methodology and assumptions used for estimating future cash flows in order to reduce any differences between estimated and effective loss.

c) Restructured 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 renegotiation of new loan terms. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews the 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.

3 Significant accounting policies (continued)

d) Assets held for sale, repossessed assets

Repossessed assets include collateral for non-performing loans. They are initially recorded in the statement of financial position at fair value and subsequently are assessed at minimum of balance sheet value and fair value less selling costs.

e) Financial investments

Investments held-to-maturity

Investments held-to-maturity are those financial assets which carry fixed or determinable payments and have fixed maturities and which the Bank has the intention and ability to hold to maturity. Those assets are initially recognised at fair value, plus related transaction costs. After initial measurement, investments held-to-maturity 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 income" in the statement of comprehensive income. The losses arising from impairment of such investments are recognized in the statement of comprehensive income line "Impairment losses on financial investments". Any sale or reclassification of less insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Bank from classifying investment securities as held-to-maturity for the current year and the two consecutive financial years.

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 initially recognized at fair value (including transaction costs). Subsequent to initial recognition they are measured at fair value or amortised cost, if their fair value cannot be reliably determined due to absence of an active market or after reliable valuation models. As at 31 December 2013 and 31 December 2012 the Bank had investments in shares of other entities that are held at cost value less impairment losses.

f) Property and equipment

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

Subsequent to initial recognition, expenses for repairs and maintenance are charged to operating expenses as incurred. Subsequent investments on property and equipment are recognized as an asset only when the investment improves the condition of the asset beyond the originally estimated value.

If the carrying amount of an asset is more than the estimated recoverable amount, the asset 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 recorded as income or expense in statement of comprehensive income.

Depreciation is calculated based on a straight-line method over the estimated useful life of the asset, as stated below:

Asset type	Years
Buildings	45-70
ATMs	8 - 10
Furniture and equipment	3 - 15
Computers	3 - 5
Vehicles	5 - 8

Useful life and residual value of assets is reviewed at each reporting date.

3 Significant accounting policies (continued)

g) Intangible assets

Intangible assets represent costs incurred for the acquisition of computer software, licenses and other intangible assets. These assets are initially recognized at cost less accumulated amortisation and impairment losses. Subsequent costs are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses are recorded as expenses of the period and recognized in the statement as incurred.

Intangible assets are amortized using the straight-line method over their estimated useful lives varying for computer software from 3 to 5 years and from 5 and 20 years for licenses. The amortisation license period cannot exceed their validity period.

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

h) Share capital

Ordinary and preferred shares
Ordinary and preferred shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends
Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

i) Borrowings and deposits attracted

Borrowings and deposits are initially recognized at fair value including direct costs on transactions. Subsequently borrowings and deposits are stated at amortized cost using the effective interest method and any difference between net proceeds and the redemption value is recognized in the statement of comprehensive income over the period to maturity using the effective yield method.

j) Financial guarantee contracts

Financial guarantee contracts are contracts that oblige the issuer to perform specific payments to reimburse to the holder the loss incurred in case the debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are offered 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 statement of financial position at fair value on the date the guarantee was issued. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the highest value of the initial measurement, less calculated amortization for the recognition in the statement of comprehensive income of the charged commission on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation occurred 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 Bank's Management. Any increase in the liability relating to such guarantees is recognised in the statement of comprehensive income as other operating expenses.

Off-Balance Sheet liabilities:

In the ordinary course of business, the Bank enters into guarantees recorded as off-balance items. Financial guarantees and letters of credit issued by the Bank represent forms of financial guarantees as a debtor has not paid the debt on time in accordance with the stipulations of the debt instrument. These financial liabilities are recorded in the Bank's statement of financial position if and when they become payment obligations.

3 Significant accounting policies (continued)

k) Interest income and expenses

Interest income and expenses for financial instruments are recognised in the statement of comprehensive income at amortised cost using the effective interest method.

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

Interest income and expense presented in the statement of comprehensive income include interest on financial assets and liabilities at amortised cost on an effective interest rate basis, such as deposits, current accounts, placements and borrowings.

l) Fees and commissions

Fees and commissions income arises on financial services provided by the Bank including loan origination, commitment fees, fees related to operations with cards, cash management services, brokerage services.

Fees and commissions that directly relates to the generation of the asset or financial obligation (both income and expense) are recognised in the statement of comprehensive income as part of the effective interest rate calculation. Commitment fees on loans that are likely to be drawn down, are deferred, together with the related direct costs, and are recognised as part of the effective interest rate of the loan.

l) Fees and commissions (continued)

Other fees and commissions income incurred during the financial services provided by the Bank including cash management services and brokerage services are recognized in the statement of comprehensive income on the accrual basis, when the corresponding service is provided.

Other fees and commissions expense relates mainly to transaction and service fees, which are expensed as the services are provided.

m) Net trading income

Net trading income comprises all fair value changes of derivative instruments, income less the loss related to foreign exchange operations and net result on trading securities.

n) Cash and cash equivalents

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 initial maturity from the date of acquisition. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

o) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3 Significant accounting policies (continued)

p) Pension costs and employees' benefits

Short term benefits

The Bank's short-term employment benefits include wages, bonuses, holiday pay and social security contributions. Short term employee benefits are measured on an un-discounted basis and are recognized as an expense as incurred.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss as incurred. The Bank, in the normal course of business makes payments to the National House of Social Insurance and to the National House of Medical Insurance on behalf of its Moldovan employees for pension, health care and unemployment benefit. All employees of the Bank are members and are also 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 recognised as an expense in the statement of comprehensive income as incurred. The Bank does not have any further obligations.

q) 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 be applied to the period when the assets are realized or the liability is reimbursed, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets are recognized 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 utilized. Starting 1 January 2012 the income tax rate in force was set at 12%.

r) Operating leases – the Bank as a lessee

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

s) Related parties

During its ordinary course of business for the year the Bank performed a range of banking and non-banking transactions with related parties. These transactions include loan granting, deposits opening, finance of commerce, payments, transactions with foreign currency and procurement of goods and services from related parties.

Transactions with related parties represent a transfer of resources, services or obligations between parties. Regardless of whether a price is charged, loans and deposits are contracted at market rates.

t) Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity on operating decision factors in order to make decisions about resources allocations to the segment and assess its performance and for which distinct financial information is available.

3 Significant accounting policies (continued)

t) Segment reporting (continued)

Due to the fact that legislative environment, nature of services, Bank's activity, decision making process, type of clients for which services and Bank's products are offered, the models used for rendering services are the same for all banks activities, Bank is using one single segment of activity. Operating results are reviewed by management only at Bank's level, as a single segment.

u) Subsequent events after the balance sheet date

Subsequent events after the balance sheet date are presented in the financial statements if they provide additional information about the Bank's position at the balance sheet date (events that need to be adjusted) or indicate that the going concern assumption is not appropriate. If significant, subsequent events that do not need to be adjusted are disclosed in the notes to the financial statements.

v) Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Bank.

Management anticipates that all of the relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Bank's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Bank's financial statements.

IFRS 9 'Financial Instruments'
The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after 1 January 2015. Chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues. The Banks's management have yet to assess the impact of this new standard on the Bank's financial statements. Management does not expect to implement IFRS 9 until it has been completed and its overall impact can be assessed.

'Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27'
The amendments define the term "investment entity", provide guidance and support, and require investment entities to evaluate investments as controlling interest in another entity at fair value through profit or loss. Management does not foresee any significant impact on the Bank's financial statements.

w) Change in presentation of previously reported balances

The Bank made certain reclassifications within the Statement of financial position and Statement of cash flows for the year ended 31 December 2012 to conform to the 2013 presentation. Management of the Bank is of the opinion that the new disclosure is more representative than the previous one. Starting 2013 receivables originated as a result of sale of loans/repossessed assets are presented within "Loans and advances to customers" instead of "Other assets". The corresponding figures have been adjusted to conform to the presentation of the current period amounts. The effect of the reclassification is as follows:

	As previously reported	Reclassification	Adjusted
Statement of financial position			
Loans and advances to customers	2,187,267	41,800	2,229,067
Other assets	555,004	(41,800)	513,204
Statement of cash flows			
Loans and advances to customers	338,429	(41,800)	296,629
Other assets	(82,509)	41,800	(40,709)

4 Critical accounting estimates and judgments

Preparing financial statement in accordance with IFRS implies the Bank to make estimates and judgments in determining amounts to be recorded in financial statements. The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Thus, effective results may be different from estimates made by the Bank. Use of estimates and judgments are mainly the following:

The fair value of financial instruments

When the fair value of assets and financial liabilities recorded in the statement of financial position cannot be determined with reference to an active market, it is determined using various valuation techniques that include applying mathematical models. In case if it is not possible to identify such markets, fair value is determined by applying their reasoning. Judgments include data analysis related to liquidity and application of management approved models of its calculation. Bank management, following the analysis made considers that the short-term investments in banks that are not carried at fair value in financial statements taken as their fair value is not significantly different from the value registered in the statement of financial position. Also, management believes that the values of Bank bonds, at which they are registered in financial position approximates its fair value, due to short term at which they are placed and for which no active markets exists or reliable valuation method exist in order to determine its reliable fair value.

Impairment losses on loans and advances

Bank reviews its loans and advances at each reporting date to assess whether the impairment loss should be reflected in the statement of comprehensive income. In particular, management evaluates the value and future cash flow maturity when determining the provision at the reporting date. These estimates are based on estimates of several factors, and actual results may differ, which would lead to further changes in the provision for impairment loss.

Additionally to specific provision for individually significant loans and advances, the Bank made another collective provision for impairment of its exposures, which although not individually depreciated, contains a degree of credit risk higher than at the time of granting the loan. It takes into consideration such factors as country risk, industry and technological obsolescence and structural weaknesses or deterioration of cash flows. Specific variables that affect impairment losses are present value of future cash flows from collateral (based on payment history) and net loss generated by defaults till the date of approving these financial statements, especially for individually significant loans, in which case estimated losses is considered to be equal with net exposure adjusted with value of collaterals.

The Bank has developed a methodology for assessing the impairment of loans and advances, which was limited to three years of historical data for the period of payment and amounts of future cash flows. Bank reviews methodology and assumptions used regularly to estimate future cash flows to reduce differences between estimated losses and actual losses. The Bank has estimated impairment losses on loans and advances granted to customers using internal methodology and determined that there is no need for any additional provision, other than already recorded in this financial statements. Due to inherent limitations of significant uncertainties which exist in the local and international financial markets of the economic environment in which Bank's clients operate and asset valuation, estimates made by Bank could be revised after approval of these financial statements. The estimates may differ from the amount that would have been obtained if sufficient historical experience for the payment period and expected cash flows in case would have been available.

Impairment of capital investments

The Bank evaluates capital investment as impaired when there is objective evidence of impairment. As there is no active market, it is not practical to determine the fair value of equity investments held by the Bank. The provision is estimated by comparing the Bank's share of net assets of its investments that are based on audited annual reports of companies to the carrying amounts of the investments.

5 Cash on hand

	31 December 2013 MDL'000	31 December 2012 MDL'000
Cash	490,019	475,298
Travellers' cheques	-	160
Other	41	39
	490,060	**475,497**

6 Balances with National Bank of Moldova

	31 December 2013 MDL'000	31 December 2012 MDL'000
Current account with NBM	659,842	400,054
Obligatory reserves in foreign currency	271,997	262,914
	931,839	**662,968**

Current account and required 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, 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 at 31 December 2013 the rate for calculation of the minimum compulsory reserve in all currencies was 14% (31 December 2012: 14 %).

The interest paid by NBM on the compulsory reserves during 2013 varied between 0.30% and 0.73% per annum for reserves in foreign currency and 0.50% - 1.50% for reserves in MDL (2012: 1.50% - 5.66% in MDL and 0.06% - 0.61% in FC 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 Placements with banks

	31 December 2013 MDL'000	31 December 2012 MDL'000
Deposits in banks (term guarantee)	745,285	2,229
Overnight placements	4,224,093	66,211
Current accounts in banks from OECD countries	13,408	489,700
Current accounts in banks from non-OECD	5,732	7,268
Current accounts with local banks	1,291	1,927
	4,989,808	**567,335**

8 Loans and advances to customers

	31 December 2013 MDL'000	31 December 2012 MDL'000
Corporate clients	1,541,746	2,627,007
Retail	15,706	24,202
Receivables	144,835	41,800
Gross loans	**1,702,287**	**2,693,009**
Less: Allowance for impairment losses	(488,870)	(463,942)
	1,213,417	**2,229,067**

During the year 2013 the Bank has signed two cession agreements for sale of loans in the total gross amount of MDL'000 1,014,702 and of assets taken into possession in the total gross amount of MDL'000 345,702. The unpaid balance under the last agreement is MDL'000 104,594 and is included in the line "Receivables". This balance is due on 30 June 2014.

Interest rates on loans and advances to customers vary between 3.5% and 25.2% p.a. for loans and advances in MDL (2012: 4.5% and 28.8%), and for loans and advances in foreign currency the average interest rates vary between 5.9% and 18.5% (2012: 6.15% and 18.5%).

Interest income for individually impaired loans for 2013 was MDL'000 52,415 (2012: MDL'000 92,806).

Analysis of loan portfolio by industry is presented below:

	31 December 2013 MDL'000	31 December 2012 MDL'000
Industry and commerce	785,183	974,735
Agriculture and food industry	345,486	451,170
Construction	166,261	270,410
Real estate	10,606	17,333
Fuel and energy	1,303	494,210
Consumer	5,025	6,789
Transportation and road construction	172,668	162,752
Financial activities	549	43,007
Others	215,206	272,603
	1,702,287	**2,693,009**

8 Loans and advances to customers (continued)

The movement in provision for impairment of loans during the years 2013 and 2012 are presented below:

	2013 MDL'000	2012 MDL'000
At the beginning of the period	463,942	202,873
Write-offs	-	-
Recoveries	-	-
Annual (release)/ charge	(279)	260,296
FX translation difference	25,207	773
At the end of the period	**488,870**	**463,942**
Individual impairment	471,882	297,539
Collective impairment	16,988	166,403
	488,870	**463,942**

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write off policy

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

Collateral repossessed

During the year, the Bank took possession of industrial buildings, dwellings and land from non-execution of certain loan agreements, with an estimated value of MDL'000 46,152. Repossessed properties are sold as soon as possible, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the balance sheet within other assets.

9 Financial investments

	31 December 2013 MDL'000	31 December 2012 MDL'000
Held-to-maturity investments	401,583	1,845,399
Available-for-sale investments	10,492	9,342
	412,075	**1,854,741**

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

	2013 MDL'000	2012 MDL'000
Held-to-maturity investments		
Balance as at 1 January	1,845,399	1,232,986
Additions	6,169,932	23,409,240
Disposals	(7,613,748)	(22,796,827)
Balance as at 31 December	**401,583**	**1,845,399**
Available for sale investments		
Balance as at 1 January	9,342	8,990
Additions	1,150	352
Disposals	-	-
Balance as at 31 December	**10,492**	**9,342**
	412,075	**1,854,741**

Held-to-maturity investments:

	31 December 2013 MDL'000	31 December 2012 MDL'000
Treasury bills (1)	401,583	905,996
NBM certificates (2)	-	939,403
	401,583	**1,845,399**

(1) State Securities include bonds and government securities. Bonds at 31 December 2013 represent MDL treasury bonds with maturity of 20 - 705 days issued by the Ministry of Finance of the Republic of Moldova with a coupon rate of 4.67% - 7.84% (2012: 4.9% - 13.7%). Treasury bills represent MDL securities of 1 - 268 maturity days issued by the Ministry of Finance of the Republic of Moldova with an interest rate between 4.53%-7.14% (2012: between 3.86% and 11.55%).

