Moldova Agroindbank

Annual Report 2013

Steadfast experience gives us power

CONTENTS

1 NATIONAL AND INTERNATIONAL RECOGNITION

Over the years, the bank's dynamic development was appreciated by international specialized publications, among which:

- **Euromoney** recognized Moldova Agroindbank as "**Best Bank in Moldova**" in 1999, 2000, 2007, 2008, 2009, 2010, 2011 and 2012;

- **Global Finance** gave Moldova Agroindbank the award "**The Best Bank in Moldova**" in 2007, 2008, 2009, 2010, 2011, 2012, 2013 and "**The Best Foreign Exchange Bank in Moldova**" in 2009, 2010 and 2011;

- **The Banker** granted Moldova Agroindbank the award "**Bank of the year in Moldova**" in 2009 and 2012;

- **Finance Central Europe** recognized Moldova Agroindbank as "The Best Bank in Moldova" in 2006, 2007, 2008, 2009 and 2010, including in categories of capital, assets and net profit; and in 2010 the magazine conferred the award "**The Best Bank in Moldova for decade 2000-2010**" on the bank;

- **World Finance** presented the award "**Most Sustainable Bank, Moldova**" to Moldova Agroindbank in 2008 and 2010;

- **EBRD** awarded the prize "**The Most Active Issuing Bank under Trade Facilitation Program in Moldova**" to Moldova Agroindbank in 2009, 2012;

- Moldova Agroindbank nabbed "**EU-EBRD Sustainable Energy Excellence 2012 Award**", within the MoSEFF credit line (Energy efficiency financing project in Moldova), offered by the EBRD and the European Commission;

- **KBS-Publishing** in partnership with the "Bankir" magazine and the "Credit Rating" agency bestowed "**The Best Bank for Corporate Business in the Commonwealth of Independent States (CIS)**" in 2010;

- **The GUAM Organization for Democracy and Economic Development** listed Moldova Agroindbank among the best banks from the GUAM member countries in 2010;

- Moldova Agroindbank went up 15 positions in "**TOP 100 SEE Banks**", compiled by the international agency SEE News in 2011 and 2012;

- **The Chamber of Commerce and Industry of the Republic of Moldova** awarded the highest distinction "**Gold Mercury**" within the national contest "Trademark 2010".

- **Global Banking & Finance Review** recognized Moldova Agroindbank as "**Best commercial bank in Moldova**", in 2013

2 MISSION OF THE BANK

STEADFAST EXPERIENCE GIVES US POWER

We strive to maintain our leadership position on Moldova's banking market through permanent change and qualitative improvement of the bank. We want Moldova Agroindbank to be a strong, technologically developed and innovative company with sustainable profitability, able to provide an increased output to our shareholders.

To the Bank, the Customers are the highest value and asset and hence our strategy is aimed at providing top quality services and the best financial solutions in order to live up to our customers' expectations through professionalism, competence and efficiency.

The Bank focuses on a healthy and quality business development. We want to develop our business with high responsibility so that we strike the best balance possible between profitability and prudence, ensure maximum protection against risks by enhancing the value of the bank shares.

Competition compels us into stepping up our absolute leadership position in Moldova's banking system through competition and professionalism, intelligence, transparency, creativity and promptitude in launching new products.

3 STRATEGIC OBJECTIVES OF THE BANK

1. To step up the leadership position and keep the main positions on Moldova's financial and banking market: 17-20% for assets, 21-22% for loans, and 17-20% for total deposits, by exploiting the bank's competitive advantages and market opportunities.

2. To maintain the return on equity ratio (ROE) at 14%, in 2014, including by developing the bank's business..

3. To develop a diversified business of the bank through the successful implementation of the project of transforming Moldova-Agroindbank into a modern bank.

4. To prudently manage risks and apply internal control procedures in order to protect the bank's profitability and improve the recovery of non-performing loans.

5. To continuously enhance the quality of the bank's staff and increase labor productivity.

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MESSAGE OF THE CHAIRMAN OF THE BANK'S COUNCIL

Ladies and Gentlemen,

Presently, Moldova's economy, including its financial system, is indirectly influenced by regional and global developments and trends. The banking sector, as the most important component of the financial market which plays a crucial role in the economy, should pursue a proper approach to these realities.
I am pleased that the team of the Management Board of the Bank, complying with the increasingly severe rigors of the National Bank, keeps up an appropriate level of risk control, thus ensuring the bank's steadfast activity. I am urging the Committee's members to further approach this issue as carefully as practicable, paying special attention to the situation created in the region and worldwide. At this point, you will enjoy full support from the shareholders represented by the Bank's Council, since our joint goal is to ensure the stable development of the bank.

Moldova Agroindbank must keep its leading position in the top of the local banks, having the biggest loan portfolio, enjoying the highest confidence from customers, displaying high efficiency and being attractive for investors. Of course, being the leading bank flatters us, but this is not a goal in itself. The supremacy and power of Moldova Agroindbank guarantee that the bank will cope with any challenges and transformation; this is a commitment that we assumed and which will determine our common future – the welfare of our customers, shareholders and employees.

Yours respectfully,
Victor Miculeț,
Chairman of the Bank's Council

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MESSAGE OF THE CHAIRMAN OF THE MANAGEMENT BOARD

Ladies and Gentlemen,

We live in times of great changes, which bring about new challenges and new opportunities.

The unprecedented openness of the European community towards the citizens of and the state Republic of Moldova is a challenge compelling us into systemizing very clearly our priorities and ways to apply them. Concurrently, this is an impetus for us and an exceptional opportunity to develop our business on the basis of new principles and resources, first of all those generated by ourselves. As Moldova Agroindbank targeted from the very outset the development of its business based on European principles, the bank's current development pattern fits into this framework, looking as stately as during the previous years of its leadership on the market. Moreover, having a rich and unique experience of partnership with European and international financial institutions, and being the first bank to sign an agreement with the European Bank for Reconstruction and Development, MAIB is the best prepared bank for these new realities.

Moldova Agroindbank closed the year 2013 with a record-high profit of over MDL 325 million, a maximum amount of assets of MDL 13.4 billion and the largest portfolio of loans of over MDL 9.1 billion and of private deposits of MDL 7.2 billion. The Bank insistently expanded its services due to smart technologies, including online banking, thus providing a wide range of products and services via Internet, mobile devices, etc. These make it possible for the bank's customers to manage their bank accounts, transfer money, pay for utilities, have access to relevant information, including about foreign exchange rates, location of the bank's ATMs, agencies and branches, etc.

The bank's performance was appreciated both nationally and internationally. The Global Finance magazine conferred on MAIB the award "Best Emerging Markets Bank 2013" and Global Banking & Finance Review granted the award "Best Commercial Bank Moldova 2013". Moreover, Moldova Agroindbank strengthened its position in the annual Top 100 SEE compiled by the international financial agency SEE News in concert with Euromonitor International.

Besides changes that our country has been facing, the year 2013 brought changes for Moldova Agroindbank too. The newly elected members of the Management Board are professionals of flawless reputation, enjoying the respect of their colleagues and partners.

Pursuing the goal of maintaining and strengthening the position of leader on the national banking market, the bank's top management team set new objectives as well, ensuing from the new economic, social and competition realities.

In order to fully use the existing potential and identify new growth sources, a number of the bank's subdivisions are undergoing reform to ensure the best structure and the highest outturn and efficiency. The recent revision of the salary payment system fits into the same context and is aimed at ensuring equitable remuneration and decent living standards. For its social responsibility policy, in 2013 the bank was awarded the Grand Prix of the nomination "Social responsibility" of the contest "Best Trademark".

All the achievements the bank has registered so far and the fulfillment of the new objectives are possible due to the understanding and support displayed by the shareholders represented by the Bank's Council, to the trust of national and foreign partners, as well as to the loyalty of customers. We further rely on this "alliance"!

Yours respectfully,
Serghei Cebotari,
Chairman of the Management Board of the Bank

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TOP MANAGEMENT

Serghei Cebotari

Chairman of the Management Board

Oleg Paingu

Vice-chairman of the Management Board

Victor Iuraș

Vice-chairman of the Management Board

Marcel Teleucă

Vice-chairman of the Management Board

Leonid Bejenari

Vice-chairman of the Management Board

Carolina Semeniuc

Chief Accountant

Eugeniu Josan

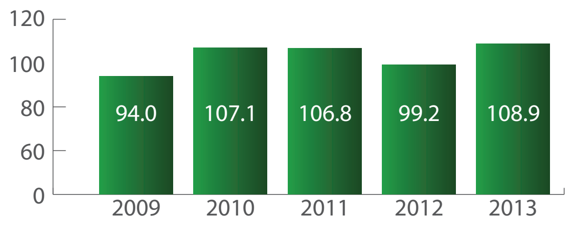
Member of the Management Board

7 BUSINESS ENVIRONMENT

The **national economy** recovered after the setback in 2012 and entered a period of stabilization, with all economic sectors recording progress. The positive economic dynamic was largely due to striking developments in the agricultural sector after a droughty year, which prompted an increase in exports and a rather moderate increase in imports. The process was backed by the weakening of the national currency against the currencies of the main trade partners, given that their economic activity was rather modest. At the same time, the positive developments in the farming sector jointly with the increase in remittances gave an impetus to internal consumption.

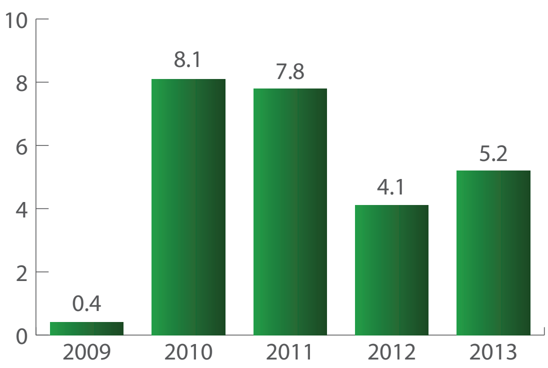
Gross Domestic Product (GDP) amounted to MDL 99.9 billion in 2013, hiking by 8.9%. Deficiencies in the GDP structure pose major risks for long-term growth, which may maintain a reduced pace unless structural improvements are made. The main challenges reside in enhanced vulnerability to external shocks and natural disasters, which affect the agricultural sector due to poor technological progress.

GDP indices , % (previous year=100%)



Consumption prices went up by 5.2% against December 2012, compared with 4.1% in the same period of 2012. In 2014, inflation rate in Moldova will largely depend on agricultural harvest and prices of energy resources. The National Bank of Moldova (NBM) has forecast an average annual inflation rate of 5.4% for the ongoing year.

Inflation rate in % against December 2012



Moldovan Leu significantly weakened. Since early 2013, the exchange rate of the national currency fell by 8% against US Dollar and by 12% against Euro. The main factors that triggered the weakening of the Moldovan Leu were remittances from abroad, an increase in exports and fluctuations of the Dollar against other currencies on international exchange markets, as well as the NBM's intervention on the exchange market in order to keep the inflation target.

The 11% increase in **exports** in 2013 was largely due to re-export, which, in general terms, is not a negative factor, but nevertheless it contributes less to an increase in gross value added and employment. Re-export constituted 32.6% of the overall exports, which explains the disproportionate growth of the industrial sector. **Imports** increased by 4.5% due to a higher consumption rate, as well as to goods imported for re-export. **The ratio of import coverage by export** went up from 41.5% in 2012 to 45% in 2013.

The trade balance deficit widened to USD 3050 million as of 31.12.2013, up by USD 1.3 million against 2012, due to a significant gap between the dynamics of exports and imports.

Remittances saw an increase of 7.7% in 2013 against 2012, reaching USD 1609 million. However, the share of remittances in Euro constantly decreased, representing 35.1%, remittances in Russian Rouble constituted 33.6% and remittances in USD 31.3%. According to the National Bank, Moldova is one of the countries with the highest remittances share in GDP - about 30%.

Money supply stood at about MDL 62.6 billion in December 2013, hiking by 26.5% against late December 2012. The situation on the money market was characterized by a strong increase in money in circulation, deposits and loans.

Money in circulation recorded a significant increase in 2013, going up by 32.6% against the end of December 2012.

Monetary base (liquid money in circulation, reserves of the commercial banks in the NBM, deposits of state enterprises) amounted to MDL 26.1 billion in late 2013, which is by 47.9% more against late 2012.

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BANKING SYSTEM DEVELOPMENT

As of 31 December 2013, the Moldovan banking system was represented by the National Bank of Moldova (NBM) and 14 commercial banks, including 6 banks with foreign capital.

As of 31 December 2013, **Tier I Capital** increased by 14.6%, amounting to MDL 7,919 million. This ratio reflects the banks' capacity to cover losses during unforeseen situations, without damaging financial security.

Foreign investments held a share of 72.2% in the bank capital as of 31 December 2013, down by 0.5% against 31 December 2012.

The average risk-weighted capital adequacy per system remains high, recording an index of 23.4% (minimum necessary being 16%), pointing to a crediting potential without capital risks.

The long-term liquidity ratio within the banking system (assets older than 2 years/financial resources with a potential recovery term of over 2 years ≤1) stood at 0.7.

Overall current liquidity per system (liquid assets expressed in cash, deposits with the NBM, liquid securities, one-month net interbank loans/ total assets ×100% ≥ 20%) recorded 33.8%. The liquidity indicator shows that there are enough funds to cover payment commitments and ensure the banks' high resistance to possible external shocks.

The **assets** of the banking system kept the growing trend, reflecting the expansion of the banks' activity. According to the International Financial Reporting Standards (IFRS), this indicator reached MDL 76,183 million in late 2013, which makes 31% more against the beginning of 2013. Loans hold the main share in the overall assets, being the principal activity of the banks. Thus, the share of cash and cash equivalents in the structure of assets increased by 8.4% in 2013 up to MDL 24,346 million. Concurrently, the share of loans and debts decreased by 5.7%, investments held to maturity by 1% and tangible assets by 0.4%.

The **balance of deposits** totaled MDL 55,270 million as of 31 December 2013, widening by 38% against 31 December 2012. This development was mainly caused by an increase in funds due to banks. The balance of individual deposits hiked by 23%, confirming once more the reliability of the banking system.

Throughout 2013, the share of non-performing loans in the overall loans decreased by 2.9%, representing 11.6% as of 31 December 2013.

As of 31 December 2013, the net profit within the banking system totaled MDL 1,020 million, which is 2.3-fold more against 31 December 2012. The indicator is mainly based on an increase in interest and non-interest revenue. ROA and ROE stood at 1.6% and respectively 9.4%, up by 0.8% and by 5.1%, as compared with the end of 2012.

In 2013, the bank carried out its activities in a stable economic environment marked by enhanced competition on the banking market.

MAIB's share on the banking market for the main indicators (according to IFRS):

- **assets – 17.6%,**
against 19.7% as of 31.12.2012;

- **gross loans – 21.2%,**
the same as in late 2012;

- **total deposits – 17.3%,**
against 19.3% as of 31.12.2012;

- **individual deposits – 23.0%**
against 23.3% as of 31.12.2012;

- **net profit - 31.4%**
in the total net profit within the banking system.

9 BASIC FINANCIAL INDICATORS OF THE BANK AND SUBSIDIARIES (THE GROUP)

(According to the International Financial Reporting Standards)

Indicators	Unit of measurement	31.12.2013	31.12.2012
Total assets	MDL'000	13,684,337	11,700,629
Total shareholders' equity	MDL'000	2,363,815	2,182,136
Net profit after taxation	MDL'000	337,238	299,836
Return on assets (before taxation)	%	3.1	3.2
Return on equity (before taxation)	%	17.0	16.4
Loans portfolio (net)	MDL'000	8,757,069	7,311,100
Lease receivables (net)	MDL'000	345,983	293,444
Financial assets held for trading	MDL'000	214,820	226,224
Financial investments available for sale	MDL'000	144,397	141,006
Dues to customers	MDL'000	9,529,155	7,674,574
including individual deposits	MDL'000	7,253,648	5,964,113
Customers (total)	Number	536,818	498,882
Number of cards in circulation	Number	264,607	259,107
Distribution network:			
Branches (including the Operating Department for Transactions with Customers (DOCCB))	Number	70	70
Agencies	Number	34	20
Foreign Exchange Offices	Number	0	4
ATMs	Number	190	160
POS Terminals	Number	2,567	2,255

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CORPORATE BANKING

The main goal of corporate banking in 2013 was to consolidate the customers portfolio by drawing in new customers and stepping up relations with the existing customers. The stable and mutually advantageous partnership between the bank and its customers witnessed a dynamic development, focusing on individual approach to and sustainable support for our customers' businesses. Throughout this period, the corporate portfolio developed and consolidated, with over 25 enterprises from various economic sectors.

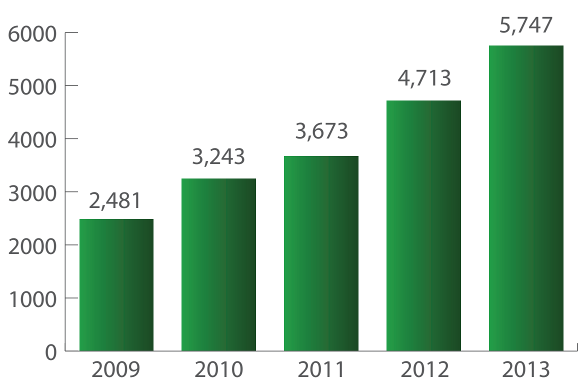
The structure of the portfolio was revised in 2013, being divided in several subsegments (large, medium and image customers), in order to set differentiated objectives and working methods depending on business peculiarities and individual needs of customers from different subsegments.

The conditions of products for corporate customers were revised and adjusted to market requirements, facilitating customers' access to the bank's products and services, including through online banking systems.

The quality of services for corporates and the optimization of the crediting process, jointly with the implementation of strict risk management techniques, secured an increase in sales for almost all products, as compared with 2012.

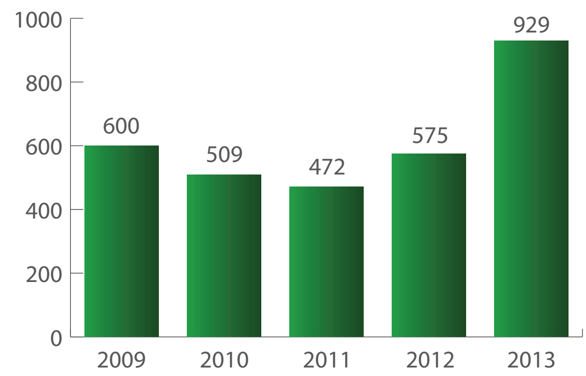
Thus, **the corporate loan portfolio went up by 22%** against 2012, constituting **63% of the bank's total loan portfolio**.

Corporate loan portfolio (MDL million)



The deposit portfolio soared by 61%, mainly at the account of sight deposits in national currency. The share of the corporate deposits represented 41% of the overall deposits of the bank's customers – legal entities.

Deposits of the corporate customers (MDL million)



Income from corporate activity totaled **MDL 557 million**, holding a share of about 74% of the bank's overall income.

In 2013, Moldova's economy entered a stabilization stage, showing slight growth trends. Almost all economic sectors made progress. The economies of other states with which Moldova has trade relations witnessed positive recovery trends as well.

The initialing of the EU Association Agreement and of the Deep and Comprehensive Free Trade Agreement in 2013 will create development opportunities for Moldovan companies, making it possible for them to expand the sales markets of national products. The investment climate is expected to significantly improve too.

In order to make the best of these market opportunities and of the bank's capacity to provide financial and operational support for the current and future activities of the corporate customers, the Corporate Division took measures to improve its structure, in terms of both sales and risk management.

The strategic objective of the bank is to turn MAIB into the main Bank for both corporate customers and their employees and business partners, objective which is implemented on a permanent basis through the quality of services, prompt provision of services, convenient and accessible prices.

11 RETAIL BANKING

In 2013 the Retail Division of the bank had a fruitful activity, with events and continuous changes in the financial and banking sector having a positive impact on it. This required efforts from the bank, but it was also an opportunity to make the best of the new market dimensions and brought about constantly growing and profitable results.

Developing strong long-term relations with the SMEs and private persons by promoting customer-oriented strategies and by building their loyalty was the priority of the Retail Division. I The objective of the Retail Division was to develop high-quality products and services aimed at ensuring a constantly dynamic development and focused on innovation and hi-tech services.

The bank's policy of attracting retail customers and building their loyalty by meeting their requirements, in all sectors with potential, as well as by expanding regularly the products offer and by displaying flexibility to market conditions, led to a significant increase in the number of customers, which totaled 536 thousand in late 2013, up by 61 thousand against the beginning of the year.

For the Retail Division, the year 2013 was marked by tremendous progress in the implementation of cutting-edge e-banking solutions, which turned the bank more accessible for its customers. In this respect, Moldova Agroindbank made an important re-launch and update of its online bank services, integrating them into a unique and highly-competitive platform – the "Bank Flex MultiChannel" solution, due to which the bank's customers have access to all types of transfers from/to current accounts, cards and deposits, forex transactions, repayment of loans, payments for goods and services, standing orders, obtaining of account statements and other relevant information, etc.