(2) The certificates issued by the NBM as at 31 December 2012 represent certificates with a maturity up to one month in MDL with an interest rate of 4.5%.

9 Financial investments (continued)

Available for sale investments:

As at 31 December 2013 and 2012, the Bank investment securities comprise:

	Field of activity	Ownership 2013, %	31 December 2013 MDL'000	31 December 2012 MDL'000
Moldova Stock Exchange	Financial investments	2.56	7	7
Garantinvest SRL	Insurance	9.92	440	440
ASPA SA	Metals processing	7.30	824	824
Moldasig SRL	Insurance	10.20	6,120	6,120
National depository	Securities	4.69	31	31
Magistrala SA	Road construction	2.27	473	473
Autobank SA, Moscow	Banking	0.01	49	49
Moldmedia Card SRL	Transactions processing	13.06	1,190	40
Biroul de credit SRL	Data processing	6.70	1,358	1,358
			10,492	**9,342**

All available for sale financial assets are carried at cost less impairment losses as there is no active market to determine reliably their fair value. The Bank assesses at each balance sheet date whether there is any objective evidence that the financial asset is impaired.

As at 31 December 2013 and 31 December 2012 there is no internal or external evidence that the assets are impaired.

10 Property and equipment

	Land and buildings	Furniture and equipment	Motor vehicles	Improve-ments of leasehold assets	Assets under construction	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Cost						
At 1 January 2013	223,547	160,463	18,887	7,252	744	410,893
Additions	70	-	483	-	48	601
Transfers	-	56	-	-	(56)	-
Disposals	(39)	(113)	(1,104)	(133)	-	(1,389)
At 31 December 2013	**223,578**	**160,406**	**18,266**	**7,119**	**736**	**410,105**
Accumulated depreciation						
At 1 January 2013	34,081	117,866	13,744	5,842	-	171,533
Charge for the year	5,543	13,542	1,727	1,367	-	22,179
Disposals	(27)	(113)	(1,056)	(132)	-	(1,328)
At 31 December 2013	**39,597**	**131,295**	**14,415**	**7,077**	**-**	**192,384**
Net book value						
At 31 December 2013	**183,981**	**29,111**	**3,851**	**42**	**736**	**217,721**
At 31 December 2012	**189,466**	**42,597**	**5,143**	**1,410**	**744**	**239,360**

	Land and buildings	Furniture and equipment	Motor vehicles	Improve-ments of leasehold assets	Assets under construction	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Cost						
At 1 January 2012	222,977	159,040	18,887	7,242	2,270	410,416
Additions	2	119	-	14	1,153	1,288
Transfers	568	1,304	-	-	(1,872)	-
Disposals	-	-	-	(4)	(807)	(811)
At 31 December 2012	**223,547**	**160,463**	**18,887**	**7,252**	**744**	**410,893**
Accumulated depreciation						
At 1 January 2012	28,540	101,470	11,830	4,355	-	146,195
Charge for the year	5,541	16,396	1,914	1,491	-	25,342
Disposals	-	-	-	(4)	-	(4)
At 31 December 2012	**34,081**	**117,866**	**13,744**	**5,842**	**-**	**171,533**
Net book value						
At 31 December 2012	**189,466**	**42,597**	**5,143**	**1,410**	**744**	**239,360**
At 31 December 2011	**194,437**	**57,570**	**7,057**	**2,887**	**2,270**	**264,221**

As at 31 December 2013 the total amount of depreciated property and equipment still in use amounted to MDL'000 87,665 (2012: MDL'000 66,466).

10 Property and equipment (continued)

Non-cancellable operating future lease payments (rent contracts) are payable as follows:

	31 December 2013 MDL'000	31 December 2012 MDL'000
Less than one year	326	610
Between one year and five	1,773	131
More than five years	94	309
	2,193	**1,050**

11 Intangible assets

	Software and licences MDL'000	Intangible assets under development MDL'000	Total MDL'000
Cost			
At 1 January 2013	52,628	17,168	69,796
Additions	271	8,506	8,777
Transfer	8,506	(8,506)	-
Disposals	(4,725)	-	(4,725)
At 31 December 2013	**56,680**	**17,168**	**73,848**
Accumulated amortisation			
At 1 January 2013	26,235	-	26,235
Charge for the year	7,398	-	7,398
Disposals	(4,725)	-	(4,725)
At 31 December 2013	**28,908**	**-**	**28,908**
Net book value			
At 31 December 2013	**27,772**	**17,168**	**44,940**
At 31 December 2012	**26,393**	**17,168**	**43,561**

11 Intangible assets (continued)

	Software and licences MDL'000	Intangible assets under development MDL'000	Total MDL'000
Cost			
At 1 January 2012	45,285	18,403	63,688
Additions	606	5,537	6,143
Transfers	6,760	(6,760)	-
Disposals	(23)	(12)	(35)
At 31 December 2012	**52,628**	**17,168**	**69,796**
Accumulated amortisation			
At 1 January 2012	19,528	-	19,528
Charge for the year	6,730	-	6,730
Disposals	(23)	-	(23)
At 31 December 2012	**26,235**	-	**26,235**
Net book value			
At 31 December 2012	**26,393**	**17,168**	**43,561**
At 31 December 2011	**25,757**	**18,403**	**44,160**

12 Other assets

	31 December 2013 MDL'000	31 December 2012 MDL'000
Receivables from money transfer systems	7,689	6,287
Inventory and other items	4,145	3,825
Repossessed assets	284,298	663,181
Due from budget	5,184	5,225
Prepaid expenses	3,437	2,596
Non-interest-related calculated income	7,532	5,414
Other assets	13,798	21,754
	326,083	**708,282**
Less: allowance for losses	(124,411)	(195,078)
	201,672	**513,204**

12 Other assets (continued)

The movement of provision for impairment of other assets in 2013 and 2012 is presented below:

	2013 MDL'000	2012 MDL'000
Balance at beginning of the year	195,078	49,439
Writes off	(17,628)	(3,167)
Recoveries	-	-
Annual (release)/ charge	(53,039)	148,806
Balance at the end of the period	**124,411**	**195,078**

13 Due to banks

	31 December 2013 MDL'000	31 December 2012 MDL'000
Loro accounts	51	1,627
Deposits from banks	952,412	-
	952,463	**1,627**

Deposits from banks include overnight deposits of MDL'000 559,652 and short-term deposits of banks in total amount of MDL'000 392,760.

14 Other borrowings

	31 December 2013 MDL'000	31 December 2012 MDL'000
Loans and deposits from other banks		
NBM overnight loan	68,024	-
NBM loans with fix rate	186,283	279,425
	254,307	**279,425**
Subsidiary borrowings		
IFAD loans with floating rate	16,190	24,059
RISP loans with floating rate	12,751	15,959
	28,941	**40,018**
Subordinated debt	654,483	-
	937,731	**319,443**

Loans from NBM

Loans from the National Bank of Moldova were received for completion of liquidity, crediting of industrial sector of the economy, purchase and/or take over in stages of the assets and liabilities of CB "Investprivatbank in the process of liquidation" SA. On 30 June 2009, the Bank signed the credit agreement no. 17 with the National Bank of Moldova for a maximum of MDL'000 650,000 with a due date on 30 December 2015, payable in equal quarterly instalments. The loan has an interest rate of 0.01% per annum. The loan has been received by the Bank in order to ensure obligations to individual depositors of BC "Investprivatbank in the process of liquidation" SA.