Within this platform, MAIB also put in place a range of exclusive services, such as Mobile Banking and SMS Banking, whose launch was possible due to the use of the "Mobile signature" service which allows access to online bank services.

Loans granted to retail customers were one of the core factors that influenced the growth of the business. The loan products were adjusted to market changes and to customers' needs. **Conferences** on the topic "**Bank counseling and complete business financing solutions**" were carried out throughout the country, in order to get closer to customers and their needs and to acquaint them with the bank's products and services.

The bank's efforts to promote and provide qualitative bank products/services resulted in an important market share, which points out the efficiency of the Retail Division. Thus, the bank holds a market share of 31.6% in terms of amount of individual consumption loans, 23% in terms of balance of individual deposits and 23% in terms of active cards.

MAIB kept on building its distribution network in circumstances of increasingly tighter competition, thus expanding its physical and electronic network. As of 31 December 2013, the bank had 70 branches and 34 agencies, including 14 set up in 2013. The electronic network was expanded too by 30 ATMs and 315 POS Terminals, totaling 190 ATMs and 2,567 POS Terminals. Moldova Agroindbank holds the leading position in terms of overall number of ATMs, with a market share of 19.1%.

Throughout 2013, **18 self-service zones** were opened in the bank's branches and higher education institutions, with existing and potential customers having the opportunity to be trained on the use of e-banking services, being guided by high-skilled bank specialists.

The daily actions taken by the retail management contributed to building the trust and loyalty of customers, who are the main asset of the bank.

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CARD OPERATIONS

ACHIEVEMENTS AND PROSPECTS

As a member of two international payment systems, Visa and MasterCard, the bank pays increased attention to the development of the card business. One of the main tasks was to maintain the market share in terms of card issuance and acquiring. Moldova Agroindbank cards in force held a share of 23% on the national market as of late 2013, with the number of cards in force reaching 264,525.

In order to provide prompt and qualitative services, the bank continues expanding its ATM and POS network so as to cover an as large as possible number of locations and meet customers' needs. The number of Moldova Agroindbank ATMs amounted to 190 as of 31 December 2013, as compared with 160 ATMs in the same period of 2012, whereas the number of POS reached 2,567 terminals. Throughout 2013, the bank increased its market share up to 19% in terms of number of ATMs installed and up to 25% in terms of POS terminals.

Non-cash card payments have been gaining momentum in Moldova, albeit their amount is still relatively low (about 4-5% of the overall amount of card operations). Thus cardholders still use their cards mainly to withdraw cash from ATMs. According to NBM data, transactions with cards issued in Moldova totaled MDL 22.7 billion, up by 13.3% against the same period of 2012. Meanwhile, cash withdrawals from ATMs soared by 12.8%, reaching MDL 21.6 billion and non-cash payments went up by 24%, reaching MDL 1.1 million.

Moldova Agroindbank continued promoting E-commerce services.

In late 2013, MAIB recorded MDL 85,201 thousand in transactions at 71 merchants. MAIB has e-commerce cooperation relations with companies from various business areas: sales of flight ticket, books, mobile telephony, etc. The bank also successfully cooperates with state-run companies, such as the State Intellectual Property Agency (AGEPI), as well as with the leading mobile operators – Orange SA and Moldcell SA.

In 2013, MAIB launched the MAIB Pay Service, which is a simplified version of the E-commerce service for customers – legal entities that accept bank cards, but whose technical capacity does not allow them yet to get connected to the standard E-commerce service, in particular, hotels, car rent companies, etc. The service has already been implemented with 10 customers.

MAIB was among the first commercial banks to join the MPay – Electronic Payments Service, implemented within the public-private partnership between the Government's E-Governance Center, the Center for Special Telecommunications, in concert with the Ministry of Finance, the NBM, payment operators and the Q-Systems company. The project is part of the World Bank's Moldova E-Transformation Governance Program aimed at easing people's access to public services.

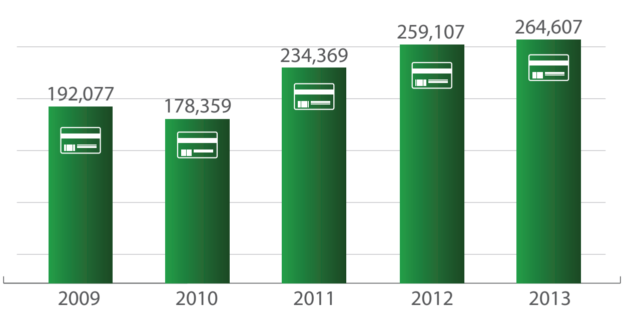
In April 2013, the bank in partnership with Loyal International Group SRL launched the Pay&Save loyalty program aimed at bolstering loyalty among Moldova Agroindbank cardholders. Due to the first ever cashback project in Moldova – Pay&Save – every Moldova Agroindbank card becomes a discount card which makes it possible to spare money on some purchases. Cashback is more than discount; it is a revolutionary concept and one of the most efficient ways to spare money while making purchases. Throughout 2013, over 460 cardholders received MDL 75,862 in cashback.

In 2013, Moldova Agroindbank and Visa carried out the promotional campaigns "Try it! You'll like it!" and "Sochi 2014. Forward for Victory!". The two campaigns were an opportunity for Moldova Agroindbank and Visa to enhance customers' comfort and reward their loyalty. All holders of Visa/Visa Electron cards issued by Moldova Agroindbank had the opportunity to enter the race for awards, provided that they made at least one transaction of at least MDL 50, either online or at merchants, during the promotion campaign. Over 300 Moldova Agroindbank Visa cardholders won money awards. The grand prix "Sochi 2014. Forward for Victory!" resided in a trip for two people to the Winter Olympic Games in Sochi.

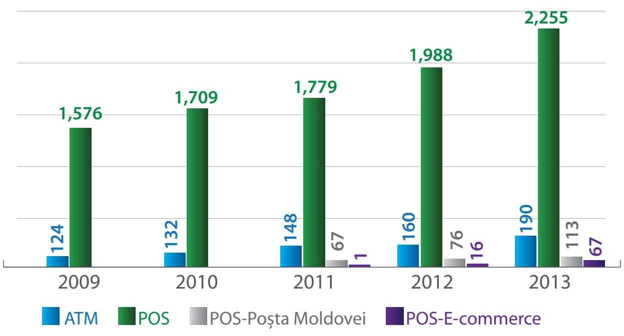
In August 2013, the bank launched a new card - Priority Pass card, due to which Moldova Agroindbank cardholders have the privilege to enter VIP halls in the most modern and renowned airports and enjoy the most comfortable conditions waiting for their flights.

In November 2013, the bank launched the premium card MasterCard Platinum. This is a unique product for affluent people who appreciate time and comfort, fine quality of things and events, exclusive holidays and positive emotions, originality in every detail. MasterCard Platinum is a premium card, recognized all over the world, confirming the holders' high status, welfare and irreproachable financial reputation. In late 2013, the number of PlatinumCard holders amounted to 64, with transactions nearing MDL 924,000.

Cards in circulation



ATM's and POS - Terminals network



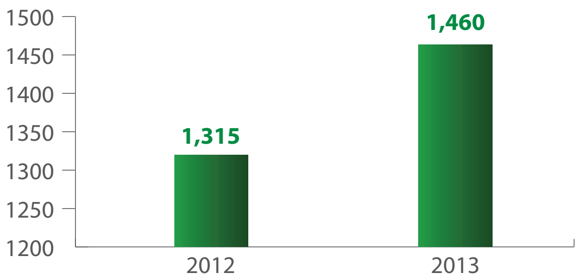
13 TREASURY ACTIVITY

In 2013, Moldova Agroindbank continued to promote competitive treasury services in terms of price and quality, ensuring an essential link between financial markets opportunities and customers' needs.

FOREX OPERATIONS

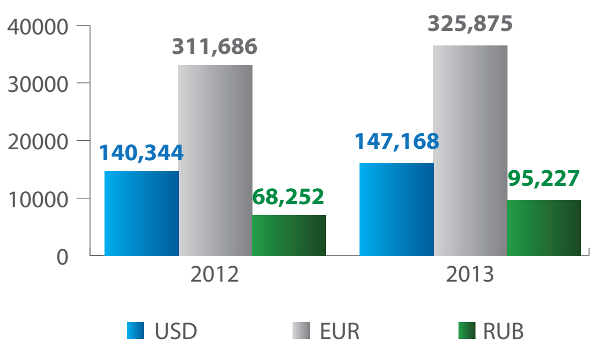
Foreign exchange transactions with the bank's customers amounted to USD 1,460 million in 2013, up by 11% against 2012. The bank also carried out a significant number of foreign exchange transactions with foreign banks, with the figure going up by 67% to reach USD 1,458 million. The amount of interbank transactions with national banks stood at USD 335 million, up 3.76-fold against 2012.

FOREX transactions with customers (USD million)



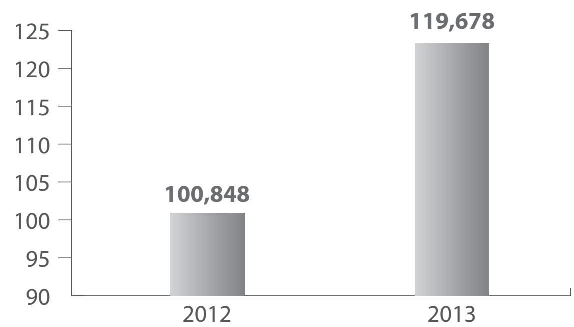
Foreign trade transactions through the exchange offices of the bank amounted to USD 568 million, up from USD 527 million in 2012, with the rise being mainly due to operations in Russian Roubles which went up by 40% in 2013 against 2012.

FOREX transactions at Foreign Exchange Offices (USD thousand)



Foreign exchange operations brought MDL 119,678 in income in 2013, up by 18.7% against 2012.

Income from FOREX operations (MDL thousand)



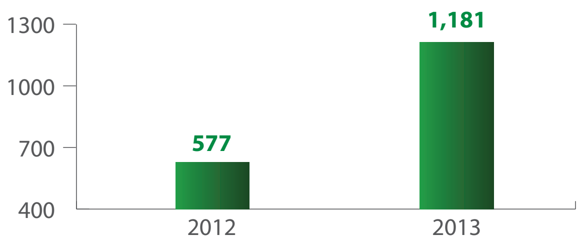
Money market and market of financial products with fixed income

In 2013, Moldova Agroindbank maintained its leading position on the monetary market, actively participating in money-market operations.

The Bank continued to efficiently manage available liquid assets, using such instruments as: National Bank of Moldova Certificates (NBC), State Securities, interbank loans/deposits.

Investments in State Securities on the primary market saw an increase of 104% against 2012, reaching MDL 1,181 million.

The volume of transactions with State Securities (MDL million)

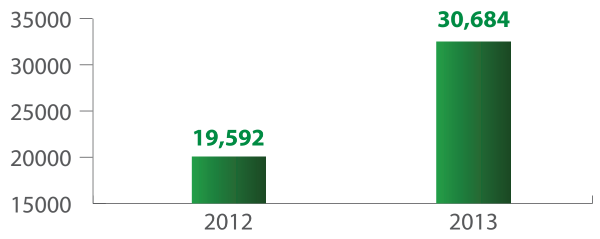


Due to the fact that the bank had short-term available funds, the only attractive and efficient low-risk instrument were investments in NBC with a term of circulation of 14 days, to the base rate of the National Bank of Moldova.

Investments in the National Bank Certificates amounted to MDL 30,684 million, exceeding by MDL 11,092 million the figure recorded in 2012.

Total income from investments in State Securities was MDL 77.8 million in 2013, up by MDL 7.9 million against 2012.

The volume of investments in NBC (MDL million)



The increase in income recorded a slowdown due to a decrease in interest rates on State Securities by 1.5% and by 1% for NBC.

In 2013, overnight placements in national currency at the NBM totaled MDL 14,1 billion, up by 0.9% against 2012, whereas term placements in national currency in local banks amounted to MDL 600 million, soaring 6.4-fold against 2012. Foreign currency funds deposited in local banks totaled EUR 12 million.

LOANS FROM INTERNATIONAL FINANCIAL INSTITUTIONS

In order to provide the necessary funding for the bank's lending activity and to maintain an optimal liquidity level, in 2013, the bank continued to fully use loans obtained on the basis of previous agreements signed with foreign financial institutions.

OPTIMIZATION OF CORRESPONDENT BANKS NETWORK

In order to meet customers' needs and to properly carry out the bank's settlement operations, the bank continued to optimize its correspondent banks network. In 2013, in order to minimize related risks, the correspondent accounts with Banca Nazionale del Lavoro SpA, ZAO Raiffeisenbank Moscova şi BNP Paribas Fortis SA/NV were closed.

List of correspondent banks as of 31.12.2013.

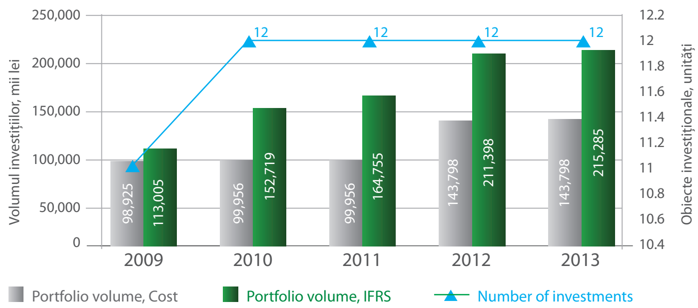
LIST OF CORRESPONDENT BANKS

Austria	Raiffeisen Bank International AG	Vienna
Belarus	Priorbank JSC	Minsk
Germany	Commerzbank AG	Frankfurt/Main
	Deutsche Bank AG	Frankfurt/ Main
Italy	Intesa Sanpaolo SpA	Torino
	UniCredit SpA	Milano
Romania	Raiffeisen Bank SA	Bucuresti
	Banca Comerciala Romana SA	Bucuresti
Russia	JSC VTB Bank	Moscova
	Sberbank of Russia	Moscova
USA	The Bank of New York Mellon	New York
	Deutsche Banker Trust Company Americas	New York
Ukraine	PJSC CB 'Privatbank'	Dnipropetrovsk

14 INVESTMENT ACTIVITY

Moldova Agroindbank operates on the securities market on the basis of the license granted by the National Commission for Financial Markets for dealer activities, as basic brokerage activity, and for underwriting and investment consulting, as additional activities.

Investment Portfolio



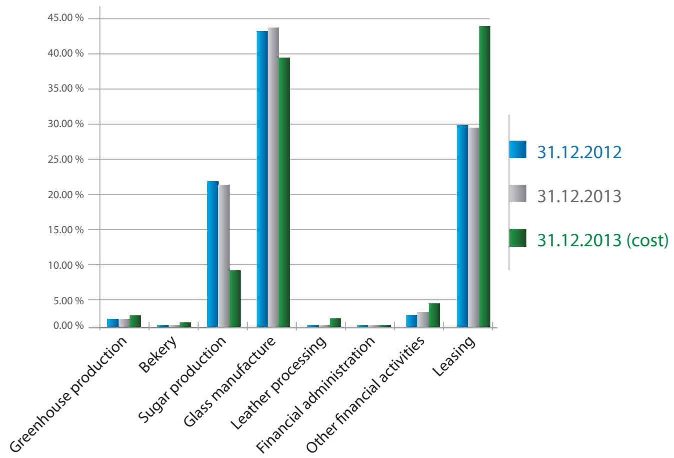
A new flexible strategy of managing the investment portfolio depending on market conditions was applied in 2013. The bank's participation on the capital market through financial investments is aimed at diversifying the bank operations by involving alternative income sources. In late 2013, the investment portfolio stood at MDL 215,285 thousand in 12 companies operating in various sectors of the national economy.

The bank's top investment objective, based on the purpose of maintaining investment profitability at a sufficient level compared with the cost of financial resources attracted by the bank so that this activity is carried out within the limits of available resources, kept on being pursued in 2013 as well. In this respect, the bank received MDL 3,808 thousand in dividends.

In order to minimize investment risks, the bank applied the portfolio diversification strategy to the extent of the investment opportunities offered by the national capital market. Investments in the daughter company MAIB-Leasing SA hold the largest share in the bank's portfolio, followed by securities of processing enterprises, in particular companies producing sugar and glass items.

The main goal of the investment policy was to monitor the activity of the investment-backed companies by promoting modern management mechanisms, in order to constructively influence them so that their management sticks to the principles of transparency and professionalism in their activity. The fulfillment of this goal leads to a higher efficiency of the companies and hence may prompt an increase in the market value of the bank's share in equity, a more efficient management of the companies business, permanently capitalization and gain income.

The structure of investment portfolio



While implementing the investment policy, the bank paid special attention to providing services on the securities market, laying the emphasis on the quality and efficiency of services provided. Throughout 2013, overall transactions registered with the Moldovan Stock Exchange by the Corporate Investments Department totaled about MDL 118,078 thousand.

15 INFORMATION TECHNOLOGIES

The bank gives priority to the implementation of cutting-edge information technologies (IT), efficiency, stable functioning and to the development of infrastructure, as support for its banking business processes, in order to cope with competition threats and market changes, as well as to facilitate business growth and to make banking services available and handy, including by implementing online services on a large scale.

Applied since 2003, Temenos Globus solution, the core of the bank's automated system, is permanently under development, being one of the most complex and efficient solutions used by the local banks. The implementation of Temenos Globus system with central servers ensures online access for all bank clients in any branch regardless of where the customer opened their accounts.
The bank is one of the first financial institutions from the CIS states, which, through cooperation with IBM, managed to upgrade the central servers, setting up a cluster-type geographically distributed center processing data based on IBM's UNIX platform via SAN data storage technologies applying the front-rank 8Gb Fibre Channel standard. This IT system structure allows ensuring high security, complete data monitoring and continuous operation of the bank, even when infrastructure failure occurs.
In cooperation with partner IT and telecommunication companies, the bank developed backup solutions, and, for several years, it has been managing a backup center, applying reliable plans and devices to ensure business continuity. In 2013, the bank launched and is carrying out the transfer of the backup center to a commercial data center, Data City of the Moldtelecom company, which has technical features complying with the third category of reliability (availability of 99.98%, according to TIA-942 Standard). Optical data transport network will migrate to the 10 Gbps technology.
In order to optimize operation, the bank has been widely using the Microsoft Hyper-V virtualization technologies and in 2013 it launched and is implementing a project of virtualization of the whole IT infrastructure, including automatic work stations.

Since 2009 the bank has been applying the Information Security Management System which is in line with the ISO 27001 standard, the IT certificate for which is annually audited, confirmed and certified.

Increased attention is paid to the development and implementation of technological products. Thus, the remote banking solution Bank Flex Multy Channel has been implemented, with Internet, Mobile and SMS banking channels. The solution SMS Banking (notifications), including debit and credit notifications, and the e-statements solution accessible directly from the bank website were improved.

Moldova Agroindbank is the first bank in Moldova to develop and implement mobile digital signature to authenticate request subscription to SMS Banking, reissuance of cards or closure of accounts.

In cooperation with Pay Point SRL, the bank developed and implemented the PayPoint solution, which makes it possible to perform payments for services, to reimburse loans, to supplement current accounts and deposits via "cash-in" terminals and Pay Point agencies.

It also developed and implemented a unique solution on the market ensuring the security of card payments for services/products provided by merchants via Internet.

Moldova Agroindbank was among the first banks in the country to develop and implement, in cooperation with the e-governance team, payments for public services via the webpage www.egov.md.

In order to minimize and prevent IT risks, the following actions are taken:

a) development and implementation of plans treating IT risks identified during periodic risk analyses;

b) continuous training of the bank staff on the IT security requirements, as well as the monitoring of their actions;

c) tests/scanning of the banking information system (BIS) components to identify technical vulnerabilities;

d) analysis of the security files (LOGs) generated by BIS components;

e) management of access rights of the bank's employees to the BIS components by reviewing the requests for access to Internet, email and external devices;

f) planning actions to remove the identified vulnerabilities and monitoring their implementation;

g) systematic management of information security incidents, laying the emphasis on the prevention and avoidance of recurrences;

h) preventive and corrective actions through the identification and removal of potential irregularities in the BIS operation;

i) determining the needs for additional control following threats or changes in their action;

j) measurement of the efficiency of the implemented information security controls;

k) regular reporting to the Management Board of the bank on the efficiency of checkups of information security systems;

l) development, regular update and actual implementation of internal rules related to information security, etc.

16 RISK MANAGEMENT

Risk management is part of the bank's decision-making and business processes. The bank promotes a risk policy of evaluating, treating and managing risks, permanently developing adequate procedures, mechanisms and instruments.

The bank's risk management system is based on NBM requirements, recommendations by the Basel Committee on Banking Supervision, recommendations by audit company, consultancy from external experts, as well as on the bank's own year-long experience. The bank's goal is to identify, set and respect an acceptable level for all risks, by observing a reasonable balance with the achieved financial results.

Risk management is within the remit of the Risk Administration Division headed by a Vice-Chairman of the Management Board of the bank. The division's task is to identify measures needed to comply with all quality criteria on a permanent basis, to increase the degree of risk awareness among the leadership of the bank, to promote an optimal ratio between risk and profitability, to measure the bank's economic capital and approve all risk models. The following are the main tasks of the Risk Management Division:

a) to improve the regulatory framework of risk management;

b) to put forward recommendations to the Bank's Council as regards the expected risk profile and related policies;

c) to manage credit risks at the levels of transaction and total loan portfolio;

d) to improve the bank's financial performance;

e) to identify, assess, manage and monitor adequately the risks faced by the bank.

The Risk Management Division comprises four departments: Strategic Management of Credit Risk Department, Operational Management of Credit Risk Department, Non-Performing Loans Department, and the Management of Financial and Operational Risks Department.

The main managed risks are:

- credit risk;
- counterparty risk;
- country and transfer risk;
- market risk;
- liquidity risk;
- operational risk.

Credit risk

Credit risk is the actual or potential risk that the profit and capital of the bank might be impacted negatively by borrowers' failure to meet their contractual obligations or by the worsening of their financial situation. The bank manages credit risks by:

a) developing goals and objectives of the bank's lending policy;

b) establishing a comprehensive and systemic approach to risk evaluation and management;

c) separating the activities of the sales and risk management subdivisions as regards the adoption of lending decisions;

d) setting competence levels for the approval of loan transactions and revising regularly lending competences of managers/empowered bodies depending on the evolution of the loan portfolio and its quality;

e) regularly revising policies, manuals, standards and lending procedures for various segments of customers and making the needed amendments in line with the situation created;

f) participating in the development and revision of conditions and terms of risk-bearing products;

g) diversifying the loan portfolio, establishing and managing on a permanent basis risk concentration limits for various segments of customers, currencies, types of activity, maturity terms, products;

h) observing the regulations set by the National Bank of Moldova and by financial institutions that are lenders of the bank, setting and respecting the annual risk exposure limits for certain categories of customers;

i) assessing the depreciation of the loan portfolio (individually and jointly), of other non-loan assets and setting allowances for losses depending on the existence of other objective indicators of impairment;

j) analyzing the quality of the loan portfolio and classifying loans in accordance with the set norms;

k) permanently monitoring the situation of customers in order to determine their willingness and capacity to meet their loan liabilities, evaluating the adequacy of loan insurance, potential cash flows, timely and adequate reaction to unfavorable fluctuations in borrowers' activities;

l) enhancing and optimizing actions of "curing" the loan portfolio and ensuring the continuous improvement of its quality, including through strict monitoring of the portfolio at the initial stage of impairment of the quality of loans;

m) optimizing the recovery of non-performing loans, including by implementing the Collector program;

n) applying the Credit Control function to ensure the observance of conditions and terms concerning the approval of limits/transactions both at the stage of preparing loan contracts and at the stage of loan spending;

o) differentiating the degree of loan coverage by collateral depending on the category of customers and the assumed risk level, monitoring and re-evaluating the collateral in line with the internal procedures.

Counterparty risk

Moldova Agroindbank promotes a prudent policy within the partnership with local and foreign banks. Interbank deals, including placements in current accounts, are made with world-renowned strategic partners with rich business experience. The counterparty risk management system implies the implementation and continuous improvement of mechanisms of evaluating the solvency and stability of the partner banks.

While managing counterparty risks, the bank resorts to current monitoring and post factum control of the observance of limits, exposure level to partner banks. The bank monthly evaluates the quality of the exposure assumed to partner banks and puts in place appropriate stress scenarios, estimating a possible negative impact.

Throughout 2013, the limits for two local banks were ceased following the worsening of the financial situation.

Country and transfer risk

The country risk management system implies the implementation and improvement of an in-house model of evaluation and revision of the risk category set for the respective country based on analyses of a range of indicators, including international rating attributed by international rating agencies.

The bank monthly evaluates the quality of its exposure to the countries where its partner banks and other borrowers of the bank operate and executes various stress scenarios depending on the degree of severity of the assumed circumstances, and estimates potential losses.

The country risk comprises exposure to 9 countries, with the highest exposure of 95% being to the USA, Austria and Germany. As these states are worldwide recognized as strong economies, the risks related to them are moderate. In 2013, the bank maintained the exposure to country and transfer risk at an adequate level. At the same time, the bank kept a close eye on the evolution of Ukraine's country risk, resorting to a significant decrease in exposure to this country.

Market risk

The bank prudently approaches the issue of market risk management, given the enhanced degree of uncertainty generated by the economic crisis. This implies high volatility of interest rates and of the exchange rate. The country risk management is aimed at monitoring and maintaining within the set parameters the exposures to the portfolio's financial instruments, as well as at optimizing concurrently the yield of these investments. In 2013, the emphasis was laid on the development of analysis and reporting instruments and on their harmonization within the bank. The market risk level within the bank stood within acceptable limits for currency and interest rate exposures.

Liquidity risk

Liquidity risks are managed through a continuous estimation of the bank's liquidity and forecasts of the cash flows in order to make sure that the existing liquidity is used optimally so as to meet the set objectives.

The system of liquidity risk management includes controlling the observance of regulations, limits and indicators of liquidity set by the NBM, foreign and local lenders of the bank, and approved within the Annual Directives on risk limits and parameters; regularly analyzing and reporting on the level of the bank's exposure to liquidity risk, systematically monitoring and analyzing long-term liquidity risk factors, carrying out stress tests based on clear scenarios regarding the expected level of current and long-term liquidity, which backs the process of forecasting cash flows and increases the bank's resistance to potential shocks.

To efficiently manage and prevent liquidity deficit, the bank developed a range of indicators allowing to analyze liquidity in dynamic and in comparison with other banks. In the context, in line with the recommendations of the Basel Committee, the bank calculates the amount of the stable balance of deposits attracted from customers in order to obtain an efficient result concerning the structure of the maturity gap.

In 2013, the bank maintained an optimal current liquidity level, recording a diversified and satisfactory volume of financial resources to back the loan portfolio, with the stable loan balance constituting about 90%. The stress tests pointed out the existence of enough liquidity even in cases of more significant withdrawals of deposits.

Operational risk

The bank's objective as regards operational risk is to enhance the bank's business processes by improving continuously an efficient internal control system aimed at identifying threats, significantly decreasing possibilities of their occurrence and repairing swiftly deficiencies and possible losses, to continuously adjust the related internal control mechanisms. The bank's exposure to operational risks was kept at an acceptable level; several events related to operational risk in the main activity sectors were identified and removed and their impact was mitigated.

17 PREVENTING MONEY LAUNDERING

In 2013, the bank continued adjusting the internal control system to the provisions of the legislation on the prevention of money laundering and terrorism financing and to the recommendations of the National Bank of Moldova. The bank's policy on the prevention of money laundering and terrorism financing and the KYC (Know Your Customer) procedures were updated. These documents provide for measures of observing all requirements imposed by relevant legislation, thus curtailing the bank's exposure to financial, legal and reputation risks.

The following are the main aspects:

- **risk-based approach to customers**: important concept included in Know Your Customer procedures and in procedures of setting/updating relations with them. The appropriate use of this concept allows our institution to flexibly adapt its requirements of preventing money laundering to the peculiarities of its activities, to focus on the highest risk areas, ensuring a more efficient prevention;

- **identification of beneficial owners**: the obligation to identify beneficial owners is applied proceeding from the risk-based approach to customers, thus establishing different measures, depending on the risk level associated with the customer, in which requirements of identification and monitoring are to be imposed;

- **identification of politically exposed persons**: national and international public officers are to be subject to tighter control while initiating business relations.

The bank uses dedicated information applications which automatically take over data from the main information systems, reducing the risk of submitting inaccurate or incomplete reports. The automated input of data related to daily reporting excludes staff's access to these reports (except for visualization and listing).

Throughout the year, the staff in charge of monitoring and reporting underwent appropriate training, ensuring qualitative assessment of the quality of anti-money laundering actions. If correspondence relations are set with foreign banks, the latter are requested to provide information about compliance with the requirements of anti-money laundering (AML) and KYC.

The bank received no claim from competent bodies regarding its involvement in illicit or money laundering actions.

18 CORPORATE GOVERNANCE

Corporate governance is a fundamental condition for ensuring the bank's stability, successful activity, acknowledging the major degree of responsibility towards shareholders and society.

Over the years, as the process of compliance with the law in force and of solving some activity problems was unfolding, Moldova Agroindbank created its own corporate governance system, which allows it being one of the leaders of Moldova's financial and banking system.

The owners of the bank, that is, its shareholders, play a special role in this system. Presently, the bank has over 3,200 shareholders but none of them holds a significant share in the bank's equity (5% or more).

This structure of the capital implies compromise and high confidence among shareholders, as well as among shareholders and the bank's management. There are several factors that allow maintaining compromise and confidence, including the Corporate Governance Code approved by the General Meeting of Shareholders.

Moldova Agroindbank shareholders have greater competences than the ones set by law, such as:

a) discussing the candidacy of and electing the chief of the bank's executive body (Chairman of the Management Board);

b) adopting decisions on transactions involving more than 10% of the bank's assets value;

c) discussing with all shareholders, within the General Meeting of Shareholders, the results of implementation of the Business Plan, the bank's corporate governance plans and the remuneration of the bank's administrators; discussing any action of utmost importance for the bank (implementation of projects implying major changes and new strategic IT solutions, the bank's relations with international financial institutions, the bank's participation in investment projects through direct equity participation, the revision of remuneration of the bank's key personnel, etc.).

The following bodies were set up and operate within the bank in order to ensure an efficient organization and activity of the administrators: Committee for Compensations and Benefits (reporting to the Bank's Council), the Credit Committee, Assets and Liabilities' Management Committee, Commission and Committee for Acquisitions, whose founding documents and work regulations are approved by the Bank's Council.

The bank permanently seeks to set and maintain respectful and equitable relations with its shareholders, business partners, customers and employees, to establish and maintain confidence in the management of the bank activities, as well as to keep under control and reduce risks, maintain constant growth of the bank's financial indexes.

In order to increase transparency of the decision-making process and to reduce risks:

a) The Bank's Council examines every quarter reports on the bank's exposure to risks and actions taken to reduce them. For its part, the Internal Audit Department regularly reports on results of audit procedures carried out within the bank's sub-unities, on identified deficiencies and recommended measures to remedy them;

b) The Bank's Council examined beforehand candidacies for top management posts;

c) The Bank approves and ensures the observance of the Code of Conduct, the Conflict of Interest Regulation and the regulation on the bank's affiliated parties, which provide not only for behavioral norms, but also for solutions to achieve them, including restrictions for the bank's administrators and their affiliated parties to accept donations and unpaid services from affiliated parties of the bank, as well as from other parties having relations with the bank;

d) The bank purchases goods, works and services worth from MDL 25,000 to MDL 250,000 only on the basis of a joint decision made by two administrators, whereas purchases exceeding MDL 250,000 need to be approved by the Commission or the Committee of Acquisitions, as appropriate, made up of at least 5 members. A member of the Bank's Council participates in and has the right to vote at meetings of the Commission/Committee of Acquisitions;

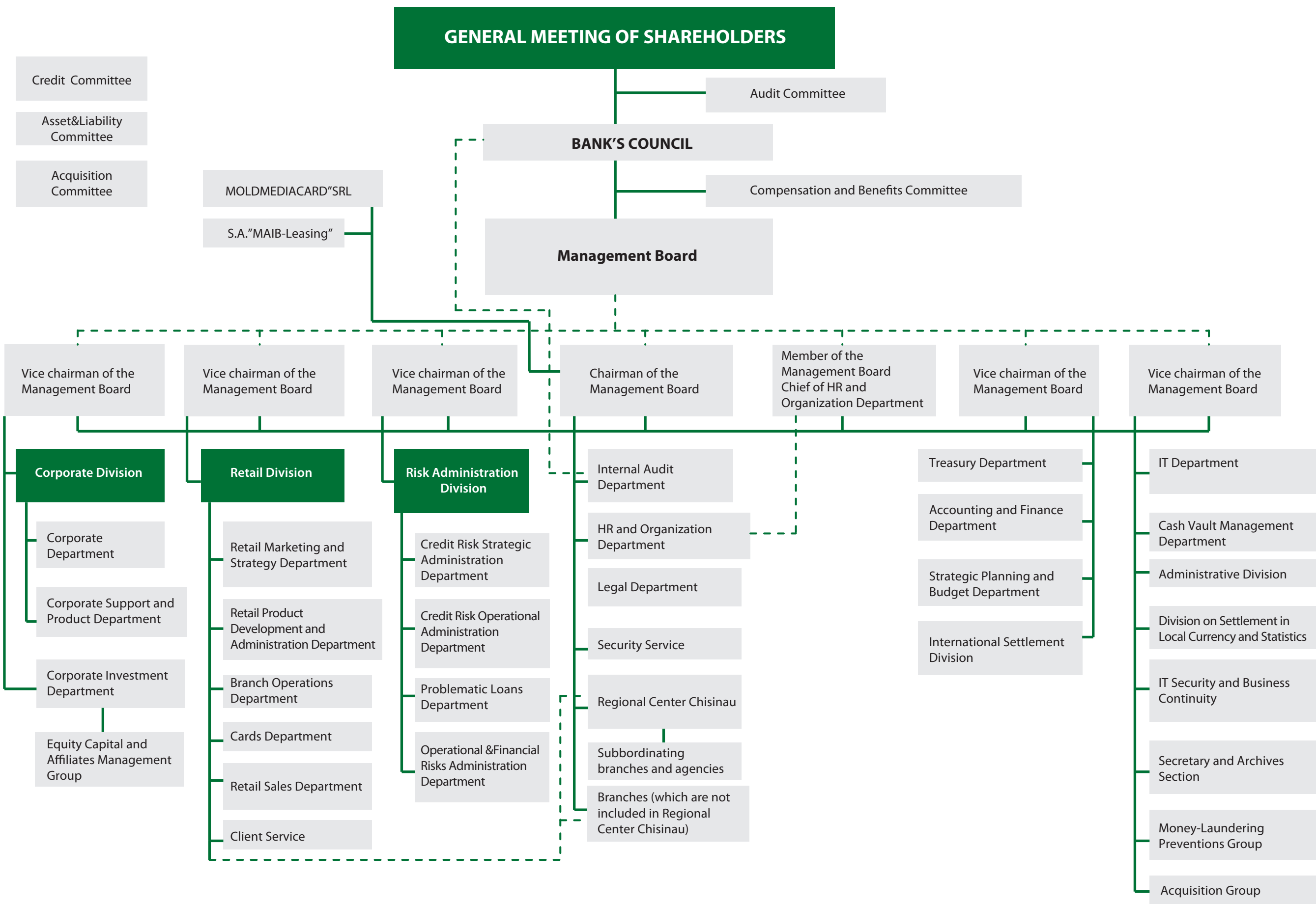
e) The bank's system of information security management has certification to ISO 27001:2005 standard, which implies transition to a qualitatively new information security structure in the bank, ensuring security at all organizational levels, cutting significantly the number of security breaches and risks, which may affect the continuity of the bank's business in cases of emergency or may lead to an unauthorized disclosure of information about the bank's customers and their operations, as well as prompting an increase in the bank's efficiency and a significant reduction in risks of unauthorized transfers and operations.

Corporate governance is related to relations between investors and shareholders, and managers and administrators, as well as to emerging problems, and subsequently applies to the whole range of relations between the ones involved directly or indirectly in the activity of a company, extending the concept from the narrow area of microeconomics to the one of macroeconomics.

The bank's successful activity, as well as its stability and reputation in society are the best confirmation of the fact that the bank's Corporate Governance Code is not a mere declaration, but an efficient core element in the bank's daily activity and management and that the bank's activity is in line with the Corporate Governance Code in the overwhelming majority of cases, and that whenever deficiencies appeared, the bank took efficient steps to remedy them.

Corporate governance will further be among the bank's top priorities, being meant to ensure transparency of the decision-making process and of the bank's operational processes, including in relations with shareholders, partners and customers of the bank. To this end, it is scheduled to consider in the forthcoming period issues concerning the creation of a single secretariat of the bank's management bodies, the improvement of the internal control systems, in particular in the information security area; the development of the compliance function, including by setting up an efficient prevention system, which will also report cases of inappropriate behavior of the bank's administrators and employees whenever detected.

19 ORGANIGRAM



20 HUMAN RESOURCES

The policy of human resources management is correlated with the bank's strategy and is aimed at improving staff performance, organizational efficiency and quality of services.

The total number of the bank's employees stood at **1,628** as of 31 December 2013 (1,550 as of 31 December 2012).

The staff fluctuation ratio was **10.1%** in 2013 against 12.4% in 2012. **The average age of the bank's employees** was **37 years** old as of 31 December 2013.

The employees are the human resource of the bank and represent its most precious value. The bank harnessed human capital by organizing 539 training sessions attended by 3,597 people (3,405 participants as of 31 December 2012).

To improve employees' competences, the bank organized seminars on various topics, the most important being:

a) "Financial management – accountancy practitioner (international certification)"

b) "Relations with customers"

c) "New forces in sales"

d) "Analysis of financial statements"

e) "Communication with customers"

f) "Modular training on staff development within enterprises"

g) "Training in sales. Professional solutions"

h) "Building leader abilities. Leadership"

Some specialists of the bank had the opportunity to acquire experience by attending international events (seminars, conferences, etc.) organized in Russia, Ukraine, Germany, Luxembourg, such as:

a) Moldovan-German project "Modern Techniques of developing enterprises' staff"

b) "HR management through the light of changes in the Central and Eastern European countries"

c) "Forum of Temenos customers"

d) "Regional VISA Forum"

e) "Setting transfer prices in commercial banks"

f) "Moldova-Austria international project of enhancing managers' qualification"

g) "BACEE regional bank conference"

In 2013, the bank invested MDL 833 thousand in training (MDL 1.446 thousand in 2012).

Building staff efficiency and optimizing the staff number will remain one of the priorities in 2014, and the actions due to be taken will be correlated with the development of events, the competitive environment and the bank's staff policy. We will keep on working to improve the system of professional and personal training of the bank's employees, to appraise their results and to strengthen their motivation to reach even better results.

21 CHARITY AND SPONSORSHIP

The beginning of 2014 was marked by the award "Moldova Agroindbank – the most socially responsible bank" bestowed by the Chamber of Commerce and Industry and AGEPI. The award came to confirm the reinforcement of the bank's 2013 efforts as a socially responsible institution.

The bank's high social responsibility lied in the continuation of such social programs as "Merit Scholarships" and "Additional Scholarships for Youths", in the sponsorship of the international music festivals "Martisor", "Maria Biesu" and "Two twin hearts", in financing for the International Book Salon for children and youth, for entrepreneurial projects for youths, for the National Olympic Committee and other sport organizations. The bank also supported the Wine Festival and Europe's Days in Moldova, the Association Hospice Angelus and the Foundation Clipa Siderala. It provided aid to theatres, churches and monasteries, public organizations, less well-off families and sick people.

The bank's overall charity and sponsorship spending exceeded MDL 2,652 thousand.

At the same time, the charity activities of Moldova Agroindbank did not reside merely in providing significant financing, but also in the involvement of the bank's employees in various charity actions.

22 SUBSIDIARIES

MAIB-Leasing

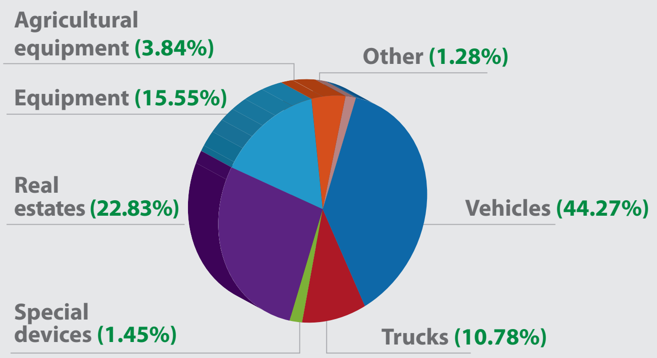
MAIB-Leasing S.A. was set up in September 2002 by Moldova Agroindbank, being one of the first leasing companies in Moldova. Realizing the importance of implementing new financial mechanisms, the bank assumed the mission of promoting leasing services, which, back then, did not exist on the market. The company offered financing solutions meeting customers' needs and requirements and contributed to the development of this segment of the national financial market. Having a clear vision of its mission, the company's management imposed from the very beginning a strategy aimed at securing and maintaining the status of leader on the national leasing market.

Leasing portfolio (MDL,million)

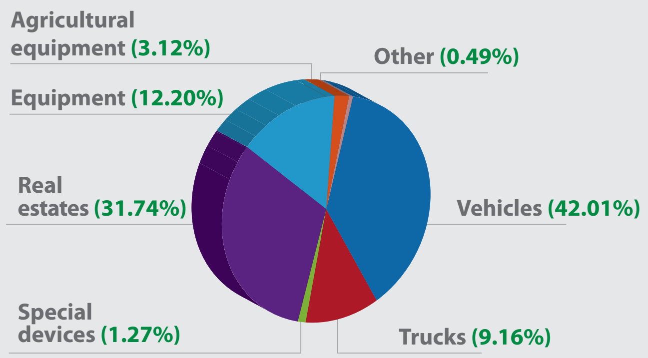
As of 31.12.2013, the company was managing 599 contracts on financial leasing and installment sales, as well as financing contracts, with the total portfolio amounting to about MDL 373.4 million (MDL 318 million in 2012). As many as 266 contracts worth MDL 219.7 million were concluded in 2013 (against 285 contracts worth MDL 193.5 million in 2012).