14 Other borrowings (continued)

Loans from RISP
The Bank is subject to a number of loan covenants under the loan agreements with Credit Line Directorate, Ministry of Finance of the Republic of Moldova (DLC). In case of breach of these covenants, DLC may request immediate repayment of the loan. As at 31 December 2013 the Bank was not in compliance with the following covenant: Net Credit Exposures of the Bank to the ten persons, including groups of inter-related persons exceeded the maximum set level of 15%. Accordingly, loans from DLC were reflected as "up to one month" in Note 34.4.

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, the Bank acting as an intermediary in the financing of the 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 semi-annual instalments on 1 April and, respectively, on 1 October of each year. RISP granted loans denominated in MDL. As at 31 December 2013 the interest rate was set at the level of 4.0%-6.94% for loans in MDL, The ultimate maturity is 1 October 2026.

Loans 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 signed with the Ministry of Finance of the RM, the Bank acts as an intermediary and bears full credit risk related to individual loan agreements signed with end-borrowers. The loans are granted for a period of up to 15 years with a grace period of up to 3 years. Interest on these loans is variable and is paid according to reimbursement schedule for each separate contract. The Bank received loans from IFAD denominated in MDL. As at 31 December 2013 the interest rate was set at the level of 4% for loans in MDL and 2.15% for loans in USD. The ultimate maturity is 15 November 2022.

IFAD and IDA resources are granted to farmers and companies which produce and sell agricultural products or provide agricultural services, which operate under any form of legal organization based on private property and engaged in economic activities in rural areas. The interest rate on these loans is variable and is determined once in a half a year.

Subordinated debt
Subordinated debt includes loans with a maturity date 10 September 2019, bearing an interest rate of 3% per annum. Loans in the total amount of MDL'000 352,535 were granted by the minority shareholders holding less than 5% of the shares of the Bank.

15 Deposits from customers

	31 December 2013 MDL'000	31 December 2012 MDL'000
Payable on demand		
Corporate customers	812,488	643,034
Public Institutions	906,264	835,198
Individuals	937,965	1,013,163
	2,656,717	**2,491,395**
Term deposits		
Corporate customers	211,659	34,898
Individuals	2,605,499	2,773,737
	2,817,158	**2,808,635**
	5,473,875	**5,300,030**

15 Deposits from customers (continued)

As at 31 December 2013 the amount of deposits pledged as collateral for the loans originated by the Bank was of MDL'000 653 (31 December 2012: MDL'000 14,310) and MDL'000 87,018 for guarantees issued (31 December 2012: MDL'000 1,223).

The Bank's term deposit portfolio includes deposits with no rights to withdraw prior to maturity date. For such deposits, in case of premature withdrawal, 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:

	31 December 2013		31 December 2012	
	MDL	FCY	MDL	FCY
	%	%	%	%
Corporate customers				
Demand deposits	0.00 - 2.00	0.00 - 0.30	2.00 - 4.00	-
Term deposits up to 3 months	0.00 - 3.00	0.00 - 0.00	-	-
Term deposits >3 months <1 year	0.00 - 9.25	0.045	0.00 - 9.50	2.50 - 5.50
Term deposits over 1 year	0.00	0.00 - 5.80	0.00 - 13.00	5.80
Individuals				
Demand deposits	0.00 -9.00	0.15	0.00 - 9.00	0.00 - 0.15
Term deposits up to 3 months	2.00 -2.50	1.50-2.00	2.00 - 3.00	1.00 - 3.00
Term deposits >3 months <1 year	2.00-9.00	2.50-7.00	2.00 - 10.50	3.00 -5.50
Term deposits over 1 year	7.00-13.00	3.50-7.20	8.50 -15.50	3.50 -6.75

16 Taxation

The major components of tax expense and the reconciliation of the expected tax expense based on the effective tax rate of 12% (2012: 12%) and the reported tax expense in profit or loss are as follows:

	2013	2012
	MDL'000	MDL'000
Profit/(loss) before tax	35,495	(294,855)
Moldovan statutory income tax rate	*12%*	*12%*
Expected tax expense/ (credit)	4,259	(35,383)
Income not subject to tax /non-deductible expenses	(7,638)	53,793
Actual tax (credit)/ expense	**(3,379)**	**18,410**
Tax expense comprises:		
- Current tax expense	-	-
- Deferred tax expense:	(3,379)	18,410
Tax expense	**(3,379)**	**18,410**

16 Taxation (continued)

Deferred taxes arising from temporary differences are summarized as follows:

Deferred tax assets (liabilities)	**1 January 2013**	**Recognized in profit and loss**	**31 December 2013**
	MDL'000	**MDL'000**	**MDL'000**
Assets			
Loans and advances to customers	(70,249)	15,786	(54,463)
Property and equipment	(4,777)	545	(4,232)
Other assets	(961)	(2,223)	(3,184)
Assets taken into possession for resale	(9,904)	1,104	(8,800)
Liabilities			
Other liabilities	1,148	(342)	806
Off-balance sheet			
Guarantees issued and commitments	(135)	38	(97)
Tax losses carried forward	42,148	(11,529)	30,619
	(42,730)	**3,379**	**(39,351)**
Recognised as:			
Deferred tax asset	**43,296**	**12,063**	**31,233**
Deferred tax liability	**(86,026)**	**(15,442)**	**(70,584)**

Deferred tax was calculated by applying the 2014 standard tax rate of 12% (2012: 2013 standard tax rate of 12%).

17 Other liabilities

	31 December 2013	**31 December 2012**
	MDL'000	**MDL'000**
Payables on money transfer systems	7,559	5,907
Transit and suspense accounts	26,666	39,284
Provision for unused vacation	6,715	9,570
Non-interest bearing accruals	8,951	8,248
Other liabilities	77,483	4,019
	127,374	**67,028**

18 Share capital

Share capital as at 31 December 2013 constituted 39,456,704 ordinary authorized shares and 302,980 preference shares, issued in circulation with the nominal value of MDL 5 and respectively MDL 1 per share (31 December 2012: 23,406,764 ordinary shares and 302,980 preference shares). The share capital increase took place as a result of additional closed issue of MDL'000 80,250, representing 16,049,940 ordinary shares. The holders of ordinary shares are entitled to receive dividends as declared and have equal voting rights.

	31 December 2013		31 December 2012	
	Nr of Shares	**MDL'000**	**Nr of Shares**	**MDL'000**
Ordinary Shares	39,456,704	197,284	23,406,764	117,034
Preference Shares	302,980	303	302,980	303
		197,587		**117,337**

As at 31 December 2013 and 2012, the shareholders' structure of the Bank is as follows:

	31 December 2013		31 December 2012	
Shareholder	**Share MDL'000**	**Share %**	**Share MDL'000**	**Share %**
Public Property Agency	65,862	33	65,862	56
Sisteme Informationale Integrate SRL	66,653	34	11,470	10
INTERCONTINENT SRL	-	-	10,461	9
ZAO IURIDICESCAIA FIRMA EDINOI ENERGETICESCOI SISTEMI	-	-	5,425	5
OOO DMITROVSCAIA ENERGETICESCAIA COMPANIA	-	-	5,425	5
CARMONDEAN DEVELOPMNET LTD	9,631	5	5,425	5
OOO GARANT-GRUP	9,135	5	5,425	5
CALTECO PRIM SRL	9,113	4	-	-
Vladox Grup SRL	9,460	5	-	-
Other who hold less than 5%	27,733	14	7,844	5
Total	**197,587**	**100**	**117,337**	**100**

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.