Vehicles continue to hold the largest share in the structure of the leasing portfolio, being followed by real estate and equipment. To meet the needs of existing and potential customers, MAIB-Leasing expands its range of services and financial instruments on a permanent basis.

The structure of portfolios 31.12.2012 (according to the contract price)



The structure of portfolios 31.12.2013 (according to the contract price)



MAIB-Leasing has proved that it can operate successfully in a difficult economic and financial environment, being influenced by consequences of the global economic downturn. Applying prudential rules, the company gained sound leadership in the leasing services sector, where the competition is stiff and constantly on the rise.

The customer portfolio of the company is made up of representatives of various activity areas, including small and medium-sized enterprises and individuals.

Moldmediacard SRL

The cards payments processing company Moldmediacard SRL (Moldmediacard) was created and launched its activity in 2000, having the objective to select, implement, support and exploit the card payment processing system and to integrate it into international card payment systems. In order to achieve its objectives, the company develops the following types of activity: participates in developing, issuing, providing cards and operates with strategies, standards, methodologies, regulations and studies in the area of financial and banking services related to card operations; it also ensures that cards and related equipment are in accordance with international standards, etc.

The range of transactions processing services provided by Moldmediacard covers all operations currently available on the market: processing transactions with magnetic strip, chip cards, acceptance of secure e-commerce transactions, based on 3D Secure standards.

In 2013, the company joined BC Moldova-Agroindbank SA and a mobile telephony operator to implement a project to expand the segment of regular payments in e-commerce transactions area. This allows all Visa and MasterCard cardholders to use Internet to pay services to mobile operators.

In 2013, Moldmediacard became the first operator in Moldova to get certified for processing transactions with contactless cards both in terms of issuing and acceptance. In the same year, the company, jointly with the bank, implemented, exclusive on local market, projects of issuance of MasterCard Debit and MasterCard Platinum cards.

Presently, Moldmediacard is about to complete the modernization of its informational infrastructure, which started two years ago. Some important segments already benefit from new equipment, which will significantly increase the processing resources – it is planned that the modernization will help speed up 6 times the processing process. Special attention is being paid to strengthening informational security. In this respect, Moldmediacard implements the most up-to-date and cutting-edge topological schemes to protect data and informational system resources.

The company's business is continuously on the ups, with the increase in the amount of services provided and the constant increase in turnover coming to prove that. Local commercial banks are the company's customers. One more customer joined the company's processing system in 2013.

The information system of the company processed 28% of the overall card transactions recorded on the market in 2013, and 43% of payments in the merchant network. On the same year, the company participated in the issuance of over 33% of the overall number of cards issued in Moldova. The share of card processing equipment connected to Moldmediacard was about 28% for ATMs and 38% for POS terminals.

CONSOLIDATED FINANCIAL STATE-MENTSFOR THE YEAR ENDED 31 DECEMBER 2013

23

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in MDL thousand unless otherwise stated)

	Notes	2013 | MDL'000	2012 | MDL'000
Interest income	24	948,767	899,252
Interest expense	24	(472,173)	(423,311)
Net interest income		**476,594**	**475,941**
Provision for impairment of loans, lease receivables and other assets	30	(5,578)	(32,122)
Net interest income after provision for impairment of loans, lease receivables and other assets		471,016	443,819
Fee and commission income	25	196,277	171,995
Fee and commission expense	25	(39,797)	(33,357)
Net fee and commission income		**156,480**	**138,638**
Foreign exchange gains less losses	26	120,937	101,340
Dividends received		4,054	3,444
Gain on revaluation of financial assets held for trading		17,513	20,248
Other operating income	27	18,036	11,907
Personnel expenses	28	(209,360)	(187,796)
General and administrative expenses	29	(147,667)	(144,626)
Depreciation and amortisation	13, 14	(43,406)	(43,772)
Share of result of associates	11	(174)	(183)
Profit before tax		**387,429**	**343,019**
Income tax expense	19	(50,191)	(43,183)
Profit for the year		**337,238**	**299,836**
Attributable to owners of the Bank		336,782	299,552
Attributable to non-controlling interest		456	284
Net profit for the year		**337,238**	**299,836**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in MDL thousand unless otherwise stated)

	Notes	2013 | MDL'000	2012 | MDL'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Gains less losses on financial investments available for sale arising during the year	10	3,437	4,079
Deferred tax related to revaluation of financial investments available for sale	16	(206)	(231)
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings	13	(14,285)	-
Deferred tax related to revaluation of land and buildings	16	1,500	-
Other comprehensive (loss) / income for the year		(9,554)	3,848
Attributable to owners of the Bank		327,228	303,400
Attributable to non-controlling interest		456	284
Total comprehensive income for the year		327,684	303,684
Earnings per share			
(expressed in MDL per share)	33	**345.99**	**307.74**

The consolidated financial statements were authorised for issue on 8 April 2014 by the Executives of the Group represented by:

President of the Management Board
Mr Serghei Cebotari

Chief accountant
Mrs Carolina Semeniuc

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in MDL thousand unless otherwise stated)

	Notes	2013 | MDL'000	2012 | MDL'000
ASSETS			
Cash on hand	4	371,530	275,967
Balances with National Bank of Moldova	5	1,375,089	1,173,000
Due from banks	6	805,193	616,738
Financial assets held for trading	7	214,820	226,224
Loans and advances to customers	8	8,757,069	7,311,100
Lease receivables	9	345,983	293,444
Financial investments available for sale	10	144,397	141,006
Financial investments held to maturity	10	1,124,375	1,101,377
Investments in associates	11	2,797	2,971
Foreclosed collateral	12	14,288	22,555
Property and equipment	13	364,334	382,980
Intangible assets	14	38,606	24,212
Other assets	15	125,856	129,055
Total assets		**13,684,337**	**11,700,629**
LIABILITIES			
Due to banks	16	448,117	548,432
Borrowings	17	1,185,996	1,166,085
Due to customers	18	9,529,155	7,674,574
Deferred tax liability	19	61,426	49,333
Other liabilities	20	95,828	80,069
Total liabilities		**11,320,522**	**9,518,493**
EQUITY			
Ordinary shares	21	207,527	207,527
Treasury shares	21	(12,854)	(12,854)
Share premium		31,037	31,037
Property and equipment revaluation reserve		167,493	182,220
Available for sale revaluation reserve		30,808	27,577
Retained earnings		1,935,596	1,742,877
Net assets attributable to the Bank's owners		2,359,607	2,178,384
Non-controlling interest		4,208	3,752
Total equity		2,363,815	2,182,136
Total liabilities and equity		**13,684,337**	**11,700,629**

The consolidated financial statements were authorised for issue on 8April 2014 by the Executives of the Group represented by:

President of the Management Board
Mr Serghei Cebotari

Chief accountant
Mrs Carolina Semeniuc

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in MDL thousand unless otherwise stated)

	Ordinary shares MDL'000	Treasury shares MDL'000	Share premium MDL'000	Available for sale revaluation reserve MDL'000	Property and equipment revaluatio reserve MDL'000	Retained earnings MDL'000	Total MDL'000	Non-controlling interest MDL'000	Total equity MDL'000
Balance as at 1 January 2013	**207,527**	**(12,854)**	**31,037**	**27,577**	**182,220**	**1,742,877**	**2,178,384**	**3,752**	**2,182,136**
Profit for the year	-	-	-	-	-	336,782	336,782	456	337,238
Other comprehensive income	-	-	-	3,231	(12,785)	-	(9,554)	-	(9,554)
Total comprehensive income for 2013	-	-	-	3,231	(12,785)	336,782	327,228	456	327,684
Dividends paid (Note 21)	-	-	-	-	-	(146,005)	(146,005)	-	(146,005)
Transfer of revaluation surplus	-	-	-	-	(1,942)	1,942	-	-	-
Balance as at 31 December 2013	**207,527**	**(12,854)**	**31,037**	**30,808**	**167,493**	**1,935,596**	**2,359,607**	**4,208**	**2,363,815**
Balance as at 1 January 2012	**207,527**	**(12,854)**	**31,037**	**23,742**	**182,394**	**1,557,995**	**1,989,841**	**3,468**	**1,993,309**
Profit for the year						299,552	299,552	284	299,836
Other comprehensive income	-	-	-	3,835	13	-	3,848	-	3,848
Total comprehensive income for 2012	-	-	-	3,835	13	299,552	303,400	284	303,684
Dividends paid (Note 21)	-	-	-	-	-	(114,857)	(114,857)	-	(114,857)
Transfer of revaluation surplus	-	-	-	-	(187)	187	-	-	-
Balance as at 31 December 2012	**207,527**	**(12,854)**	**31,037**	**27,577**	**182,220**	**1,742,877**	**2,178,384**	**3,752**	**2,182,136**

Attributable to owners of the Bank

As at 31 December 2013, the non-distributable legal reserves amounted to MDL'000 355,909 (2012: MDL'000 367,405). Starting from 2012 according to the National Bank of Moldova requirements an additional reserve was created. This reserve is determined as the difference between provision for impairment of loans and provisions for contingent liabilities in accordance with IFRS and the value of the prudential provision for impairment of loans and provisions for contingent liabilities (2013: MDL'000 377,708 and 2012: MDL'000 290,838). Both reserves are included in the retained earnings column.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in MDL thousand unless otherwise stated)

	Notes	2013 | MDL'000	2012 | MDL'000
Cash flows from operating activities			
Interest received		947,900	902,114
Interest paid		(476,754)	(420,219)
Commission received		196,277	171,995
Commission paid		(39,797)	(33,339)
Income received from trading in foreign currencies		128,405	107,853
Other operating income received		18,325	7,680
Recoveries of loans previously written-off		41,039	59,376
General and administrative expenses paid		(224,052)	(166,539)
Staff costs paid		(147,686)	(151,331)
Cash flows from operating activities before changes in operating assets and liabilities		443,657	477,590
Net (increase) / decrease in operating assets:			
Due from banks		(121,366)	(57,653)
Financial assets held for trading		28,802	9,983
Financial investments held to maturity		(377,954)	101,815
Financial investments available for sale		-	(43,841)
Loans and advances to customers		(1,500,605)	(1,264,810)
Lease receivables		5,598	(50,149)
Other assets		5,485	17,829
Net increase /(decrease) in operating liabilities:			
Due to banks		(105,516)	70,803
Due to customers and public authorities		1,812,545	1,797,365
Other liabilities		27,678	5,789
Net cash from operating activities before income tax		**218,324**	**1,064,721**
Income tax paid		(41,466)	(35,309)
Net cash from operating activities		**176,858**	**1,029,412**

The accompanying notes are an integral part of these consolidated

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in MDL thousand unless otherwise stated)

	Notes	2013 | MDL'000	2012 | MDL'000
Cash flows from investing activities			
Purchase of property and equipment and intangible assets	13,14	(53,673)	(54,978)
Dividends received		4,054	3,444
Net cash used in investing activities		**(49,619)**	**(51,534)**
Cash flows from financing activities			
Repayment of loans and borrowings		(518,357)	(529,312)
Proceeds from loans and borrowings		497,285	505,612
Dividends paid	21	(146,005)	(114,857)
Net cash used in financing activities		**(167,077)**	**(138,557)**
Exchange gains on cash and cash equivalents		49,705	23,043
Net increase in cash and cash equivalents	**23**	**9,867**	**862,364**
Cash and cash equivalents as at 1 January		**2,568,982**	**1,706,618**
Cash and cash equivalents as at 31 December	**23**	**2,578,849**	**2,568,982**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in MDL thousand unless otherwise stated)

1. GENERAL INFORMATION

BC Moldova Agroindbank SA ("the Bank") was established in 1991 and is a joint stock commercial bank. The Bank operates through its head office located in Chisinau, through 70 branches (2012: 70 branches) including the Head office division for operations with Bank's customers and 34 representative offices (2012: 24 offices) located throughout the country. In connection with amendments to the Law on Financial Institutions no. 550-XIII dated 21 July 1995 by Law of Republic of Moldova on amending and supplementing certain legislative acts no. 241 dated 24 September 2010, the Bank agencies have been registered during 2011 at the National Bank of Moldova as secondary offices.

The Bank's services are divided in corporate and retail banking operations - individuals and small, micro and medium sized enterprises. Corporate banking activity is supported by the Corporate Clients Department, which started operations in 2002.

The Bank's corporate banking activities consist of attraction of deposits activity, cash management, lending and financing of foreign trade. It offers the traditional range of banking services and products associated with foreign trade operations, including payment orders, documentary collections and issuance of letters of credit and guarantees.

The Bank also offers a comprehensive range of retail banking services for individuals: savings accounts, demand and time deposits, loans, foreign currency exchange operations and domestic and international funds transfers.

As at 31 December 2013, the Bank held 100% of the share capital of MAIB Leasing SA (as at 31 December 2012: 100%), a leasing subsidiary which offers leasing products and 54.24% of the share capital of Moldmediacard SRL (as at 31 December 2012: 54.24%), a private limited company which offers processing services for card transactions("subsidiary company", together referred to as "the Group"). The Bankisthe parentcompany.

The number of employees of the Group as at 31 December 2013was1,667 (1,586as at31 December 2012).

The registered office of the Bank is located at 9 Cosmonautilor Street, Chisinau, Republic of Moldova. The registered office of the subsidiary MAIB Leasing SA is located at: 49 Tighina Street, Chisinau, Republic of Moldova. The registered office of the subsidiary Moldmediacard SRL is: 9 Miron Costin Street, Chisinau, Republic of Moldova.

As at 31 December 2013 and 31 December 2012, the shareholders' structure was as follows:

	2013	2012
Civil society of Group shareholders and their affiliates	27.42%	30.63%
Dresfond Invest Limited	4.48%	-
Symbol Wood Limited	4.41%	-
Hessond Solution Limited	4.49%	-
Adriatic Fund B.V.	-	4.72%
Factor Banka d.d..	-	4.99%
Venture Holding B.V.	-	4.99%
Druga d.o.o.	-	4.32%
Logar Milena	-	4.69%
Treasury shares	6.20%	6.20%
Other	53.00%	39.46%
Total	**100.00%**	**100.00%**

Each shareholder disclosed in Other owns less than 5% of Bank's shares.

As at 31 December 2013the Civil society of the Bank's shareholders and its affiliatesincluded 32 members (2012 - 34members), of which 17were members of the executive and non-executive managements (2012 – 18 members) and the other 15 members were affiliated persons (2012: 16 members).

There are 3,103other shareholders(31 December 2012: 3,185), of which 2,804 are individuals and 299 enterprises (31 December 2012: 2,812 individuals and 373 enterprises).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in MDL thousand unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements are presented in Moldovan lei ("MDL"), the currency of the economic environment in which the Group operates ("the functional currency"). These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost basis, except for the financial assets available for sale and financial assets held for trading, which are measured at fair value, and the land and buildings, which are measured at revalued amount.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

a) Standards effective for annual periods beginning on or after 1 January 2013

The following new standards and interpretations became effective for the Group from 1 January 2013:

- **IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)**, replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidationspecial purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Standard did not have any material impact on the Group's financial statements.

- **IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)**, replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Standard did not have any material impact on Group's financial statements.

- **IFRS 12, Disclosure of Interest in Other Entities (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)**, applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including: significant judgments and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities; extended disclosures on share of non-controlling interests in Group activities and cash flows; summarized financial information of subsidiaries with material non-controlling interests; detailed disclosures of interests in unconsolidated structured entities. The Standard did not have any material impact on Group's financial statements.

- **IFRS 13, Fair value measurement (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)** improved consistency and reduced complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Standard also resulted in additional disclosures in these financial statements.

- **IAS 27, Separate Financial Statements(revised in May 2011 and effective for annual periods beginning on or after 1 January 2013)**, was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IFRS 10, Consolidated Financial Statements, now provides guidance on control and consolidated financial statements. The amended Standard did not have any material impact on the Group's financial statements.

- **IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013)**. The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, the other guidance remained unchanged.The amended Standard did not have any material impact on the Group's financial statements.

- **Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012)**, changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The amended Standard resulted in changed presentation of financial statements, but did not have any impact on measurement of transactions and balances.

- **Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013)**, makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The amended Standard did not have any material impact on the Group's financial statements.

- **Disclosures – Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013)**. The amendment requires disclosures that enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The Standard did not have any material impact on Group's financial statements.

- **Improvements to International Financial Reporting Standards (issued in May 2012 and effectivefor annual periods beginning 1 January 2013)**.The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 "Borrowing costs", retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 now requires disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amended Standards did not have any material impact on the Group's financial statements.

- **Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued in June 2012 and effective for annual periods beginning 1 January 2013)**. The amendments clarify the transition guidance in IFRS 10 "Consolidated Financial Statements". Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The amended Standards did not have any material impact on the Group's financial statements.

- **Other revised standards and interpretations:** IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", considers when and how to account for the benefits arising from the stripping activity in mining industry. The interpretation did not have an impact on the Group'sfinancial statements. Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards - Government Loans", which were issued in March 2012 and are effective for annual periods beginning 1 January 2013, give first-time adopters of IFRSs relief from full retrospective application of accounting requirements for loans from government at below market rates. The amendment is not relevant to the Group.

b) Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later and which the Group has not early adopted

- **IFRS 9, Financial Instruments: Classification and Measurement.** Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

  • Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash-flow characteristics of the instrument.

  • An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

  • All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in MDL thousand unless otherwise stated)

irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss.There is to be no recycling of fair value gains and losses to profit or loss. This decision may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Groupdoes not intend to adopt the existing version of IFRS 9.

- **Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014)**. The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group is considering the implications of the amendment and its impact on the Group.

- **Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014)**. The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The Group does not expect the amendment to have any impact on its financial statements.

- **IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014)**. The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Groupis currently assessing the impact of the amendments on its financial statements.

- **Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period)**. The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The Groupis currently assessing the impact of the amendments on the disclosures in its financial statements.

- **Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014)**. The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Groupis currently assessing the impact of the amendments on the disclosures in its financial statements.

- **Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014).** The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendment is not expected to have any material impact on the Group's financial statements.

- **IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016)**. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The amendment is not expected to have any material impact on the Group's financial statements.

c) Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below)

The improvements consist of changes to seven standards.

IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.

IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.

The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

The Group is currently assessing the impact of the amendments on its financial statements.

d) Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014)

The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's financial statements.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of BC Moldova Agroindbank SA and its subsidiaries: MAIB Leasing SA and Moldmediacard SRL as at 31 December of each year.

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

The financial statements of the subsidiaries are prepared for the same reporting year as for the parent Group, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from

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intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

2.3 Non-controlling interest

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Group's equity.

The Group measures non-controlling interest that represents present ownership interest and entitles the Group to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis at the non-controlling interest's proportionate share of net assets of the acquire.

2.4 Foreign currency translation

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction.

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate.

The year-end and average rates for the years 2013 and 2012 were:

	2013		2012	
	USD	EUR	USD	EUR
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 transactions at rates different from those at the date of the original transaction and unrealised foreign exchange differences on unsettled foreign currency denominated monetary assets and liabilities are recognised in the "Foreign exchange gains less losses" line of the statement of profit or loss.Items included in financial statements of the Group are measured using the currency of the primary economic enviroment in which Group operates ("the functional currency") – Moldovan lei ("MDL").

2.5 Financial instruments

Financial instruments - key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the last trading price on the reporting date. Prior to 1 January 2013, the quoted market price used for financial assets was the current bid price; the quoted market price for financial liabilities was the current asking price.

A portfolio of other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured, and must be settled by delivery of such unquoted equity instruments.

Valuation techniques such as discounted cash-flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to calculate the fair value of certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

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

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest reprising date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The Present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial assets at fair value through profit and loss

Investments in securities classified as held for trading are included in the category "Financial assets at fair value through profit and loss".

Held for trading securities are securities, which were either acquired for generating a profit from short term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists. Trading securities are initially recorded at fair value. After initial recognition, trading securities are re-measured at fair value based on quoted bid prices.

All related realised and unrealised gains or losses are recognised in "Gains on revaluation of financial assets held for trading " in the statement of profit or loss. Interest income on trading securities is included in "Interest income" in the statement of profit or loss.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention are recognised at the settlement date.

Financial investments held to maturity

Held to maturity financial investments are those which carry fixed or determinable payments, have fixed maturities and which the Group has the intention and ability to hold to maturity. After initial measurement at fair value plus transaction costs, held to maturity financial investments are subsequently measured at amortised cost.

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 amortisation is included in interest income. The losses arising from impairment of such investments are recognised in the statement of profit or loss.

Financial investments available for sale

All the investments which are not classified as held for trading or held to maturity investments or loans and advances are included in available for sale category.All purchases and sales of available for sale investments that require delivery within the time frame established by regulation or market convention are recognised at settlement date.

Available for sale assets are recognized initially at the fair value plus transaction costs. Subsequent to the initial recognition, they are re-measured at fair value unless fair value cannot be reliably determined in which case they are carried at cost minus any provision for impairment.

Fair values are based on quoted bid prices or amounts derived from cash flow models and ratios which reflect the specific circumstances of the issuer. The changes in fair value for available for sale financial instruments are recognised in other comprehensive income (OCI). Interest earned on available for sale investments is reported as

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"Interest income" in the statement of profit or loss.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale.

A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit or loss for the year.

Determination of fair value

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, credit models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate model assumptions.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Furthermore, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.An analysis of fair values of financial instruments and further details on how they are measured are provided in Note34.

Investments in associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. In the consolidated financial statements, investment in associate are initially recognised at cost and subsequently are measured using the equity method of accounting.

2.6 Loans and receivables issued by the Group

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Groupprovides money directly to a debtor with no intention of trading the receivable. Loans and receivables are initially recognised at fair value minustransactions costs.They are subsequently measured at amortised cost using the effective interest method.

The Group presents the information regarding its loan portfolio and the provision for impairment based on the following classification of clients:

- corporate;
- retail entities;
- retail individuals.

Due from banks are classified as loans and receivables and are stated at amortised cost.

2.7 Leases

Finance leases (the Group as a Lessor)

The Group presents assets subject to finance lease, as a receivable equal to net investment in the lease carried at present value of the future lease payments. Finance lease receivables are initially recognised at commencement using a discount rate determined at inception. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding, and recorded within interest income. Initial direct costs are included in the initial measurement of the finance lease receivables and reduce the amount of income recognised over the lease term.

Operating leases (the Group as a Lessee)

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

2.8 Impairment of financial assets carried at amortised cost

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If the Group determines that no objective evidence exists that impairment was incurred 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.

The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and reliability of related collateral, if any.

The following other principal criteria are also used in determining whether there is objective evidence that an impairment loss has occurred:

a) the unfavourable financial situation of the client, classified in categories D or E according to the Group internal ratings;
b) violation of contractual obligations;
c) restructuring / debt prolongation;
d) the initiation of insolvency;
e) the unfavourable situation in the branch of activity / industry client;
f) indicators of reduction in cash flows in future periods;
g) obtained negative information from credit bureau and / or other sources;
h) other (at the discretion of Group specialists).

Individual assessment of the loans and receivables portfolio

According to the Group policy, individually assessed loans are those loans which meet at least one of the following criteria:

- loans are in the corporate segment;
- loans exposure exceeds the significance level for an individual loan (based on the exposure of an individual loan - automatic selection);
- loans exposures of which the total outstanding balance, i.e. the sum of outstanding balances of all loans granted to the client, exceeds the level of significance for individual clients (based on the overall exposure toward a client - automatic selection);
- individually significant loans with indicators of impairment as disclosed in points a)-h) above;
- Group has recognised the loan as an individually significant based on internal information (the manual selection).

This means that performing loans are individually assessed if:

a) The loan is in the corporate segment (no significant level applied).
b) Loan exposure and / or a client exposures are of the following size:

• retail segment - corporate (SME, Micro) for exposures which exceed MDL 3,000,000;
• retail segment – for individual's exposure which exceed MDL 1,000,000.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure minus costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment of loans and receivables portfolio

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics 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 financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not currently exist.

The recovery ratio on defaulted obligations (loss given default, LGD) is calculated for secured and unsecured loans exposures. The Group uses the three-month time horizon in estimating collective impairment provisions.

Impairment losses are always recognised through an allowance account. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Lease receivables and other receivables

If there is objective evidence that the Group will not be able to collect all amounts due (minimum lease payments and interest) according to the original contractual terms of the lease, such receivables are considered impaired.

The amount of the impairment loss is the difference between the receivable's carrying amount and the present

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value of expected future cash flows discounted at the original effective interest rate implicit in the lease.

The carrying amount of the asset is reduced to its estimated recoverable amount by a charge to statement of profit or loss through the use of an allowance for impairment for uncollectible lease receivables account.The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure minus costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The Group 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.For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers history of repayment, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of a debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

2.9 Foreclosed collateral

In certain circumstances, objects under finance lease are repossessed following the foreclosure of lease contracts where recoverability is in doubt. Foreclosed collateral are carried at the lower of its cost (being its fair value at the time of repossession) and net realisable value.

2.10 Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Management continuously reviews renegotiated loans to ensure that all relevant agreed lending conditions are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, as described above.

2.11 Property and equipment

Property and equipment are stated at cost minus accumulated depreciation and any impairment loss except the categories "Buildings" and "Land" – which are stated at revalued amounts.

Land and buildings are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Expenses for repairs and maintenance are charged to operating expenses as incurred. Subsequent expenditure on property and equipment is only recognised as an asset when the expenditure improves the condition of the asset beyond the originally assessed standard of performance.
Where the carrying amount of an asset is greater than the estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of property and equipment are determined by reference to their carrying amount and are taken to other operating income.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as stated below. Land and assets under construction are not depreciated.
The revaluation surplus included in equity in respect of revalued assets is transferred to retained earnings when the asset is derecognized.

Asset type	Age
Buildings	33-50
Improvements of lease-hold assets	4-15
ATMs	4
Furniture and equipment	4-8
Computers	4
Vehicles	7

2.12 Intangible assets

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

2.13 Due to banks

Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at amortised cost.

2.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Subsequently borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the statement of profit or loss over the period to maturity using the effective interest method.

2.15 Due to customers

Due to customers are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost. Due to public authorities are included in Due to customers in the statement of financial position including current and deposit accounts of Moldovan Ministry of Finance , local public authorities and other public institutions financed by the state budget.

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2.16 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle or realise on a net basis or realise the asset and settle the liability simultaneously.

2.17 Sale and repurchase agreements

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

2.18 Recognition of income and expense

Interest income and expense are recognised in the statement of profit or loss for all interest-bearing instruments, including loans that are classified as non-performing, on an accrual basis using the effective interest method.

Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

Fees and direct costs related to the origin of loans are deferred and amortised as interest income during the loan period using effective interest rate method. Commission income and fees for various banking services are recorded in profit or loss statement when collected.

Dividends are recognised when the shareholder's right to receive the payments is established.

Revenue from sale of assets in instalments is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue from insurance recharged to lessees is shown on a net basis and included in other operating income.

Fees and direct costs relating to origination of leases are deferred and amortised to interest income over the life of the lease using the effective interest rate method method.

Revenue from penalties is recognised on an accrual basis monthly, regardless of its maturity, and is included in other operating income. If it is assumed that the penalty amount cannot be collected, charging will be provided or written-off.

2.19 Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash in hand, current accounts and short-term placements at other banks, treasury bills and other short-term highly liquid investments, with less than 90 days maturity from the date of aquisition.Cash in hand, current accounts and short-term placements are carried at amortised cost. Treasury bills and other short-term investments are carried at fair value.

2.20 Ordinary shares and share premium

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

2.21 Treasury shares

Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancelation of the Group's own equity instruments is recognised directly in equity. No gain or loss is recognised in statement of profit or losson the purchase, sale, issue or cancelation of own equity instruments.

2.22 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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2.23 Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.

Financial guarantees are initially recognized in the financial statements (within 'Other liabilities') at fair value, being the premium received.

Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in the statement of profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the statement of profit or lossas "Impairment losses on loans and advances". The premium received is recognised in the statement of profit or lossas 'Fees and commission income' on a straight line basis over the life of the guarantee.

2.24 Contingencies

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

2.25 Provisions

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

2.26 Pension costs and employees' benefits

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

2.27 Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

2.28 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 balance sheet liability method, for all such temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

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

The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are netted only within the individual companies of the Group.

2.29 Recognition and derecognition of financial instruments

The Group recognises a financial asset or a financial liability on its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

All regular purchases and sales of financial assets are recognised on the settlement date, i.e. the date that an asset is delivered to or by the Group.

Regular way purchases of sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

A financial asset is derecognised where:

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

When the Group has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at whichever is the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.30 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting providedto the Executive Committee and the Groups' chief operating decisions maker. Segments whose revenue, result or assets are 10% or more of all segments are reported separately. The information on segments is presented in Note 37.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Groupmakes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the financial year. Estimates and judgements are continually evaluated and are based on the management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances

The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified at the level of an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Group, or national or local economic conditions that correlate with defaults on assets of the Group.

Management uses estimates based on historical loss experience for assets with the same credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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Management has estimated the impact over the loan losses provision from 1% increase or decrease of the Loss Given Default applied at collective provision calculation. These changes would increase or decrease the loan loss provision by MDL'000 246(31 December 2012: MDL'000 286). Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. A 1% increase or decrease in the actual loss experience compared to the estimated future discounted cash flows from individually significant loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of MDL'000 2,287 (31 December 2012: MDL'000 1,652), respectively.

Impairment of financial investments available for sale

The Group determines that available for sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates, among other factors, the volatility in share price.

In addition, impairment may be appropriate when there is evidence of changes in technology or a deterioration in the financial health of the investee, industry and sector performance, or operational or financing cash flows.

Impairment losses of lease receivables and other receivables

The Group reviews its lease receivables and other receivables at each reporting date to assess whether an allowance for impairment should be recorded in the statement of profit or loss and other comprehensive income.In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required.

Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Were the net present value of estimated cash flows differs by +1% the impairment loss is to be estimated MDL'000 383 lower, if by -1%, the impairment loss is to be estimated MDL'000 466 higher (2012: +1% MDL'000 383 lower and if -1% MDL'000 710higher)

Impairment of equity investments

When the fair value of financial assets can not be determined from the information in the market, it is determined using current techniques, including model updating cash flows.

The inputs for these models are taken from observable markets, where possible, but where this is not feasible, a degree of judgment is required to establish fair values.

The deisions include consideration of such inputs as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial assets. If the fair value of financial assets can not be reliably determined the available for sale equity investments are held at cost.

Taking into account that there is no active market for unquoted equity investments and data provided by the market cannot be used in forecasting and estimating of future cash flows , the determination of the fair value cannot be done reliably, thus the impairment is determined through comparison of the Group's share in net assets of investees from audited financial statements and the carrying amount of those investments.

Held-to-maturity investments

Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, in particular (a) its intention and ability to hold the assets to maturity and (b) whether the assets are quoted in an active market. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available for sale.

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4. CASH ON HAND

	2013 MDL'000	2012 MDL'000
Cash	371,418	275,431
Travellers' cheques	-	477
Other	112	59
	371,530	**275,967**

5. BALANCES WITH NATIONAL BANK OF MOLDOVA

	2013 MDL'000	2012 MDL'000
Current account	865,234	732,213
Mandatory reserves	509,855	440,787
	1,375,089	**1,173,000**

Current account and mandatory reserves

The Group forms mandatory reserves in accordance with base of the rule's set established by the Board of Directors of the NBM. For funds attracted in MDL and in nonconvertible currencies reserves are made in MDL, from funds attracted in USD reserves are made in USD from funds attracted in EUR and other hard currencies reserves are made in EUR.

The balance reserved on USD and EUR mandatory reserve accounts amounted to USD'000 9,241 and EUR'000 21,658, respectively (2012: USD'000 9,593and EUR'000 20,321). For the attracted funds with a maturity less than 2 years the calculation rate is 14 % (2012: 14 %), for the attracted funds with a maturity of more than 2 years it is nil (2012: nil).

The interest paid by NBM on the mandatory reserves during 2013 varied between 0.36% and
1.02% per annum (2012: 0.22% and 1.04% per annum) for reserves in foreign currency, and between 0.12% and 0.27% for reserves in MDL (2012: 0.68% and 3.66% per annum).

6. DUE FROM BANKS

	2013 MDL'000	2012 MDL'000
Current accounts	667,483	601,341
Deposits	67,695	15,397
Overnight	70,015	-
	805,193	**616,738**

All current accounts and deposits balances are in foreign currencies with foreign banks such as Commertzbank (Germany), Deutsche Bank AG (Germany), Deutsche Bank Trust Company (USA), Bank of New York (USA), Sberbank (Moscow), RZB Group.

Bank deposists also include restricted deposits as at 31 December 2013 of MDL'000 67,695
(as at 31 December 2012: MDL'000 15,397).

Restricted deposits mainly represent deposits placed under membership agreements signed with Visa, Master-Card, and the Commertzbank of USD'000 1, 108 (MDL'000 14,464)and EUR'000 2,960 (MDL'000 53,186)(31 December 2012: USD'000 1,007 or MDL'000 12,148)and EUR'000 200 or MDL'000 3,199).These deposits are held in Commerz-bank, HSBC and Barclays Bank.

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Analysis of credit quality of amounts due from banks is presented below:

Rating	Rating agency	2013 MDL'000	2012 MDL'000
AA	Fitch		8,397
AA-	Fitch	191,310	169,437
A2	Moody's	298,477	61,819
A	Fitch	183,484	58,606
A3	Moody's	-	310,461
Baa1	Moody's	54,342	942
BBB	Fitch	6,438	5,243
Baa2 and lower	Moody's	203	1,508
Unrated	-	70,939	325
		805,193	**616,738**

On 31 December 2013 the Group made an overnight deposit in national currency at Banca de Economii a Moldovei, a local bank with no external rating.

7. FINANCIAL ASSETS HELD FOR TRADING

	2013 MDL'000	2012 MDL'000
Treasury bills	214,820	226,224
	214,820	**226,224**

Held for trading securities as at 31 December 2013 represent MDL treasury bills of 364 days maturity issued by the Ministry of Finance of Republic of Moldova, with a yield of between 4.57% and 7.14% per annum (2012: 4.5% and 11.8% per annum). According to Moody's rating agency, Republic of Moldova is classified in B3 rating category.

As at 31 December 2013 and 31 December 2012 there were no securities pledged as collateral.

8. LOANS AND ADVANCES TO CUSTOMERS

	2013 MDL'000	2012 MDL'000
Corporate clients	5,664,957	4,656,178
Retail entities	1,621,199	1,437,917
Individuals	1,716,151	1,417,338
Total loans, gross	**9,002,307**	**7,511,433**
Less: allowance for impairment losses	(245,238)	(200,333)
Total loans, net	**8,757,069**	**7,311,100**

Gross loans include overdue payments in amount of MDL'000 316,122as at 31 December 2013(2012: MDL'000 142,447). During the year 2013 loans ofMDL'000 3,673have been written off based on the assessment performed by the management on the recoverability of those loans (2012: MDL'000 1,710).

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

	2013 MDL'000	%	2012 MDL'000	%
Manufacturing and trade	2,657,020	30%	2,132,964	28%
Food industry	1,227,063	14%	1,232,241	16%
Consumer	1,212,617	13%	1,030,560	14%
Non-food industry	926,840	10%	693,978	9%
Transportation and road construction	728,086	8%	445,591	6%
Agricultural	685,811	8%	555,394	7%
Real estate	431,751	5%	323,383	4%
Energy sector	248,437	3%	272,275	4%
Construction	121,911	1%	117,723	2%
Government	7,164	0%	3,347	0%
Other	755,607	8%	703,977	10%
Total loans , gross	**9,002,307**	**100%**	**7,511,433**	**100%**

Loans granted to Government exclude government owned profit oriented businesses.

The average interest rate on loans granted in MDL was 12.70% (2012: 14.10%) in USD 8.01% (2012: 8.54 %) and in EUR 7.40% (2012: 8.12%).

Analysis by credit quality of loans outstanding at 31 December 2013 and 31 December 2012 is as follows:

31 December 2013	Neither past due nor impaired MDL'000	Past due but not impaired MDL'000	Individually assessed, with impairment triggers MDL'000	Total MDL'000
Corporate	3,292,887	5,444	2,366,626	5,664,957
Retail entities	1,086,649	70,621	463,929	1,621,199
Individuals	1,567,900	106,644	41,607	1,716,151
Total loans, gross	**5,947,436**	**182,709**	**2,872,162**	**9,002,307**

31 December 2012	Neither past due nor impaired MDL'000	Past due but not impaired MDL'000	Individually assessed, with impairment triggers MDL'000	Total MDL'000
Corporate	2,107,457	34,251	2,514,470	4,656,178
Retail entities	989,489	86,920	361,508	1,437,917
Individuals	1,280,761	106,454	30,123	1,417,338
Total loans, gross	**4,377,707**	**227,625**	**2,906,101**	**7,511,433**

Loans neither past due nor impaired are considered loans current, fully respecting the contractual repayment schedules and collection of interest and other credit contractual conditions and which have no evidence of impairment. Respectively, for these loans is not calculated the provision for impairment losses.

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The credit quality of loans neither past due nor impaired are presented below:

	2013 MDL'000	2012 MDL'000
Corporate, including:		
Borrowers with credit history over 5 years	1,348,561	1,179,203
Borrowers with credit history from 2 to 5 years	964,276	508,798
New borrowers	980,050	419,456
	3,292,887	**2,107,457**
Retail entities, including:	222,488	144,470
Medium	473,159	464,771
Small	380,001	372,586
Micro	11,001	7,662
Others	**1,086,649**	**989,489**
Individuals, including:		
Loans collateralised with real estate	990,927	837,454
Loans collateralised with other property (except real estate)	19,950	15,275
Uncollateralised loans	557,023	428,032
	1,567,900	1,280,761
Total	**5,947,436**	**4,377,707**

Ageing analysis of past due but not impaired loans by days in arrears is presented below:

31 December 2013	1-30 days MDL'000	31-60 days MDL'000	61-90 days MDL'000	Over 90 days MDL'000	Total MDL'000
Corporate	5,444	-	-	-	5,444
Retail entities	38,116	9,993	10,783	11,729	70,621
Individuals	63,216	24,274	8,906	10,248	106,644
Total	**106,776**	**34,267**	**19,689**	**21,977**	**182,709**

31 December 2012	1-30 days MDL'000	31-60 days MDL'000	61-90 days MDL'000	Over 90 days MDL'000	Total MDL'000
Corporate	32,526	718	-	1,007	34,251
Retail entities	34,958	18,628	9,188	24,146	86,920
Individuals	64,631	18,308	6,188	17,327	106,454
Total	**136,115**	**37,654**	**15,376**	**42,480**	**227,625**

Past due, but not impaired, loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments.

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Aging analysis of loans individually assessed with impairment triggers is presented below:

31 December 2013	Current MDL'000	1-30 days MDL'000	31-60 days MDL'000	61-90 days MDL'000	Over 90 days MDL'000	Total MDL'000
Corporate	1,896,065	179,608	70,177	-	220,776	2,366,626
Retail entities	335,065	29,885	3,898	6,050	89,031	463,929
Individuals	22,608	1,436	2,115	1,434	14,014	41,607
Total	**2,253,738**	**210,929**	**76,190**	**7,484**	**323,821**	**2,872,162**

31 December 2012	Current MDL'000	1-30 zile MDL'000	31-60 days MDL'000	61-90 days MDL'000	Over 90 days MDL'000	Total MDL'000
Corporate	2,061,783	398,856	1,395	-	52,436	2,514,470
Retail entities	268,683	33,306	7,147	3,409	48,963	361,508
Individuals	19,560	4,509	1,100	1,250	3,704	30,123
Total	**2,350,026**	**436,671**	**9,642**	**4,659**	**105,103**	**2,906,101**

The movements in provision for impairment during the years 2013 and 2012 is presented below:

	2013				2012			
	Corporate	Retail entities	Individuals	Total	Corporate	Retail entities	Individuals	Total
				MDL'000				MDL'000
As at 1 January	135,910	51,269	13,154	200,333	80,558	32,552	14,683	127,793
Provision for impairment during the year	29,345	17,112	2,121	48,578	55,352	20,233	(1,335)	74,250
Amounts written off during the year as uncollectible	-	(2,390)	(1,283)	(3,673)	-	(1,516)	(194)	(1,710)
As at 31 December	**165,255**	**65,991**	**13,992**	**245,238**	**135,910**	**51,269**	**13,154**	**200,333**

Past due loans

The movement in individual and collective provision for impairment during the years 2013 and 2012 is presented in the following table:

	2013			2012		
	Individual impairment	Collective impairment	Total	Individual impairment	Collective impairment	Total
			MDL'000			MDL'000
As at 1 January	165,229	35,104	200,333	96,747	31,046	127,793
Provision for impairment during the year	64,522	(15,944)	48,578	69,992	4,258	74,250
Amounts written off during the year as uncollectible	(1,464)	(2,209)	(3,673)	(1,510)	(200)	(1,710)
As at 31 December	**228,287**	**16,951**	**245,238**	**165,229**	**35,104**	**200,333**

The provision for impairment differs from the amount presented in the statement of profit or loss for the years 2013 and 2012 due to MDL'000 46,066 (2012: MDL MDL'000 59,376)recovery of amounts previously written off as uncollectible and to the provision for other assets impairment disclosed under Note15. The amount of the recovery was credited directly to the provision for impairment in the statement of profit or loss for the year.