19 Reserves

In accordance with the legislation of Republic of Moldova, 5% of the Bank's net profit must be transferred to a non-distributable statutory reserve until this represents 10% of the share capital of the Bank. General reserve cannot be distributed to shareholders. The reserve capital is used only to cover losses of the current financial year or to increase share capital.

Starting 2012 the Bank created the general reserve for banking risks which include amounts resulting from differences between assets impairment under IFRS and calculated but not provided for under prudential (NBM) norms. This reserve in non-distributable.

20 Capital management

The Bank's objective when managing its capital is to protect the Bank's ability to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost.

In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividends paid to shareholders, withdraw capital, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies and processes from the previous years.

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

The NBM requires each bank or banking group to hold the minimum level of the regulatory capital of MDL'000 200,000 (31 December 2012: MDL'000 200,000) and maintain a ratio of total regulatory capital to the risk-weighted asset at minimum of 16% (31 December 2012: 16%).

	31 December 2013 MDL'000	31 December 2012 MDL'000
Weighted average assets and contingent commitments in accordance with NBM regulations	2,132,410	2,191,272
Total normative capital in accordance with NBM regulations	555,031	129,667
Risk weighted capital adequacy in accordance with NBM regulations, %	26.03	5.92

Capital adequacy, and use of regulatory capital are monitored by the Bank's management, using techniques based on regulations issued by the National Bank. In 2013 the Bank continued to implement the approved "detailed plan to increase the minimum required capital and to achieve compliance with risk weighted capital adequacy ratio requirements in force".

20 Capital management (continued)

The table below presents the computation of capital adequacy starting from IFRS figures, in accordance with the guidelines for capital adequacy computation:

	31 December 2013 MDL'000	31 December 2012 MDL'000
Tier 1 capital		
Share capital, nominal	197,587	117,337
Retained earnings	18,752	18,752
Reserves	753,154	717,659
Less: net intangible assets	(44,940)	(43,561)
Total tier 1 capital	**924,553**	**810,187**
Tier 2 capital		
Subordinated debt	185,010	-
Total capital	**1,109,563**	**810,187**
Risk weighted assets	**2,498,278**	**2,563,990**
Ratio for Tier 1capital	37.01%	31.60%
Ratio for Tier 1 and 2	44.41%	31.60%

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, reserves and retained earnings after deductions for intangible assets, recognised based on IFRS and instructions and regulations of National Bank of Moldova. The other component of regulatory capital is Tier 2 capital, which includes a part of subordinated debt.

21 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:

	31 December 2013 MDL'000	31 December 2012 MDL'000
Cash on hand	490,060	475,497
Current accounts and deposits with banks	5,639,094	965,161
Treasury bills	9,881	992,403
	6,139,035	**2,433,061**

22 Interest income and expenses

	2013 MDL'000	2012 MDL'000
Interest income		
Due from NBM and other banks	72,685	6,723
Financial investments – held to maturity	28,061	73,204
Loans and advances to banks	125	-
Loans and advances to customers	177,979	360,908
	278,850	**440,835**
Interest expense		
Deposits from banks	(14,280)	-
Other borrowings	(7,849)	(1,981)
Deposits from customers - individuals	(204,952)	(235,102)
Deposits from customers - companies	(17,985)	(8,573)
	(245,066)	**(245,656)**
Net interest income	**33,784**	**195,179**

23 Net fee and commission income

	2013 MDL'000	2012 MDL'000
Commission Income		
Money transfers	10,953	13,325
Transfers via Moldova-Express	235	226
SWIFT transfers of individuals	1,796	2,284
Commissions on customer accounts maintenance	11,782	15,717
Cash transactions	26,945	34,180
Commission on guarantees and letters of credit	782	1,721
Commission on sale/purchase of securities	22	60
Allowances	10,465	11,08
Pension	14,492	9,736
Salaries	6,327	7,801
Cash delivery services	36,012	27,534
Income from operations with cards	14,650	7,144
Other	4,819	9,923
	139,280	**140,740**
Fee and commission expense		
Cash withdrawals	(13,918)	(11,715)
Transactions with cards	(9,520)	(7,501)
Payment transactions	(3,205)	(4,120)
	(26,643)	**(23,336)**
Net fee and commission income	**112,637**	**117,404**

24 Net foreign currency gain

	2013 MDL'000	2012 MDL'000
Net result from currency trading	52,473	63,407
Net result from revaluation of monetary assets and liabilities in foreign currency	(10,856)	(9,366)
	41,617	**54,041**

25 Other operating income

	2013 MDL'000	2012 MDL'000
Revenue from disposal of repossessed assets	1,064	787
Income from rent	1,343	1,367
Income from fines and penalties	2,043	7,143
Revenues from disposal of tangibles	256	-
Revenue from sale of equities	11,442	-
Revenues from derivatives instruments	4,429	-
Other	1,885	2,560
	22,462	**11,857**

26 Personnel expenses

	2013 MDL'000	2012 MDL'000
Wages and salaries	84,533	90,677
Bonuses	-	1,223
Social insurance	21,317	23,324
Medical insurance	2,982	3,245
Provision for unused vacation	(2,854)	(2,865)
Material aid	15,768	17,317
Other payments	1,237	993
	122,983	**133,914**

The Bank makes contributions to the State Pension Fund of the Republic of Moldova, which are calculated as a percentage of gross salary and other rewards. These contributions are included into the statement of comprehensive income in the period in which the related salary was received by the employee.

27 General and administrative expenses

	2013 MDL'000	2012 MDL'000
Administration and marketing	15,147	14,203
Communications	6,282	6,109
Repairs and maintenance	14,147	11,655
Utilities	9,749	9,892
Rent	16,182	18,470
Contributions to Deposit Guarantee Fund	5,559	6,063
Transportation expenses	181	200
Expenses related to taxes	5,299	5,366
Sponsorship	18	41
Repossessed assets written off	1,991	22,907
Other expenses	4,587	3,342
	79,142	**98,248**

28 Guarantees and other commitments

The aggregate amounts of outstanding guarantees, commitments, and other off-balance sheet items as at 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013 MDL'000	31 December 2012 MDL'000
Letters of credit	-	6,719
Guarantees:	90,028	30,270
- guarantees for contract execution	*90,010*	*18,130*
- guarantees for participating in tenders	*18*	*140*
- guarantees to ensure customs duties	-	*12,000*
Commitments to lend funds	48,536	26,848
	138,564	**63,837**

In the ordinary course of business, the Bank issues its guarantees and letters of credit on behalf of its customers. The credit risk on guarantees is similar to the risk arising from granting loans. In case of a claim on the Bank as a result of a customer's non-compliance on a guarantee, these instruments also have a certain degree of liquidity risk for the Bank.

Financing commitments represent the Bank's commitments to grant loans and advances to customers. 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 at 31 December 2013 and 2012:

28 Guarantees and other commitments (continued)

31 December 2013	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	-	-	-	-	-	-
Guarantees	9	-	161	89,858	-	90,028
Commitments to lend funds	438	830	24,865	22,403	-	48,536
Total	**447**	**830**	**25,026**	**112,261**	**-**	**138,564**

31 December 2012	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	-	6,719	-	-	-	6,719
Guarantees	56	13,000	17,214	-	-	30,270
Commitments to lend funds	603	883	15,557	9,805	-	26,848
Total	**659**	**20,602**	**32,771**	**9,805**	**-**	**63,837**

The Bank expects that not all of the contingent liabilities or commitments will be drawn before the commitments expire.

29 Capital commitments

There were no capital commitments as at 31 December 2013 and 2012.

30 Contingencies

As at 31 December 2013 and 2012 the Bank is acting as a defendant in a number of lawsuits arising from ordinary corporate activities. In the opinion of the Management and the Bank's legal department, the probability of loss is low.