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The provisioning ratio for the Group's loans portfolio is as follows:

	2013 | %	2012 | %
Loans loss provisions ratio (from total gross oustanding portfolio)	2.72	2.67
Individual provision ratio	4.75	3.59
Collective provision ratio	0.40	1.21

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

	2013 MDL'000	2012 MDL'000
Corporate clients	416,402	494,733
Retail entities	48,312	42,388
	464,714	537,121

All corporate loans and loans to SME and individuals which exceed a certain exposure amount (stated in Note2.8) and loans with impairment triggers are subject to individual assessment.

If the loans assessed individually are impaired and the objective evidence of impairment exists, a provision for impairment is recognised. Among the loans for which the collective provision is recognised are also corporate clients from individual assessment, which did not have any signs of individual impairment and no provision was recognised, based on individual assessment.

The performing loans with no impairment triggers are disclosed under the category "neither past due nor impaired", with all other loans being disclosed under "individually assessed with impairment triggers".

9. LEASE RECEIVABLES

The Group is the lessor of vehicles, commercial, industrial, agricultural and office equipment under EUR, USD and MDL agreements.

	2013 MDL'000	2012 MDL'000
Gross investment in finance leases receivable		
Not later than 1 year	192,656	181,571
Later than one year and not later than 5 years	200,519	170,218
Over 5 years	20,354	10,705
	413,529	362,494
Unearned future finance income on finance leases	(59,733)	(57,951)
Allowance for uncollectible lease receivables	(7,813)	(11,099)
Net investment in finance leases	**345,983**	**293,444**

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The Group's net investment in finance leases is as follows:

	2013 MDL'000	2012 MDL'000
Not later than 1 year	157,194	143,315
Later than one year and not later than 5 years	169,802	141,274
Over 5 years	18,987	8,855
Net investment in finance leases	**345,983**	**293,444**

The table below presents the credit quality of the lease receivable:

31 December 2013	Neither past due nor impaired MDL'000	Past due but not impaired MDL'000	Individually assessed, with impairment triggers MDL'000	Total MDL'000
Corporate	79,218	110,926	54,167	244,311
Individuals	15,548	39,181	54,756	109,485
Gross amount	**94,766**	**150,107**	**108,923**	**353,796**

31 December 2012	Neither past due nor impaired MDL'000	Past due but not impaired MDL'000	Individually assessed, with impairment triggers MDL'000	Total MDL'000
Corporate	58,343	103,483	53,815	215,641
Individuals	12,401	30,848	45,653	88,902
Gross amount	**70,744**	**134,331**	**99,468**	**304,543**

Lease receivables neither past due nor impaired

	2013 MDL'000	2012 MDL'000
Corporate, including:		
Borrowers with credit history over 5 years	3,797	973
Borrowers with credit history from 2 to 5 years	31,653	44,892
New borrowers	43,768	12,478
	79,218	58,343
Individuals, including:		
Loans collateralised with real estate	123	735
Loans collateralised with other property (except real estate)	15,425	11,666
	15,548	12,401
Total	**94,766**	**70,744**

The annual average interest rate for denominatedlease agreements in MDL during 2013 year was 18.30% (2012: 19.19%), in USD 14.84% (2012: 15.04%) and in EUR 12.20% (2012: 12.57 %).

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Lease receivables past due, but not impaired

	1-30 days MDL'000	31-60 days MDL'000	Total MDL'000
As at 31 December 2013			
Corporate	104,465	6,461	110,926
Individuals	30,219	8,962	39,181
Total	134,684	15,423	150,107
As at 31 December 2012			
Corporate	55,041	48,442	103,483
Individuals	16,697	14,151	30,848
Total	**71,738**	**62,593**	**134,331**

Past due, but not impaired lease receivables primarily include collateralised lease receivables where the fair value of collateral covers the overdue interest and principal repayments.

Ageing analysis of lease receivables individually assessed with impairment triggers is presented below:

	60-90 days MDL'000	90-120 days MDL'000	Over 120 days MDL'000	Total MDL'000
As at 31 December 2013				
Corporate	7,427	1,496	45,244	54,167
Individuals	14,319	2,744	37,694	54,757
	21,746	**4,240**	**82,938**	**108,924**
As at 31 December 2012				
Corporate	6,011	14,177	33,627	53,815
Individuals	907	7,509	37,239	45,653
	6,918	**21,685**	**70,865**	**99,468**

Fair value of collateral for lease receivables individually assessed with impairment triggers is presented below:

	Individuals MDL'000	Corporate MDL'000	Total MDL'000
As at 31 December 2013			
Fair value of collateral	51,082	53,987	105,069
As at 31 December 2012			
Fair value of collateral	44,936	53,629	98,565

Movements in allowance for uncollectible lease receivables are presented below:

	2013 MDL'000	2012 MDL'000
Balance as at 1 January	11,099	9,573
Write-offs	(84)	(7,700)
Net (recovery of)/ provision for impairment during the year (Note 30)	(3,202)	9,226
Balance as at 31 December	**7,813**	**11,099**

Restructuring activities include extended payment arrangements, amendments and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts.

Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

In 2013 the Group renegotiated 15 lease agreements (2012: 4). Amount of overdue balances which have been renegotiated is MDL 5,169 thousand (2012: MDL 2,611 thousand).

	2013 MDL'000	2012 MDL'000
Non-impaired after restructuring – which would otherwise have been impaired	22,639	3,204
	22,639	**3,204**

Overdue categories of renegotiated lease agreements

	2013 MDL'000	2012 MDL'000
Not past due	1,406	3,204
Past due up to 30 days	21,233	-
	22,639	**3,204**

As at 31 December 2013 the Group pledged the right to collect receivables under original finance lease agreements in an amount of MDL'000291,259(2012: MDL'000244,889) (refer to Note16).

10. FINANCIAL INVESTMENTS

	2013 MDL'000	2012 MDL'000
Financial assets available for sale	144,397	141,006
Financial assets held to maturity	1,124,375	1,101,377
	1,268,772	**1,242,383**

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Available for sale investments

	Field of activity	Ownership % 2013	Ownership % 2012	2013 MDL'000	2012 MDL'000
IM Glass Container Company SA	Glass Manufacturing	17.43%	17.43%	44,669	44,123
IM Suedzucker Moldova SA	Sugar processing	12.37%	12.37%	46,160	45,849
IM Glass Container Prim SA	Glass Manufacturing	16.89%	16.89%	51,589	49,009
IM Piele SA	Manufacturing	12.80%	12.80%	-	-
IM „Biroul de Credit SRL	Bureau of credit histories	6.70%	6.70%	1,019	1,019
Garant Invest SRL	Investment	9.92%	9.92%	440	440
SA Combinatul de panificație „Franzeluța	Bakery	1.13%	1.13%	425	471
Depozitarul Național de Valori Mobiliare al Moldovei SA	Depositary, clearing	4.63%	4.63%	31	31
Bursa de Valori din Moldova SA	Auctions and brokerage	2.56%	2.56%	7	7
SA Astraea	Book store	4.26%	4.26%	57	57
				144,397	**141,006**

The Group's available for sales investments are equity investments acquired for the purpose of resale or because there are regulatory requirements.

All financial investments available for sale, except IM "Suedzucker Moldova" SA, Combinatul de panificatie "Franzeluta" SA, IM "Glass Container Company" SA and I.M. „Glass Container Prim"S.A.,are recognised at cost as at 31 December 2013, because its fair value can not be determined reliably.

Management has the intention to dispose Group's investment in IM "Piele" SA. It is impossible to determine the fair value of the Group's investment in IM Piele equity on the basis of cash flow or other financial data given that it has ceased its activity. Management decided to keep the amount of the provision formed at 31 Decemebr 2012 equivalent to the cost of investment in Î.M."Piele " SA at MDL'000 1,663 (31 December 2012: MDL'000 1,663).

The Group's major investments are inIM "Glass Container Company" SA, IM "Glass Container Prim"and of IM "Suedzucker Moldova" SA, all investments are recorded at fair value. The fair value was determined based on the estimate provided by an external valuator.Quantitative information about unobservable inputs is disclosed in Note 34.

In estimating the fair value of the Group's investment in IM Glass Container Company and IM Glass Container Prim SA the discounted cash flows approach was applied.

Estimations were based on the Company's forecasted financial ratios for future periods up to 6 years (2014 - 2019), a long-term growth rate of 5%, based on the projections of the National Bank of Moldova in relation to the inflation for the next periods and projected growth in flows from optimizing the expenses, expansion into foreign markets and domestic market growth, and a discount rate of net cash flows determined by applying the method of weighted average cost of capital (WACC).

In estimating the fair value of the Group's capital investment IM Suedzucker Moldova SA, the discounted cash flows approach was also applied. Estimations were based on the Company's forecasted financial ratios for future periods up to 5 years (2014– 2018), a long-term growth rate of 5% annually to be determined depending on the projected growth, cost optimisation, the expansion into foreign markets and domestic market growth, and financial flows discount rate determined by applying the weighted average cost method net of capital (WACC).

ÎM Biroul de Credit SRL, Depozitarul Național de Valori Mobiliare al Moldovei SA, Garant Invest SRL and Bursa de Valori a Moldovei SAwere acquired by the Group due to regulatory requirements for securities market participants in order to operate in the local market and is a promotional instrument and diversification of services / products.

For SA Combinatul de panificatie Franzeluta the Group has determined the fair value of the investment based on bid price quoted on the Moldovan Stock Exchange.

Refer to Note 34for the fair value measurement disclosures.

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The movement in financial investments available for sale of the Group is presented below:

	2013 MDL'000	2012 MDL'000
Balance as at 1 January	141,006	94,655
Additions	-	43,841
Increase in fair value	3,437	4,079
Provision for impairment	(46)	(1,626)
Balance as at 31 December	144,397	141,006

Held to maturity financial investments

	2013 MDL'000	2012 MDL'000
Certificates issued by the National Bank of Moldova	519,788	959,461
State securities	604,587	141,916
	1,124,375	**1,101,377**

As at 31 December 2013 the state securities issued byMinistry of Finance of Republic of Moldova had a maturity between 91 and 1095 days, with an annual interest rate of4.74% and 8.03%
(2012: 4.58 % and 8.71 %).

As at 31 December 2013 the Certificates issued by the National Bank of Moldova, had a maturity of 14 - 16 days with an annual interest rate of 3.5% (2012: 14 - 15 days and 4.5%). As at 31 December 2013and 31 December 2012 there were no state securities or Certificates issued by the National Bank of Moldova held to maturity, and pledged as collateral.

State securities and Certificates issued by the National Bank of Moldova are traded on active market.

11. INVESTMENTS IN ASSOCIATES

The Group's investment in associates is presented below:

	Field of activity	Ownership 2013, %	Ownership 2012, %	2013 MDL'000	2012 MDL'000
Ecoplantera SRL	Agriculture	40%	40%	2,400	2,400
				2,400	**2,400**

Ecoplantera SRL

The following table illustrates the summarised financial information of the share of the Group in associates:

	2013 MDL'000	2012 MDL'000
Share of the associate's statement of financial position		
Assets	3,786	3,955
Liabilities	(989)	(984)
Net assets	**2,797**	**2,971**
Share of the associate's revenue and profit		
Revenue	2,274	2,494
Net loss	(174)	(183)

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12. FORECLOSED COLLATERAL

As at 31 December 2013foreclosed collateral with total value of MDL'000 14,288including cars repossessed by the leasing subsidiary MAIB – Leasing, as a result of termination of finance lease agreements due to non-payment of lessees.

	2013 MDL'000	2012 MDL'000
Type of collaterals		
Vehicles	2,095	2,261
Mortgages	12,724	21,160
Equipment	282	337
Total foreclosed collaterals	**15,101**	**23,758**
Provision for impairment	(813)	(1,203)
Net foreclosed collaterals	**14,288**	**22,555**

13. PROPERTY AND EQUIPMENT

	Revalued			Cost		
	Land and buildings MDL'000	Furniture and equipment MDL'000	Motor vehicles MDL'000	Modernization of leased assets MDL'000	Assets under construction MDL'000	Total MDL'000
At 1 January2013						
Cost / revalued amount	409,634	301,403	22,295	17,586	23,455	774,373
Accumulated depreciation	(123,360)	(242,496)	(12,005)	(13,532)	-	(391,393)
Net book amount	**286,274**	**58,907**	**10,290**	**4,054**	**23,455**	**382,980**
Year ended 31 December 2013						
Opening net book amount	286,274	58,907	10,290	4,054	23,455	382,980
Additions	-	749	145	-	32,006	32,900
Revaluations	(13,519)	-	-	-	(786)	(14,305)
Transfers	986	16,998	4,190	921	(24,667)	(1,572)
Disposals, net	(1,269)	(179)	(20)	-	(642)	(2,110)
Depreciation charge	(8,904)	(21,169)	(2,267)	(1,219)	-	(33,559)
Closing net book amount	**263,568**	**55,306**	**12,338**	**3,756**	**29,366**	**364,334**
Cost / revalued amount	385,902	307,741	24,678	18,507	29,366	766,194
Accumulated depreciation	(122,334)	(252,435)	(12,340)	(14,751)	-	(401,860)
Net book amount 31 December 2013	**263,568**	**55,306**	**12,338**	**3,756**	**29,366**	**364,334**

As at 31 December 2013, the cost of fully depreciated property and equipment still used by the Group amounted to MDL'000 215,244 (31 December 2012: MDL'000 197,287).

Property and equipment are recorded at cost less depreciation and losses from impairment, except of land and buildings that were revalued. Lands and buildings have been revalued at fair value at 11 October 2013. The valuation was carried out by an independent firm of valuers, Lara SRL, who hold a recognised and relevant professional qualification and who have recent experience in the valuation of assets in similar locations and in a similar category. The basis used for the appraisal was market value. Fair values were estimated using appropriate valuation techniques and are based on observable market prices in an active market. Refer to Note 34for the fair value measurement disclosures.

At 31 December 2013, the carrying amount of land and buildings would have been MDL'000 74,630 (31 December 2012: MDL'000 77,921) had the assets been carried at cost less depreciation.

In accordance with IAS 16, if the carrying amount of an asset is reduced as a result of a revaluation, the decrease is recognised in profit or loss. Following the revaluation in 2013 the profit or loss account was reduced by MDL'000 20 (31 December 2012: nil).

This decrease should be recognized in other comprehensive income to existent credit balance in the asset revaluation given. As a result of the revaluation made in 2013 the value of "Land and Buildings" category was reduced.

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	Revalued	Cost				
	Land and buildings MDL'000	Furniture and equipment MDL'000	Motor vehicles MDL'000	Modernization of leased assets MDL'000	Assets under construction MDL'000	Total MDL'000
At 1 January 2012						
Cost / revalued amount	373,817	281,821	25,339	17,554	32,176	730,707
Accumulated depreciation	(100,318)	(232,279)	(15,264)	(12,626)	-	(360,487)
Net book amount	**273,499**	**49,542**	**10,075**	**4,928**	**32,176**	**370,220**
Year ended 31 December 2012						
Opening net book amount	273,499	49,542	10,075	4,928	32,176	370,220
Additions	132	356	-	-	48,124	48,612
Transfers	21,887	31,664	2,397	395	(56,845)	(502)
Disposals, net	(1,348)	(31)	(6)	-	-	(1,385)
Depreciation charge	(7,896)	(22,624)	(2,176)	(1,269)	-	(33,965)
Closing net book amount	**286,274**	**58,907**	**10,290**	**4,054**	**23,455**	**382,980**
Cost / revalued amount	409,634	301,403	22,295	17,586	23,455	774,373
Accumulated depreciation	(123,360)	(242,496)	(12,005)	(13,532)	-	(391,393)
Net book amount at 31 December 2012	**286,274**	**58,907**	**10,290**	**4,054**	**23,455**	**382,980**

14. INTANGIBLE ASSETS

	2013 MDL'000	2012 MDL'000
Balance as at 1 January		
Cost	86,772	82,418
Accumulated amortization	(62,560)	(56,651)
Year ended 31 December		
Opening net book amount	24,212	25,767
Additions	24,241	8,252
Amortisation charge	(9,847)	(9,807)
Closing net book amount	**38,606**	**24,212**
At 31 December		
Cost	100,131	86,772
Accumulated amortization	(61,525)	(62,560)
Net book amount	**38,606**	**24,212**

As at 31 December 2013 the cost of fully amortised intangible assets amounted to MDL'000 9,044 (2012: MDL'000 7,394)and the number of items were 50 (2012: 46 items).

In 2003 the Group started to use a new banking information software "Globus", which was purchased under General Licence agreement signed with Temenos Holdings NV in September 2000.

The carrying value of General Licence fee included in intangible assets as at 31 December 2013 amounted t0 MDL'000 7,409 (31 December 2012: MDL'000 11,121).

The General License fee started to be amortised from 1 January 2004 and the cost of the Licence is allocated on a straight-line basis over its remaining useful life.

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15. OTHER ASSETS

	2013 MDL'000	2012 MDL'000
Other non-financial assets		
Prepayments	17,282	15,026
Inventory and stock materials	7,530	5,740
Receivables from budget	2,510	2,644
Other	20	843
Other financial assets		
Receivables from cancelled lease agreements	41,627	51,125
Receivables from credit sales (leasing)	26,405	26,405
Receivables from other financial institutions	39,485	31,841
Loans to dealers	10,065	14,600
Receivables from insurer (leasing)	6,246	6,484
Other receivables	11,238	4,805
	162,408	**159,513**
Less provision for impairment of receivables from credit sales	(9,744)	(9,744)
Less provision for impairment of cancelled lease agreements	(23,266)	(17,543)
Less provision for impairment of receivables from other financial institutions	(1,839)	(2,062)
Less provision for impairment of other receivables	(1,703)	(1,109)
	125,856	**129,055**

Receivables from other financial institutions represent clearing with Visa and Mastercard in amount of MDL'000 33,638 (2012: MDL'000 18,862), receivables due to international money transfer systems amounted at MDL'000 4,811 (2012: MDL'000 3,434) and receivables due to documentation settlements amounted at MDL'000 1,036 (2012: MDL'000 9,545). According to Moody's rating agency Visa International has the ratings "A 1" and "P-1", Mastercard Incorporated is attributed the ratings "A 3" and "P-2".

The Groupuses the following categories for managing credit risk for cancelled lease agreements, loans to dealers and credit sales:

- Neither past due nor impaired - if payments are made regularly and in line with contract terms;
- Past due but not impaired:
    - Past due 30 days - if payments are overdue up to 30 days;
    - Past due 31-60 days - if payments are overdue from 31 to 60 days;
- Impaired - if payments are overdue more than 60 days.

Analysis of credit quality of cancelled lease agreements, loans to dealers and credit sales outstanding as at 31 December 2013 and 31 December 2012 is presented below:

	Neither past due nor impaired MDL'000	Past due but not impaired MDL'000	Impaired MDL'000	Total MDL'000
31 December 2013				
Cancelled lease agreements	-	-	41,627	41,627
Loans to dealers	8,168	1,897	-	10,065
Credit sales	-	-	26,405	26,405
Gross amount	**8,168**	**1,897**	**68,032**	**78,097**
31 December 2012				
Cancelled lease agreements	-	-	51,125	51,125
Loans to dealers	2,043	-	12,557	14,600
Credit sales	-	-	26,405	26,405
Gross amount	**2,043**	**-**	**90,087**	**92,130**

Fair value of collateral for impaired receivables from credit sales is MDL'000 22,168 (2012: MDL'000 19,265). Fair value of collateral for impaired cancelled lease agreements is MDL'000 27,963 (2012: MDL'000 38,250).

Movements in provision for impairment of receivables from credit sales during 2013 and 2012:

	Note	2013 MDL'000	2012 MDL'000
Balance as at 1 January		9,744	9,552
Provision for impairment	30	-	2,335
Write - offs		-	(2,143)
Balance as at 31 December		**9,744**	**9,744**

Movements in provision for impairment of receivables from cancelled lease agreements during 2013 and 2012:

	Note	2013 MDL'000	2012 MDL'000
Balance as at 1 January		17,543	30,910
Provision for impairment	30	5,751	4,431
Write - offs		(28)	(17,798)
Balance as at 31 December		**23,266**	**17,543**

Movements in provision for impairment of receivables from other financial institutions during 2013 and 2012:

	Note	2013 MDL'000	2012 MDL'000
Sold la 1 ianuarie		2,062	412
Formarea reducerilor pentru depreciere	30	749	1,681
Casări		(972)	(31)
Sold la 31 decembrie		**1,839**	**2,062**

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Movements in provision for impairment of receivables from other financial institutions during 2013 and 2012:

	Note	2013 MDL'000	2012 MDL'000
Balance as at 1 January		1,109	-
Provision for impairment	30	766	1,109
Write - offs		(172)	-
Balance as at 31 December		**1,703**	**1,109**

The provision for impairment differs from the amount presented in the statement of profit or loss for the years 2013 and 2012 due to, recovery of amounts previously written off as uncollectible (MDL'000 232 (2012: MDL'000 426)). The amount of the recovery was credited directly to the "Provision for impairment of loans, lease receivables and other assets" line in the statement of profit or loss for the year.

16. DUE TO BANKS

	Currency	Maturity	2013 MDL'000	2012 MDL'000
Loans and deposits from other banks				
Loans from EBRD	EURO/USD	12 February 2015	226,907	331,291
Deposits of other banks	USD		2,820	3,302
			229,727	**334,593**
Loans and borrowings to finance leasing activity				
Energbank	EUR	March 2014	3,990	15,740
Victoriabank	EUR	December 2015	76,204	61,422
FinComBank SA	MDL/EUR	June 2015	15,940	15,950
Comerţbank	EUR	December 2014	1,908	4,045
Împrumuturi (ULIM)	EUR/USD	October 2013	27,567	26,442
Moldincombank	EUR/MDL	September 2016	14,823	-
EuroCreditBank SA	EUR	April 2013	-	3,196
Banca Comerciala Română	EUR	March 2021	23,069	26,256
Banca pentru Comerţ şi Dezvoltare în regiunea Marii Negre (BSTDB)	EUR	May 2017	47,952	56,788
Autospace	EUR	November 2015	2,898	-
MoldAsig	EUR	December 2013	4,039	4,000
			218,390	213,839
			448,117	**548,432**

Black Sea Trade and Development Bank ("BSTDB")

On 27 May 2011 the Group signed Loan Agreement with Black Sea Trade and Development Bank ("BSTDB"). As at 31 December 2013 the Group was in compliance with financial covenants contained in the Loan Agreement, except for the covenants for Total Liabilities to Capital, Open Credit Exposure to Capital, Operating Income to Interest Expense and Exposure to any Single Party. The Group requested a waiver letter from the creditor before end of the reporting period, but received after 31 December 2013, thus the outstanding amount of the borrowing from BSTDB was reclassified as "on demand" as at 31 December 2013 (please see Note 38.5).

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European Bank for Reconstruction and Development (EBRD)

On 24 July 2009 the Group signed a Loan Agreement with the European Bank for Reconstruction and Development for EUR'000 20,000 for a period of five years, for lending to small and medium businesses. The interest rate is variable. As at 31 December 2013 the outstanding loan amount was EUR'000 2,907 (MDL'000 52,246) and USD'000 7,715 (MDL'000 100,730) (as at 31 December 2012 - EUR'000 5,830 (MDL'000 93,264) and USD'000 11,689 (MDL'000 141,004)).

On 25 June 2010 the Group signed a Loan Agreement with the European Bank for Reconstruction and Development for EUR'000 7,000 for a period of five years, for energy efficiency projects.As at 31 December 2013 the loan balance was EUR'000 4,064 (MDL' 000 73,931), at 31 December 2012 balance was EUR'000 6,065 (MDL'000 97,023)).

On 2 November 2012 the Group signed 2 loans agreements with the European Bank for Reconstruction and Development, each, in the amount of EUR'000 5,000 per term up to 5 years for loans to businesses and individuals in the subprojects of Energy Efficiency and Renewable Energy. As at 31 December 2013 the loan was not yet disbursed.

Loans and borrowings to finance leasing activity

As at 31 December 2013 and 2012 the Group pledged the right to collect receivables under finance lease agreements to secure loans and borrowings as follows:

	2013 MDL'000	2012 MDL'000
Victoriabank	95,371	73,754
Moldasig	6,116	6,115
BSTDB	61,320	68,140
FinComBank	14,727	20,082
EuroCreditBank	-	4,210
BCR	37,360	33,258
Comertbank	2,625	6,473
Energbank	15,590	32,857
ULIM	38,004	-
Moldincombank	20,146	-
	291,259	**244,889**

17. BORROWINGS

	2013 MDL'000	2012 MDL'000
Loans from International Financial Institutions:		
European Fund for South Eastern Europe (EFSE)	129,851	212,490
International Financial Corporation (IFC)	83,842	128,892
Rural Investment and Services Project (RISP)	194,375	200,728
International Fund for Agricultural Development (IFAD)	388,985	353,362
Project for Competitiveness Improvement (PCI)	144,881	141,942
Kreditanstalt fur Wiederaufbau (Germany) (KFW)	42,297	36,348
Provocarile Mileniului (Compact Project)	13,042	14,144
Filiere du Vin	188,723	78,179
	1,185,996	**1,166,085**

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European Fund for Southern-Easern Europe (EFSE)

	2013 MDL'000	2012 MDL'000
Loan agreement EFSE Mortgage of 10 May 2007	90,997	107,770
Loan agreement EFSE of 13 May 2009	38,854	104,720
	129,851	**212,490**

On 10 May 2007 the Group signed a Loan Agreement with the European Fund for South Eastern Europe for USD'000 10,000 for a period of 10 years for the purposes of sub-lending to individuals for real estate construction and repairs. The loan interest rate is variable. As at 31 December 2013, the outstanding loan amount constituted USD'000 6,969 (MDL'000 90,997) (2012: 8,934 (MDL'000 107,770)).

On 13 May 2009 the Group signed two Loan Agreements with the EFSE for EUR'000 8,000 and USD'000 9,563 for a period of 5 years for the purposes of lending toprivate, micro and small enterprises, the loan interest rate for USD credits being variable in all the economy sectors. As at 31 December 2013, the outstanding loan amount constituted EUR'000 1,164 (MDL'000 20,924) and USD'000 1,373 (MDL'000 17,930) (2012: EUR'000 3,443 (MDL'000 55,072) and USD'000 4,116 (MDL'000 49,648)).

International Financial Corporation (IFC)

On 29 June 2010 the Group signed a Loan Agreement with International Financial Corporation in the amount of USD'000 15,000 for a period of 5 years, for the purposes of lending to small and medium enterprises, the loan interest rate being variable. As at 31 December 2013 the Group used the first loan instalment in the amount of USD'000 6,421 (MDL'000 83,842) (as at 31 December 2012: USD'000 10,678(MDL'000 128,892)).

Rural Investment and Services Project RISP

	2013 MDL'000	2012 MDL'000
Loan agreement No OL-45/1	5,778	7,687
Loan agreement No 4157 MD	188,597	193,041
	194,375	**200,728**

Loan agreement No OL-45/1

The borrowing under the Rural Investment and Services Project was received as a result of an agreement signed between the Moldovan Ministry of Finance and the World Bank. Bank with a role of rural finance business. Each withdrawal from the credit line has a grace period of 3 years. After the expiration of the grace period, the principal outstanding amount is reimbursed in 24 semi-annual installments on 1 April and 1 October of each year. The Group received loans from RISP denominated in USD and MDL. The interest on USD and MDL loans is variable.

Loan agreement No 4157 MD

The Republic of Moldova signed a Financing Agreement of Development on 13 April 2006 for XDR'000 10,400 provided by the International Association of Development for the purposes of a second Rural Investment and Services Project.

The outstanding principal amount is to be reimbursed semi-annually in 24 instalments after a 3–year grace period on 1 April and 1 October of each year.

On 15 July 2006 the Group signed a subsidiary loan agreement under loan agreement 4,157 MD in order to grant loans to rural sector enterprises. As at 31 December 2013, the outstanding loan amount constituted MDL'000 188,597 (2012: MDL'000 193,041).

International Fund of Agricultural Development IFAD

	2013 MDL'000	2012 MDL'000
Loan agreement No-527-MD	134,762	126,717
Loan agreement No-629-MD	94,869	97,235
Loan agreement No-686-MD	60,065	71,182
Loan agreement No-758-MD	30,523	20,746
Loan agreement No-832-MD	68,766	37,482
	388,985	**353,362**

Loan agreement No-527-MD

International Fund for Agricultural Development granted a loan to the Republic of Moldova of XDR'000 5,800 under the loan agreement 527 dated 31 January 2000, for lending to rural businesses via Moldovan commercial banks of the Republic of Moldova. On 8 August 2000 a subsidiary loan agreement between the Group and the Moldovan Ministry of Finance was signed.

Under this agreement the Group is bearing full credit risk related to individual loan agreements signed with end-borrowers. The loan is repaid twice a year on 15 May and 15 November in accordance with the repayment schedule of each individual loan agreement.

The Group received loans from IFAD denominated in USD and MDL. The interest on USD and MDL loans is variable.

On 1 February 2006 the Group signed a new subsidiary loan agreement with the Credit Line Directorate under the Moldovan Ministry of Finance that actually represents a new withdrawal undertaken by the Group under the Loan agreement No 527-MD subject to the same crediting terms as the subsidiary loan agreement signed on 8 August 2000.

Loan Agreement No 629-MD

The International Fund for Agricultural Development granted a loan to the Republic of Moldova for XDR'000 10,300 under the loan agreement 629 dated 4 March 2004 for the implementation of the Project for Revitalising Agriculture via local commercial banks. On 2 March and 11 May 2006 the Group signed two subsidiary loan agreements - No 8-629-OL and IFAD PRA-R1, respectively.

The funds withdrawn under loan agreement No 8-629-OL represent withdrawals allocated from the principal amount of XDR'000 10,300, whereas under IFAD PRA-R1 the Credit Line Directorate under the Ministry of Finance of Republic of Moldova uses the accumulated interest from the loan granted under the previous contracts for re-crediting the institutions for the purposes of revitalising the agriculture in villages. The loans are denominated in USD and MDL and are repaid twice a year on 15 January and 15 July. Interest on USD and MDL loans is variable.

Loan agreement No 686-MD

The International Fund for Agricultural Development granted a loan to the Republic of Moldova for XDR'000 9,100 under the loan agreement 686 as at 21 February 2006 for the implementation of the Project for Revitalising Agriculture via local commercial banks. On 8 December 2006 and 22 March 2007 the Group signed two subsidiary loan agreements - No 7-686-OL and IFAD PDAR-R1, respectively.

The funds withdrawn under loan agreement No 7-686-OL represent withdrawals allocated from the principal amount of XDR'000 9,100, whereas under IFAD PDAR-R1 the Credit Line Directorate under the Ministry of Finance of Republic of Moldova uses the accumulated interest from the loan granted under the previous contracts for re-crediting the institutions for the purposes of revitalising agriculture in villages.The loans are denominated in USD and MDL and are repaid twice a year on 15 January and 15 July. The interest on USD and MDL loans is variable.

Loan Agreement No 758-MD

The International Fund for Agricultural Development granted a loan to the Republic of Moldova for XDR'000 5,000 under the loan agreement 758 as at 29 October 2008 for the implementation of the Project for Rural Services and Marketing via local commercial banks. On 13 April 2009, the Group signed an Agreement for subsidiary loan – No 4-758-OL.

On 6 August 2010 the Group signed an agreement to refinance free circulating means accumulated direct funding source, in acordance with contract 758-MD. Loans are denominated in USD and MDL and are reimbursed twice a year, on 15 January and 15 July. The interest on USD and MDL loans is variable.

Loan agreement No–L–I–832–MD

The International Fund for Agricultural Development provided a loan worth SDR'000 12,400. Republic of Moldova under the loan agreement LI-832-MD dated 21 February 2011 aimed at implementation of Rural

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Financial Services Project and Agribusiness Development through local commercial banks. On 6 October 2010 the Group signed a subsidiary loan N0 3-LI-832-OL.The loans are denominated in USD, EUR, and MDL, and repaid twice a year on 15 December and 15 June. The interest rate for loans in USD, EUR and MDL is variable.

Project for Competitiveness Improvement (PCI)

Loan agreement 4655 – MD

International Development Association (IDA) lent the Republic of Moldova XDR'000 15,400, according to the loan agreement no. 4655 dated 17 November 2009, aimed at implementation of the Project for Competitiveness Improvement throug local Banks.

On 4 March 2010 the Group signed a subsidiary agreement No. 1 with the Project for Competitiveness Improvement.

Loans are denominated in USD, EUR, MDL and reimbursed twice a year on 1 April and 1 October. The interest rate on loans in MDL and USD is variable. As at 31 December 2013 the loan balance was MDL'1,181, USD'000 2,866 (MDL'000 37,422) and EUR'000 5,914 (MDL'000 106,278) (2012: MDL'1,402, USD'000 3,400 (MDL'000 41,016) and EUR'000 6,222 (MDL'000 99,524))

Filiere du Vin Project

The European Investment Bank has agreed, by contract funding from 23 November 2010, to give Moldova EUR'000 75,000 for their project "Dies du Vin" through local banks. On 2 December 2011 the Group signed agreement No 1 to refinance with the Ministry of Finance of the Republic of Moldova.

Loans are denominated in USD and EUR and will be reimbursed 2 times per year, according to the schedule for each sub-project. The interest rate on loans in USD and EUR is variable. At 31 December 2013 the loan balance is EUR'000 10,502 (MDL'000 188,723) (2012:EUR'000 4,887(MDL'000 78,179)).

Provocarile Mileniului (Compact Project)

On 22 January 2010 the government signed the Agreement Compact with the United States through the Millennium Challenge Corporation, which provides for a term of five years assistance in the form of a grant in the amount of USD'000 262,000 for economic development and poverty reduction in Moldova. On 20 October 2011 the Group signed a loan agreement with the Millennium Challenge Fund.

Loans are denominated in USD, EUR and MDL and monthly reimbursed in accordance with the schedule for each subproject. The interest rate on loans in USD, EUR and MDL is variable. At 31 December 2013 the loan balance is MDL'000 1,022 , EUR'000 152 (MDL'000 2,723) and USD'000 712 (MDL'000 9,297) (31 December 2012:MDL'000 1522, EUR'000 131 (MDL'000 2,093) and USD'000 873 (MDL'000 10,529)).

Kreditanstalt fur Wiederaufbau (KFW)

Kreditanstalt fur Wiederaufbau (Germany) granted a loan to the Republic of Moldova of EUR'000 2,000 under the loan agreement of 15 August 2001 for the development of the Company "Sudzuker Moldova" S.A.

As the Ministry of Finance agreed to re-credit the accumulated funds from the reimbursement of the principal of the KFW loan for the development of Small and Medium Enterprises, on 26 June 2007 the Group signed a subsidiary loan agreement No 1.The loans are denominated in MDL, USD and EUR are repaid twice a year on 15 January and 15 July.

Interest on MDL, USD and EUR loans bears variable interest.

At 31 December 2013 the loan balance is MDL'000 14,214, USD'000 951(MDL'000 12,420) and EUR'000 872(MDL'000 15,663), at 31 December 2012 - MDL'000 12,842, USD'000 997 (MDL'000 12,025) and EUR'000 718 (MDL'000 11,481).

18. DUE TO CUSTOMERS

	2013 MDL'000	2012 MDL'000
Legal entities		
Current accounts		
Including:		
Corporate clients	668,310	455,090
Retail clients	975,529	773,977
	1,643,839	**1,229,067**
Term deposits		
Including:		
Corporate clients	256,669	116,515
Retail clients	374,966	364,712
Deposit certificates	33	167
	631,668	**481394**
	2,275,507	**1,710,461**
Individuals		
Current accounts	856,422	695,490
Term deposits	6,397,226	5,268,623
	7,253,648	**5,964,113**
	9,529,155	**7,674,574**

Current accounts of legal entities as at 31 December 2013 include restricted deposits under guarantee agreements of MDL'000 64,174 (2012: MDL'000 46,738).

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

The annual interest rates paid by the Group for the MDL and FCY deposits of individuals and companies ranged as follows(min/max):

	2013				2012			
	MDL | %	MDL | %	FCY | %	FCY | %	MDL | %	MDL | %	FCY | %	FCY | %
Legal entities								
Demand deposits	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Term deposits up to 3 Months	0.1	4.0	0.2	1.0	1.0	4.0	0.25	1.0
Term deposits > 3 months <=1 year	1.8	9.8	1.0	4.3	4.0	9.75	1.0	4.25
Terrm deposits over 1 year	7.8	10.0	4.0	4.5	9.5	9.75	2.0	4.25
Term deposits over 2 years	8.8	11.0	4.3	5.5	9.8	11.0	4.0	5.5
Individuals								
Demand deposits	0.0	0.5	0.0	0.0	0.0	1.0	0.0	0.5
Term deposits up to 3 Months	0.1	4.0	0.15	1.5	1.25	5.0	0.5	2.0
Term deposits > 3 months <=1 year	1.5	11.0	0.25	5.5	2.5	11.0	0.5	5.75
Term deposits over 1 year	2.0	11.75	1.0	6.25	2.5	11.5	1.0	5.75
Term deposits over 2 years	4.0	12.0	3.25	6.5	2.75	12.0	1.0	6.75

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19. TAXATION

	2013 MDL'000	2012 MDL'000
Current income tax	36,804	35,801
Deferred income tax expense	13,387	7,382
Income tax expense for the year	**50,191**	**43,183**

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

The standard income tax rate in 2013 is 12% (2012: 12%).

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

	2013 MDL'000	2012 MDL'000
Profit before tax	387,429	343,019
Tax calculated at applicable rate of 12% (2012 – 12%)	46,491	41,162
Tax effect of:		
Income which is exempt from taxation	(3,948)	(6,355)
Non-deductible expenses	7,521	8,610
Philanthropic, sponsorship and other expenses	(116)	(234)
Income tax expense on dividends received	243	-
Income tax expense for the year	**50,191**	**43,183**

Deferred tax account is analysed as follows:

	2013 MDL'000	2012 MDL'000
Balance at 1 January	**49,333**	**41,720**
Deferred tax charge attributed to profit and loss statement	13,387	7,382
Deferred tax (credit)/ charge attributed to other comprehensive income	(1,294)	231
As at 31 December	**61,426**	**49,333**

Deferred tax assets and liabilities attributed to the profit and loss comprise the following elements:

	2013 MDL'000	2012 MDL'000
Deferred tax assets		
Loans and advances	2,592	3,579
Accrual for bonuses to employees	-	1,746
Depreciation of property and equipment	-	873
Leasing receivables	433	398
Trade and other receivables	239	-
Foreclossed collateral	12	7
Trade and other liabilities	19	-
Provision for unused vacation	43	34
	3,338	**6,637**
Deferred tax liabilities		
Provision for loans impairment	(42,527)	(32,640)
Provision for other assets impairment	(933)	(874)
Deffered income tax on borrowings	(187)	(457)
Depreciation of property and equipment	(489)	(82)
Real estate investments	(33)	(28)
	(44,169)	**(34,081)**
Net deferred tax liability		
	(40,831)	**(27,444)**

Deferred tax liabilities attributed to other comprehensive income comprise the following elements:

	2013 MDL'000	2012 MDL'000
Deferred tax liabilities		
Revaluation of properties	(16,183)	(17,683)
Revaluation of financial investments available for sale	(4,412)	(4,206)
	(20,595)	**(21,889)**

20. OTHER LIABILITIES

	2013 MDL'000	2012 MDL'000
Other non-financial liabilities		
Other taxes payable	26,795	17,812
Special tax payable	8,681	7,133
Dividends payable	17,418	6,901
Income tax payable	-	1,133
Other financial liabilities		
Due to suppliers	2,702	2,808
Due to insurance company (subsidiary)	8,243	8,552
Settlements with other financial institutions	17,161	11,359
Advances from customers on future lease agreements	586	3,791
Payables to employees	771	15,143
Other	13,471	5,437
	95,828	**80,069**

In accordance with the Law on additional measures of financial stability no 190 dated 30 September 2011 the Group calculated the size of the Special tax for the year 2013 and 2012 as 0.12% of the outstanding balance of deposits of the individuals as at 31 December 2013 and 31 December 2012.

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21. ORDINARY SHARES

Share capital as at 31 December 2013 constituted 1,037,634 ordinary shares authorized, with a nominal value is MDL 200 per share (31 December 2012: 1,037,634), of which 973,367shares were issued with equal voting rights and fully paid in.

During 2007 through the tender-offer, the Group purchased 64,267 treasury shares for MDL 1,340 per share. The treasury shares have been recorded at the nominal value and deducted from share capital. The difference between the nominal and the purchase price of the treasury shares have been deducted from distributable profits at the requirements of the national law.

During the year ended 31 December 2013 the Group declared dividends to be distributed from the net profit of the year ended 31 December 2012 of MDL'000 146,005 or MDL 150per share (2012: MDL'000 114,857 or MDL 118 per share).