31 Earnings per share

	Ordinary shares outstanding	Result for the year MDL'000	Basic and diluted EPS MDL
As at 31 December 2013	39,456,704	35,495	0.90
As at 31 December 2012	23,406,764	(313,265)	(13.38)

32 Fair value of financial instruments

Fair value is the amount for which an instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction.

	Carrying value	Fair value	Carrying value	Fair value
	31 December 2013		31 December 2012	
	MDL'000	MDL'000	MDL'000	MDL'000
Financial assets				
Placements with banks	4,989,808	4,989,808	567,335	567,335
Loans and advances to customers	1,213,417	1,681,278	2,229,067	2,794,795
Investment securities - AFS	10,492	10,492	9,342	9,342
Financial liabilities				
Due to banks	952,463	952,463	1,627	1,627
Due to customers	5,473,875	5,473,875	5,300,030	5,301,309

(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 investments with fixed interest 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) Held to maturity investments
The fair value of held to maturity investments approximates the book value. Mainly represent investments in securities issued by the National Bank of Moldova

(iv) Financial liabilities, 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 financial liabilities without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

The interest rates used to discount the future cash flows as at 31 December 2013 (average active market rate according to BNM statistics as at 31 December 2013) are presented below:

	31 December 2013		31 December 2012	
	%	%	%	%
	MDL	FCY	MDL	FCY
Loans to customers				
Corporate clients	12.06	8.33	11.24	7.87
Individuals	12.37	8.3	13.73	8.39
Deposits and current accounts				
Corporate clients	7.66	3.8	9.57	4.58
Individuals	9.09	5.39	10.97	6.20

33 Related parties

During the year, in the normal course of business, the Bank held a number of banking and non-banking transactions with its related parties. 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.

The Bank considers the following parties as affiliated ones:

- President of the Bank
- Bank Council and Censor Committee
- Vice Presidents
- Chief -Accountant
- Directors of branches
- Relatives of the first grade of the parties listed above
- Legal entities affiliated to the parties listed above

Below is presented the balances and transactions with related parties during the year:

	Loans outstanding as at the year end	Deposits at the year end	Overnights at the year end	Interest and commission income	Interest and commission expenses	Non-interest income
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
2013	615	4,641	303,688	12,753	304	-
2012	820	5,279	-	94	403	-

Terms and conditions of transactions with related parties
The above mentioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties is at normal commercial rate. Loans to employees were granted at market rates. There have been no guarantees provided or received from any related parties receivables or payables. For the year ended 31 December 2013, the Bank has not made doubtful debts relating to amounts owed by related parties (2012: Nil).

Directors' remuneration
As at 31 December 2013 the executive management received remuneration in total amount of MDL'000 5,550 (2012: MDL'000 6,403).

Exposures to state enterprises
In 2012 and during 2013 Government of Moldova had control and significant influence on the Bank's activities through Public Property Agency (please see note 18). In addition, the Bank entered into a number of banking transactions the related parties in the ordinary course of business, which were carried on commercial terms and conditions and at market rate with state entities being together with the Bank under common control of the charter. These included settlements, loans granting, deposit taking, and foreign currency transactions.

34 Risk management

This section provides details on the Bank's exposure to risk and describes the methods used by management to control risks.

The Bank's activities expose it to a variety of financial risks and those activities involve 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 analyze 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 in order to make sure that they reflect changes in markets, products and emerging best practice.

The Bank has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Currency risk
- Interest rate risk

34.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge its obligations. Credit risk is the most important risk for the Bank's business; therefore, management carefully estimates 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 level 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.

Bank enters into transactions only with those parties, who have demonstrated satisfactory reliability and after that, obtain necessary collateral. As part of the credit portfolio management, according to Bank lending policy, approved annually by the Bank, the Bank provides loans for which principal payments begin after a period of 6 to 12 months from date of award and also in certain cases some restructurings occurs, therefore extending the period of credit that were originally granted. In the period after the balance sheet date of these financial statements, including year 2014, Bank management estimates that there will occur a series of exposures that will be extended for periods that were originally granted. 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 the collateral and the corporate and personal guarantees. Most credit risk concentrations are generated by location and type of client in relation to investments, loans and guarantees granted by the Bank. Bank lending is carried out in Moldova. Borrowers' ability to repay debt depends on a number of factors, including the financial solvency of the each debtor, and of the economy as a whole. The loan portfolio includes loans to 894 legal entities and individuals (2012: 1,433). Credit risk management is done regularly by careful monitoring of compliance with credit limits by assessing the creditworthiness of borrowers and adherence to conservative provisioning policy.

34 Risk management (continued)

34.1 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 lower risk than a direct lending.

Commitments related to extension of credit represent unused portions of authorisations to provide credits 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 of credit extension are contingent upon customers maintaining specific credit standards. The Bank monitors the term of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

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

	Notes	31 December 2013 MDL'000	31 December 2012 MDL'000
Balances with National Bank	6	931,839	662,968
Placements with banks	7	4,989,808	567,335
Loans and advances to customers	8	1,213,417	2,229,067
Financial investments - held-to-maturity	9	401,583	1,836,057
Other assets	12	30,931	29,835
Total		**7,567,578**	**5,325,262**
Letters of credit	28	-	6,719
Guarantees	28	90,028	30,270
Financing commitments	28	48,536	26,848
Total		**138,564**	**63,837**
Total credit risk exposure		**7,706,142**	**5,389,099**

The above table represents a worst-case scenario of credit risk exposure to the Bank at 31 December 2013 and 2012, without taking into account 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, 65% of the total maximum exposure is derived from loans and advances to banks (2012: 11%); 16% represents loans and advances to customers (2012: 41%).

Risk concentrations of the maximum exposure to credit risk

The Bank's concentrations of risk are managed at individual level by client/counterparty and by industry sector. The maximum credit exposure to any client or inter-related parties as at 31 December 2013 was MDL'000 104,853 (as at 31 December 2012: MDL'000 464,958) before taking account of collateral or other credit enhancements. The maximum credit exposure is secured with the pledge in form of real estate, fixed assets and inventory in total value of MDL'000 112,649.

For analysis of concentration per industry please refer to Note 8.

34 Risk management (continued)

34.1 Credit risk (continued)

Loans and advances are summarized as follows:

	31 December 2013			31 December 2012		
	Corporate	Indivi-duals	Total	Corporate	Indivi-duals	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Neither past due nor individually impaired	699,804	9,752	709,556	885,933	15,804	901,737
Past due but not individually impaired	167,286	600	167,886	291,942	3,318	295,260
Individually impaired	819,491	5,354	824,845	1,490,932	5,080	1,496,012
Total	**1,686,581**	**15,706**	**1,702,287**	**2,668,807**	**24,202**	**2,693,009**

(i)Loans and advances neither past due nor impaired on individual basis

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for "Neither past due nor individually impaired" loans exposed to credit risk, based on the Bank's internal credit rating system.

	31 December 2013			31 December 2012		
	Corporate	Indivi-duals	Total	Corporate	Indivi-duals	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Standard	18,610	7,916	26,526	370,130	9,805	379,935
Watch	605,822	1,670	607,492	511,835	5,603	517,438
Sub-standard	75,372	162	75,534	3,968	383	4,351
Doubtful	-	-	-	-	13	13
Loss	-	4	4	-	-	-
Total	**699,804**	**9,752**	**709,556**	**885,933**	**15,804**	**901,737**

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 unfavourable or worsening financial situation, insufficient or worsening collateral coverage, other unfavourable factors that may lead to losses if such factors are not addressed.

Doubtful –problem loans 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.

34 Risk management (continued)

34.1 Credit risk (continued)

(ii) Loans and advances past due but not individually impaired

Loans and advances 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:

31 December 2013	Less than 30 days MDL'000	From 31 to 60 days MDL'000	From 61 to 90 days MDL'000	Over 91 days MDL'000	Total MDL'000
Corporate	64,350	51,839	7,362	43,735	167,286
Individuals	113	3	1	483	600
Total	**64,463**	**51,842**	**7,363**	**44,218**	**167,886**

31 December 2012	Less than 30 days MDL'000	From 31 to 60 days MDL'000	From 61 to 90 days MDL'000	Over 91 days MDL'000	Total MDL'000
Corporate	90,591	167,768	6,892	26,691	291,942
Individuals	633	30	24	2,631	3,318
Total	**91,224**	**167,798**	**6,916**	**29,322**	**295,260**

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, stock of materials and equipment as well as corporate guarantees and cash deposits. Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets.

(iii) Loans and advances individually impaired

As at 31 December 2013, the Bank had individually impaired loans and advances in amount of MDL'000 824,845 (2012: MDL'000 1,496,012). The fair value of collateral that the Bank holds relating to individually impaired loans at 31 December 2013 is MDL'000 644,380 (2012: MDL'000 1,436,706). The collateral consists mainly of real estate and other properties, as well as ceded receivables.

(iv) Loans and advances renegotiated/restructured

The table below comprises value of renegotiated/restructured loans held by the Bank:

31 December 2013	Standard MDL'000	Watch MDL'000	Sub-standard MDL'000	Total MDL'000
Corporate	-	267,012	73,555	340,567
Individuals	-	1,101	-	1,101
Total	-	**268,113**	**73,555**	**341,668**

31 December 2012	Standard MDL'000	Watch MDL'000	Sub-standard MDL'000	Total MDL'000
Corporate	351	353,770	5,395	359,516
Individuals	-	1,500	-	1,500
Total	**351**	**355,270**	**5,395**	**361,016**

34 Risk management (continued)

34.1 Credit risk (continued)

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographical region as at 31 December 2013 and 31 December 2012. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

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

	31 December 2013		31 December 2012	
	Total assets	Total liabilities	Total assets	Total liabilities
	MDL'000	MDL'000	MDL'000	MDL'000
Moldova	5,508,249	6,668,796	6,005,092	5,704,441
Eurozone states	12,486	2,084	498,043	2,979
Other states EU members	113,231	654,284	2,375	1,136
USA	157,855	1,791	67,278	2,302
Offshore	1,277	341	-	30
Other countries	2,708,434	204,743	12,945	21,097
	8,501,532	**7,532,039**	**6,585,733**	**5,731,985**

34.2 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.

34.2.1 Currency risk

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

During 2013, the national currency has depreciated gradually, respectively to hedge against currency risk, the Bank has maintained a long open foreign exchange position.

Sensitivity analysis to currency risk

The Bank performed a sensitivity analysis to currency risk at which it is reasonably exposed at 31 December 2013, showing how statement of comprehensive income could have been affected as a result of possible changes in currency rates.

34 Risk management (continued)

34.2 Market risk (continued)

34.2.1 Currency risk (continued)

The tables below show the currencies for which the Bank has significant exposure to currency risk as at 31 December 2013 and as at 31 December 2012, for the balance sheet items that are sensitive to the currency rates' modifications. The analysis demonstrates the effect of reasonably possible changes in currency rates against Moldovan Leu with all other variables held constant.

Except for the effect presented below, there is no other impact on Bank's equity:

Net currency position	Nominal value	Possible rate increase	Income/(Loss) effect	Possible rate decrease	Income/(Loss) Effect
	MDL'000	%	MDL'000	%	MDL'000
As at 31 December 2013					
EUR	246,374	5%	12,319	-5%	(12,319)
USD	1,116,411	5%	55,821	-5%	(55,821)
As at 31 December 2012					
EUR	(165,094)	5%	(8,255)	-5%	8,255
USD	45,997	5%	2,300	-5%	(2,300)

34 Risk management (continued)

34.2 Market risk (continued)

34.2.1 Currency risk (continued)

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

	31 December 2013				
	Total MDL'000	MDL MDL'000	EUR MDL'000	USD MDL'000	Other MDL'000
ASSETS					
Cash on hand	490,060	333,871	84,522	37,464	34,203
Balances with National Bank	931,839	659,842	218,392	53,605	-
Placements with banks	4,989,808	1,276,206	1,151,205	2,550,204	12,193
Loans and advances to customers	1,213,417	643,872	447,369	122,176	-
Financial investments – available-for-sale	10,492	10,492	-	-	-
Financial investments – held-to-maturity	401,583	401,583	-	-	-
Property and equipment	217,721	217,721	-	-	-
Intangible assets	44,940	44,940	-	-	-
Other assets	201,672	193,418	3,001	2,841	2,412
Total assets	**8,501,532**	**3,781,945**	**1,904,489**	**2,766,290**	**48,808**
LIABILITIES					
Deposits from banks	952,463	358,226	-	594,237	-
Other borrowings	937,731	277,428	-	660,303	-
Deposits from customers	5,473,875	3,492,534	1,583,064	394,189	4,088
Current income tax liabilities	1,245	1,245	-	-	-
Deferred income tax liabilities	39,351	39,351	-	-	-
Other liabilities	127,374	49,034	75,051	1,150	2,139
Total liabilities	**7,532,039**	**4,217,818**	**1,658,115**	**1,649,879**	**6,227**
GAP	**969,493**	**(435,873)**	**246,374**	**1,116,411**	**42,581**

34 Risk management (continued)

34.2 Market risk (continued)

34.2.1 Currency risk (continued)

	31 December 2012				
	Total	MDL	EUR	USD	Other
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS					
Cash on hand	475,497	247,330	174,963	36,375	16,829
Balances with National Bank	662,968	400,054	206,515	56,399	-
Placements with banks	567,335	2	481,592	72,625	13,116
Loans and advances to customers	2,229,067	1,282,480	640,949	305,638	-
Financial investments – available-for-sale	9,342	9,342	-	-	-
Financial investments – held-to-maturity	1,845,399	1,845,399	-	-	-
Property and equipment	239,360	239,360	-	-	-
Intangible assets	43,561	43,561	-	-	-
Other assets	513,204	498,076	9,437	4,254	1,437
Total assets	**6,585,733**	**4,565,604**	**1,513,456**	**475,291**	**31,382**
LIABILITIES					
Deposits from banks	1,627	-	-	1,627	-
Other borrowings	319,443	313,388	-	6,055	-
Deposits from customers	5,300,030	3,195,138	1,674,748	419,692	10,452
Current income tax liabilities	1,127	1,127	-	-	-
Deferred income tax liabilities	42,730	42,730	-	-	-
Other liabilities	67,028	60,249	3,802	1,918	1,059
Total liabilities	**5,731,985**	**3,612,632**	**1,678,550**	**429,292**	**11,511**
GAP	**853,748**	**952,972**	**(165,094)**	**45,999**	**19,871**

34.2.2 Interest rate risk

Interest rate risk is the risk of loss resulting from changes in interest rates. Interest rate risk consists of the risk of fluctuation in the value of a 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. Using these instruments, the Bank secures additionally its exposure to interest rate risk and is able to manage the market impact over income statement.

34 Risk management (continued)

34.2 Market risk (continued)

34.2.2 Interest rate risk (continued)

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 +/- 1.0 and +/-0.50 percentage points to be reasonable for 2013 and 2012:

	Increase in percentage points	Sensitivity of Net Interest Income MDL'000	Decrease in percentage points	Sensitivity of Net Interest Income MDL'000
2013	+1.0	2,048	-1.0	(2,048)
	+0.5	1,024	-0.5	(1,024)
2012	+1.0	1,162	-1.0	(1,162)
	+0.5	581	-0.5	(581)

An illustration of the Bank's exposure to interest rate risks at 31 December 2013 and 31 December 2012 is presented below. The table presents the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates:

34 Risk management (continued)

34.2 Market risk (continued)

34.2.2 Interest rate risk (continued)

31 December 2013	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	490,060	-	-	-	-	-	490,060
Balances with National Bank	931,839	931,839	-	-	-	-	-
Placements with banks	4,989,808	4,927,642	54,005	-	-	-	8,161
Loans with variable interest rate	1,213,417	1,068,581	-	-	-	-	144,836
Financial investments – available-for-sale	10,492	-	-	-	-	-	10,492
Financial investments – held-to-maturity	401,583	83,536	100,663	123,043	94,341	-	-
Property and equipment	217,721	-	-	-	-	-	217,721
Intangible assets	44,940	-	-	-	-	-	44,940
Other assets	201,672	-	-	-	-	-	201,672
Total assets	**8,501,532**	**7,011,598**	**154,668**	**123,043**	**94,341**	**-**	**1,117,882**
LIABILITIES							
Deposits from banks	952,463	952,412	-	-	-	-	51
Other borrowings	937,731	98,598	23,285	69,857	93,141	652,850	-
Deposits from customers (variable IR)	4,817,250	3,901,615	-	-	-	-	915,635
Deposits from customers (fixed IR)	656,625	656,625	-	-	-	-	-
Current income tax liabilities	1,245	-	-	-	-	-	1,245
Deferred income tax liabilities	39,351	-	-	-	-	-	39,351
Other liabilities	127,374	285	-	-	-	-	127,089
Total liabilities	**7,532,039**	**5,609,535**	**23,285**	**69,857**	**93,141**	**652,850**	**1,083,371**
Interest gap	**969,493**	**1,402,063**	**131,383**	**53,186**	**1,200**	**(652,850)**	**34,511**
Cumulative interest gap		**1,402,063**	**1,533,446**	**1,586,632**	**1,587,832**	**934,982**	**969,493**

34 Risk management (continued)

34.2 Market risk (continued)

34.2.2 Interest rate risk (continued)

31 December 2012	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	475,497	-	-	-	-	-	475,497
Balances with National Bank	662,968	662,968	-	-	-	-	-
Placements with banks	567,335	567,335	-	-	-	-	-
Loans with variable interest rate	2,229,067	2,187,267	-	-	-	-	41,800
Financial investments – available-for-sale	9,342	-	-	-	-	-	9,342
Financial investments – held-to-maturity	1,845,399	1,063,323	243,387	352,406	93,142	93,141	-
Property and equipment	239,360	-	-	-	-	-	239,360
Intangible assets	43,561	-	-	-	-	-	43,561
Other assets	513,204	-	-	-	-	-	513,204
Total assets	**6,585,733**	**4,480,893**	**243,387**	**352,406**	**93,142**	**93,141**	**1,322,764**
LIABILITIES							
Deposits from banks	1,627	-	-	-	-	-	1,627
Other borrowings	319,443	40,018	23,286	69,856	186,283	-	-
Deposits from customers (variable IR)	5,266,516	4,232,669	-	-	-		1,033,847
Deposits from customers (fixed IR)	33,514	33,514	-	-	-	-	-
Current income tax liabilities	1,127	-	-	-	-	-	1,127
Deferred income tax liabilities	42,730	-	-	-	-	-	42,730
Other liabilities	67,028	-	-	-	-	-	67028
Total liabilities	**5,731,985**	**4,306,201**	**23,286**	**69,856**	**186,283**	**-**	**1,146,359**
Interest gap	**853,748**	**174,692**	**220,101**	**282,550**	**(93,141)**	**93,141**	**176,405**
Cumulative interest gap		**174,692**	**394,793**	**677,343**	**584,202**	**677,343**	**853,748**

34 Risk management (continued)

34.3 Operational risk

The Bank has a rigorously conceived administration body. It includes a 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 National Bank of Moldova.

34.4 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 financial instruments that should be sufficient to cover withdrawals at unexpected levels of demand.

The control of matching or mismatching of 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 of 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.

Considering the coefficients for the renewal of resources base contracted from the customers, in spite of substantial number of deposits having contractual maturity dates within three months, the diversification of these deposits by number and type, considering the Bank's past experience, would indicate that these deposits provide a long-term and stable source of funding for the Bank.

The tables below classify the Bank's assets and liabilities into relevant maturity groups based on the remaining period to the contractual maturity date.

34 Risk management (continued)

34.4 Liquidity risk (continued)

31 December 2013	Less than 12 months MDL'000	More than 12 months MDL'000	Total MDL'000
ASSETS			
Cash on hand	490,060	-	490,060
Balances with National Bank	931,839	-	931,839
Placements with banks	4,981,647	8,161	4,989,808
Loans and advances to customers	576,010	637,407	1,213,417
Financial investments – available-for-sale	-	10,492	10,492
Financial investments – held-to-maturity	307,242	94,341	401,583
Property and equipment	-	217,721	217,721
Intangible assets	-	44,940	44,940
Other assets	51,026	150,646	201,672
Total assets	**7,337,824**	**1,163,708**	**8,501,532**
LIABILITIES			
Deposits from banks	952,463	-	952,463
Other borrowings	191,740	745,991	937,731
Deposits from customers	4,634,980	838,895	5,473,875
Current income tax liabilities	1,245	-	1,245
Deferred income tax liabilities	39,351	-	39,351
Other liabilities	127,374	-	127,374
Total liabilities	**5,947,153**	**1,584,886**	**7,532,039**
Maturity gap	**1,390,671**	**(421,178)**	**969,493**

34 Risk management (continued)

34.4 Liquidity risk (continued)

31 December 2012	Less than 12 months MDL'000	More than 12 months MDL'000	Total MDL'000
ASSETS			
Cash on hand	475,497	-	475,497
Balances with National Bank	662,968	-	662,968
Placements with banks	567,335	-	567,335
Loans and advances to customers	1,374,721	854,346	2,229,067
Financial investments – available-for-sale	-	9,342	9,342
Financial investments – held-to-maturity	1,657,926	187,473	1,845,399
Property and equipment	-	239,360	239,360
Intangible assets	-	43,561	43,561
Other assets	243,425	269,779	513,204
Total assets	**4,981,872**	**1,603,861**	**6,585,733**
LIABILITIES			
Deposits from banks	1,627		1,627
Other borrowings	133,160	186,283	319,443
Deposits from customers	4,502,838	797,192	5,300,030
Current income tax liabilities	1,127	-	1,127
Deferred income tax liabilities	-	42,730	42,730
Other liabilities	57,144	9,884	67,028
Total liabilities	**4,695,896**	**1,036,089**	**5,731,985**
Maturity gap	**285,976**	**567,772**	**853,748**

34 Risk management (continued)

34.4 Liquidity risk (continued)

The table below summarizes the maturity profile of the Bank's financial liabilities at 31 December 2013 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.

2013	On demand MDL'000	Less than 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Total MDL'000
Due to banks	559,704	292,537	111,513	-	-	963,754
Other borrowings	96,965	24,936	69,940	93,417	652,850	938,108
Due to customers	2,657,894	446,588	1,681,659	842,535	139,306	5,767,982
	3,314,563	**764,061**	**1,863,112**	**935,952**	**792,156**	**7,669,844**

2012	On demand MDL'000	Less than 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Total MDL'000
Due to banks	1,627	-	-	-	-	1,627
Other borrowings	40,020	23,290	69,875	186,303	-	319,488
Due to customers	2,492,702	726,091	1,443,168	820,219	112,005	5,594,185
	2,534,349	**749,381**	**1,513,043**	**1,006,522**	**112,005**	**5,915,300**

35 Subsequent events

No significant events after the reporting period took place.