22. CAPITAL ADEQUACY

The table below presents the calculation of capital adequacy based on accounting figures, in accordance with the guidelines (July 1988) of the Group for International Settlements for capital adequacy computation (Basel Rules):

	Nominal amount		Risk weighted amount	
	2013 | MDL'000	2012 | MDL'000	2013 | MDL'000	2012 | MDL'000
Balance sheet items (net of reserves)				
Cash on hand	371,530	275,967	-	-
Balances with NBM denominated in MDL	865,234	732,213	-	-
Balances with NBM denominated in FCY	509,855	440,787	101,971	88,157
Due from banks	805,193	616,738	161,039	123,348
Financial assets held for trading	214,820	226,224	-	-
Loans to customers (excluding mortgage)	7,671,077	6,440,336	7,671,077	6,440,336
Loans to customers (mortgage)	1,085,992	870,764	542,996	435,382
Lease receivables	345,983	293,444	345,983	146,722
Financial investments available for sale	144,397	141,006	144,397	141,006
Financial investments held to maturity	1,124,375	1,101,377	-	-
Investment in associates	2,797	2,971	2,797	2,971
Foreclosed collateral	14,288	22,555	14,288	22,555
Property and equipment	364,334	382,980	364,334	382,980
Intangible assets	38,606	24,212	38,606	24,212
Other assets	125,856	129,055	125,856	129,055
Total balance sheet items	**13,684,337**	**11,700,629**	**9,513,344**	**7,936,724**
Off-balance sheet items				
Guarantees issued	250,713	248,526	250,713	248,526
Letters of credit	7,230	5,721	7,230	5,721
Letters of credit with deferred payment	-	565	-	565
Commitments to extend loans	888,806	599,157	444,403	299,578
Total off-balance sheet items	1,146,749	853,969	702,346	554,390
Total	**14,831,086**	**12,554,598**	**10,215,690**	**8,491,114**

	2013 MDL'000	2012 MDL'000
Tier 1 capital		
Share capital, nominal	194,673	194,673
Share premium	31,037	31,037
Retained earnings	1,935,596	1,742,877
Total tier 1 capital	**2,161,306**	**1,968,587**
Tier 2 capital		
Revaluation reserve	167,493	182,220
Available for sale reserve	30,808	27,577
Total tier 2 capital	**198,301**	**209,797**
Total capital	**2,359,607**	**2,178,384**
Tier 1 ratio	21.16%	23.18%
Tier 1 and 2 ratio	23.10%	25.65%

The tier I capital ratio is calculated as the percentage ratio between total tier I capital and risk weighted balance sheet and off-balance sheet assets.

Tier I and II capital ratio measure the capital adequacy, being calculated as the percentage ratio between total capital (tier I and II) and risk weighted balance sheet and off-balance sheet assets.

During the years 2013 and 2012 the Bank complied with NBM regulation and all requirements on capital adequacy level imposed by international financial institutions. As at 31 December 2013 the Group capital ratio was 23.10% (2012: 25.65%), the NBM requirement being of minimum 16%.

The Group conducts its activity in accordance with Capital Management Policy and applies the following tools for Group's capital administration: (i) capital planning and (ii) monitoring, conforming and maintenance of capital requirements.

The Group maintains an effective system of monitoring and reporting related to the Group's capital to ensure the compliance with capital requirements, provided in the legislation.

The Group has complied with all externally imposed capital requirements throughout 2013 and 2012.

23. CASH AND CASH EQUIVALENTS

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

	2013 MDL'000	2012 MDL'000
Cash on hand	371,530	275,967
Balances with NBM	865,234	732,213
Current account and overnight deposits with banks	737,498	601,341
Certificates issued by NBM	604,587	959,461
	2,578,849	**2,568,982**

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24. INTEREST INCOME AND EXPENSE

	2013 MDL'000	2012 MDL'000
Interest income		
Loans and advances to banks	7,553	10,508
Loans and advances to customers	843,629	797,683
Finance lease	37,327	41,460
Financial assets held for trading (interest on state securities)	60,258	49,601
	948,767	**899,252**
Interest expense		
Due to customers (individuals)	363,167	294,848
Due to customers (companies)	26,952	23,772
Due to banks	56,702	78,392
Other	25,352	26,299
	472,173	**423,311**
Net interest income	**476,594**	**475,941**

Interest income on impaired financial assets is MDL'000215,364 (2012: MDL 000 246,316).

25. NET FEE AND COMMISSION INCOME

	2013 MDL'000	2012 MDL'000
Fee and commission income		
Cash transactions	59,667	52,887
Processing of payments by clients	42,526	38,591
Transactions with debit cards	23,624	17,570
Commissions on salary transferred to debit cards	6,877	6,685
Money transfer services	8,166	7,071
Cash delivery service	2,596	2,528
Direct debit service	2,744	2,356
Commission on guarantees and letters of credit	7,596	7,396
Service fees on client accounts	20,556	18,918
Commission from other services to clients	21,925	17,993
	196,277	**171,995**
Fee and commission expense		
Commissions on debit card services	8,290	5,454
Services of the processing centre	15,885	13,299
Commissions charged by correspondent banks	1,730	2,690
Contributions to Deposit Guarantee Fund	5,669	4,848
Other	8,223	7,066
	39,797	**33,357**
Net fee and commission income	**156,480**	**138,638**

26. FOREIGN EXCHANGE GAIN LESS LOSSES

	2013 MDL'000	2012 MDL'000
Gains less losses from trading in foreign currencies	128,405	107,853
Foreign exchange translation gains less losses	(7,468)	(6,513)
Net result	**120,937**	**101,340**

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27. OTHER OPERATING INCOME

	2013 MDL'000	2012 MDL'000
Penalties received	8,683	8,954
Income from rent	848	828
Gain on disposal of property and equipment	3,610	-
Other income	4,895	2,125
	18,036	**11,907**

Other income includes income from sale of buildings and land in 2013.

28. PERSONNEL EXPENSES

	2013 MDL'000	2012 MDL'000
Salaries and bonuses	145,360	139,078
Social insurance and contributions	37,093	33,678
Medical insurance	5,514	4,932
Other personnel expenses	21,393	10,108
	209,360	**187,796**

The Group makes contributions to the State social insurance system of the Republic of Moldova calculated as a percentage of gross salary and other compensations. These contributions are charged to the consolidated statement of profit or loss in the period in which the related salary is earned by the employee.

29. GENERAL AND ADMINISTRATIVE EXPENSES

	2013 MDL'000	2012 MDL'000
Rent expenses	25,999	24,570
Advertising and charity	11,584	15,445
Repairs and maintenance	17,037	17,641
Maintenance of software	11,506	10,442
Utilities expenses	9,615	9,558
Safeguarding of assets and security costs	7,359	7,818
Postage and telecommunication	5,594	6,019
Fee for financial stability	8,681	7,133
Transportation expenses	4,284	4,817
Stationery and supplies	4,958	4,744
Business promotion	2,713	3,019
Professional services	5,570	3,648
Remuneration of Group Council	2,637	2,591
Travel expenses	1,040	1,905
Insurance expenses	1,699	1,434
Training expenses	908	1,615
Commissions and fees	817	746
Other expenses	25,666	21,481
	147,667	**144,626**

As other expenses are included the amount of taxes paid for real estate, the amount of penalties paid, losses on fixes assets disposal, the amount of expenses related to cash transactions, the amount of expenses related to some marketing services.

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30. IMPAIRMENT OF LOANS, LEASE RECEIVABLESAND OTHER ASSETS

Impairment of interest bearing assets includes impairment of:

	Note	2013 MDL'000	2012 MDL'000
Loans and advances to customers	8	2,512	14,874
Lease receivables	9	(3,202)	9,226
Other assets	15	6,268	8,022
Total		**5,578**	**32,122**

31. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

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

	2013 MDL'000	2012 MDL'000
Letters of credit	7,230	6,286
Guarantees	250,713	248,526
Financing commitments and other	888,806	599,157
	1,146,749	**853,969**

In the normal course of business, the Group issues guarantees and letters of credit on behalf of its customers.

The credit risk on guarantees is similar to that arising from granting of loans. In the event of a claim on the Group as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Group. No provision is required as at 31 December 2013 (2012: nil).

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

The table below shows expected maturity of Group's guarantees and other financial commitments as of 31 December 2013 and 31 December 2012:

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	420	2,240	4,570	-	-	7,230
Guarantees	195,269	6,766	22,955	25,723	-	250,713
Financing commitments and other	14,871	37,131	487,140	349,656	8	888,806
Total	**210,560**	**46,137**	**514,665**	**375,379**	**8**	**1,146,749**

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	5,994	292	-	-	-	6,286
Guarantees	210,839	4,693	10,189	22,805	-	248,526
Financing commitments and other	8,066	43,475	168,173	379,443	-	599,157
	224,899	**48,460**	**178,362**	**402,248**	**-**	**853,969**

32. CAPITAL COMMITMENTS

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

33. EARNINGS PER SHARE

	Ordinary shares outstanding	Profit for the year MDL'000	Basic earnings per share MDL
As at 31 December 2012	973,367	299,552	307.74
As at 31 December 2013	973,367	336,782	345.99

34. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY

Fair value measurements are analysed by level in the fair value hierarchy as described in Note 2.3. Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	2013				2012			
	Fair Value | MDL'000				Fair Value | MDL'000			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial assets held for trading								
Investments available for sale	214,820	-	-	214,820	226,224	-	-	226,224
Non-financial assets	-	-	144,397	144,397	-	-	141,006	141,006
Land and buildings	-	-	263,568	263,568	-	-	286,274	286,274
Total assets recurring fair value measurements	**214,820**	-	**407,965**	**622,785**	**226,224**	-	**427,280**	**653,504**

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The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2013 and 31 December 2012:

31 decembrie 2013	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
31 December 2013						
Investments available for sale	144,397	Discounted cash flows ("DCF")	Weighted average cost of capital ("WACC")	12.69 – 17.6% (15.10%)	+10% -10%	(33,428) 45,741
Land and buildings	263,568	Market valuation	Market prices for comparable properties (MDL/sq.m)	Land – 29-4,137 (2,319) Buildings – 98-36,935 (14,186)	±10%	±26,357
31 December 2012						
Investments available for sale	141, 006	Discounted cash flows ("DCF")	Weighted average cost of capital ("WACC")	12.48 – 20.11% (15.89%)	+10% -10%	(40,582) 63,061
Land and buildings	286,274	Market valuation	Market prices for comparable properties (MDL/sq.m)	Land – 46-4,444 (2,470) Buildings – 98-696-36,630 (14,210)	±10%	±28,627

The above tables discloses sensitivity to valuation inputs for financial assets, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.

There were no changes in valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2013 (31 December 2012: none).

The sensitivity of fair value measurement disclosed in the above table shows the direction that an increase or decrease in the respective input variables would have on the valuation result. For investments available for sale, increases in the WACC multiple would lead to a decrease in estimated value.

Level 3 valuations are reviewed on an annual basis by Corporate investments department who report to the Board of Directors. The Group involves an external valuator who hold a recognised and relevant professional qualification and who have recent experience in the valuation of assets in a similar category. The corporate investments department considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the financial services industry.

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	Fair Value | 2013					Fair Value | 2012				
	Carrying Value MDL'000	Level 1	Level 2	Level 3	Total	Carrying Value MDL'000	Level 1	Level 2	Level 3	Total
Financial assets										
Accounts in NBM	1,375,089	-	1,375,089	-	1,375,089	1,173,000	-	1,173,000	-	1,173,000
Demand deposits and bank accounts	805,193	-	805,193	-	805,193	616,738	-	616,738	-	616,738
Loans to:	8,757,069	-	-	8,142,118	8,142,118	7,311,100	-	-	7,324,894	7,324,894
Corporate	5,499,702	-	-	5,243,613	5,243,613	4,520,268	-	-	4,565,133	4,565,133
Retail entities	1,555,208	-	-	1,499,614	1,499,614	1,386,648	-	-	1,407,620	1,407,620
Individuals	1,702,159	-	-	1,398,891	1,398,891	1,404,184	-	-	1,352,141	1,352,141
Lease receivables	345,983	-	-	354,171	354,171	293,444	-	-	294,428	294,428
Investments held to maturity	1,124,375	1,119,607	-	-	1,119,607	1,101,377	1,100,215	-	-	1,100,215
Other financial assets	98,517	-	-	98,517	98,517	104,805	-	-	104,805	104,805
Total	**12,506,226**	**1,119,607**	**2,180,282**	**8,594,806**	**11,894,695**	**10,600,464**	**1,100,215**	**1,789,738**	**7,724,127**	**10,614,080**

	Fair Value | 2013					Fair Value | 2012				
	Carrying Value MDL'000	Level 1	Level 2	Level 3	Total	Carrying Value MDL'000	Level 1	Level 2	Level 5	Total
Financial liabilities										
Due to banks	448,117	-	448,117	-	448,117	548,432	-	548,432	-	548,432
Borrowings	1,185,996	-	1,179,521	-	1,179,521	1,166,085	-	1,176,766	-	1,176,766
Due to customers	9,529,155	-	9,534,983	-	9,534,983	7,674,574	-	7,602,974	-	7,602,974
Corporate including:	2,275,507	-	2,261,871	-	2,261,871	1,710,461	-	1,690,027	-	1,690,027
Demand deposits	1,643,839	-	1643839	-	1,643,839	1,229,067	-	1,229,067	-	1,229,067
Term deposits	631,668	-	618032	-	618,032	481,394	-	460,960	-	460,960
Individuals including:	7,253,648	-	7,273,112	-	7,273,112	5,964,113	-	5,912,947	-	5,912,947
Demand deposits	856,422	-	856,422	-	856,422	695,490	-	695,490	-	695,490
Term deposits	6,397,226	-	6,416,690	-	6,416,690	5,268,623	-	5,217,457	-	5,217,457
Other financial liabilities	42,934	-	-	42,934	42,934	32,542	-	-	32,542	32,542
Total	**11,206,202**	-	**11,162,621**	**42,934**	**11,205,555**	**9,421,633**	-	**9,328,172**	**32,542**	**9,360,714**

Cash and cash equivalents

The fair value of cash and cash equivalents equals to their carrying amount

Net loans and lease receivables

Loans are reduced by impairment amount for loan losses. 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.

Financial investmentsheld to maturity

Investment securities include only interest-bearing assets held to maturity. Fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations.

Borrowings, due to banks

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

35. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

For the purposes of assessment, IAS 39, Financial Instruments: Recognition and Measurement, the Group classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL").

Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

The table below provides a reconciliation of financial assets with these measurement categories as at 31 December 2013:

31 December 2013	Loans and receivables MDL'000	Available for sale assets MDL'000	Trading assets MDL'000	Held to maturity MDL'000	Finance lease receivables MDL'000	Total MDL'000
Assets						
Cash on hand and balances with NBM	1,746,619	-	-	-	-	1,746,619
Due from banks	805,193	-	-	-	-	805,193
Financial assets held for trading	-	-	214,820	-	-	214,820
Loans and advances to customers:						
Corporate loans	5,499,702	-	-	-	-	5,499,702
Retail entities	1,555,208	-	-	-	-	1,555,208
Individuals	1,702,159	-	-	-	-	1,702,159
Lease receivables:						
Corporate clients	-	-	-	-	247,942	247,942
Individuals	-	-	-	-	106,229	106,229
Financial investments available for sale	-	144,397	-	-	-	144,397
Financial investments held to maturity	-	-	-	1,124,375	-	1,124,375
Other financial assets:						
Receivables under cancelled lease agreements (leasing)	20,283	-	-	-	-	20,283
Receivables on credit sales (leasing)	16,661	-	-	-	-	16,661
Receivables from other financial institutions	37,585	-	-	-	-	37,585
Loans to dealers (leasing)	10,065	-	-	-	-	10,065
Due from insurer (leasing)	6,246	-	-	-	-	6,246
Other	7,677	-	-	-	-	7,677
Total financial assets	**11,407,398**	**144,397**	**214,820**	**1,124,375**	**354,171**	**13,245,161**

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The following table provides a reconciliation of financial assets with the measurement categories as at 31 December 2012:

31 December 2012	Loans and receivables MDL'000	Available for saleassets MDL'000	Trading assets MDL'000	Held to maturity MDL'000	Finance lease receivables MDL'000	Total MDL'000
Assets						
Cash on hand and balances with NBM	1,448,967	-	-	-	-	1,448,967
Due from banks	616,738	-	-	-	-	616,738
Financial assets held for trading	-	-	226,224	-	-	226,224
Loans and advances to customers:						
Corporate loans	4,520,268	-	-	-	-	4,520,268
Retail entities	1,386,648	-	-	-	-	1,386,648
Individuals	1,404,184	-	-	-	-	1,404,184
Lease receivables:						
Corporate clients	-	-	-	-	218,339	218,339
Individuals	-	-	-	-	85,355	85,355
Financial investments available for sale	-	141,006	-	-	-	141,006
Financial investments held to maturity	-	-	-	1,101,377	-	1,101,377
Other financial assets:						
Receivables under cancelled lease agreements (leasing)	34,022	-	-	-	-	34,022
Receivables on credit sales (leasing)	16,661	-	-	-	-	16,661
Receivables from other financial institutions	30,293	-	-	-	-	30,293
Loans to dealers (leasing)	14,600	-	-	-	-	14,600
Due from insurer (leasing)	6,484	-	-	-	-	6,484
Other	2,745	-	-	-	-	2,745
Total financial assets	**9,481,610**	**141,006**	**226,224**	**1,101,377**	**303,694**	**11,253,911**

As at 31 December 2013 and 31 December 2012 all of the Group's financial liabilities were carried at amortised cost.

36. RELATED PARTIES

During the year a number of banking and non-banking transactions were entered into with related parties in the normal course of business.

These include loans granting, deposits placement, trade financing, payment settlements, foreign currency transactions and acquisition of services and goods from related parties.

The above-mentioned balances and transactions arose from the ordinary course of business and were held at normal commercial rates.

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We present below the balances and transactions with related parties during the year:

Related party			Loans outstanding as at the year end (contractual interest rates:7-13%) MDL'000	Provision for impairment of loans MDL'000	Deposits at the year end (contractual interest rates:1.25-9.5%) MDL'000	Guarantees issued by the Group MDL'000	Angajamente de acordare a creditelor MDL'000	Loan commitments MDL'000	Interest and commission income MDL'000	Non-interest income MDL'000	Non-interest expensesn/costs MDL'000	Vehicle acquisitions MDL'000	Dividends paid MDL'000
Civil society of Group shareholders	Shareholders	2013	1,024	-	112,661	22,860	27	106	6,516	2,662	40,257	7,808	48,101
and their affiliates		2012	729	-	108,839	62,796	35	293	6,251	1,785	22,502	7,560	37,828
Other directors (executive/ non-executive)	Management	2013	48	-	5,916	-	180	977	490	356	13,178	-	3,116
and their affiliates		2012	9,116	8	13,235	-	42	1,971	425	469	13,955	-	2,515
Ecoplantera SRL	Associate	2013	380	2	61	-	-	96	-	22	-	-	-
		2012	704	31	6	-	-	205	-	23	-	-	-
		2013	**1,452**	**2**	**118,638**	**22,860**	**207**	**1,179**	**7,006**	**3,040**	**53,435**	**7,808**	**51,217**
Total		**2012**	**10,549**	**39**	**122,080**	**62,796**	**77**	**2,469**	**6,676**	**2,277**	**36,457**	**7,560**	**40,343**

Key management remuneration

The executive management received remuneration of MDL'000 39,232 (2012: MDL'000 26,697). The non-executive members of the Group Council received remuneration in an amount of MDL'000 2,451 (2012: MDL'000 2,770) (which includesthe social fund and medical insurance contributions).

37. SEGMENT REPORTING

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

(a) Description of products and services from which each reportable segment derives its revenue

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

• *Retail banking* – representing private banking services to entities of small and medium-sized businesses and to individuals for private customer current accounts, savings, granting entities and individuals (consumer loans and mortgages), deposits, investment savings products, custody, credit and debit cards, electronic products, other services;

• *Corporate banking* – this segment includes various types of financing current and investment activity of the Group (loans, credit lines, overdrafts, and other credit facilities), maintenance of Group current accounts, deposits placements, payroll, foreign currency transactions and derivative financial instruments, provision of investment services;

• *Investment banking* – this segment includes interbanking transactions (FOREX operations, attracting and placing deposits and interbank loans, transactions with treasury bills, transactions with certificates issued by the NBM) on internal and external financial markets within established limits, as well as attracting loans and credit lines from banks and other international financial institutions.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different categories of clients. Taking into consideration the particularity of clients and bank services segmentation, business units are managed separately.

(c) Measurement of operating segment profit or loss

The financial information provided by the Group differs in certain aspects from that prepared in accordance with International Financial Reporting Standards:

(i) allocation of resources among Group subunits- the purchase/sale of funds for each category of resources is based on transfer pricing, resulted from interest rates applied on resources attraction/placements for each category and the margin on purchase/sale of funds.

(ii) Transfer pricing for the purchase/sale of special-purpose resources in national currency and foreign currency attracted from the National Bank of Moldova, national and international financial institutions is equal to the cost of these resources formed under the conditions of respective loan agreements and contracts. Transfer prices are examined at ALCO and approved by the Board of Directors of the Group;

(iii) income taxes are allocated to segments in accordance with approved Group keys;

(iv) service centers expenses are reallocated to all departments in accordance with approved Group keys

(d) Geographical information

The Group has no significant income from foreign customers.

The Group has no long-term assets (more than one year) located abroad.

(e) Major customers

The Group has no external customers which generate revenues exceeding 10% of Group total revenue.

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

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Segment information for the reportable segments for the year ended at 31 December 2013and 31 December 2012 is set out below:

31 December 2013	Corporate banking MDL'000	Retail banking MDL'000	Treasury MDL'000	Other MDL'000	Total MDL'000	Eliminations MDL'000	Total per profit or loss statement MDL'000
Interest income	465,827	385,459	67,741	29,740	948,767	-	948,767
Interest income applying transfer prices (inter segments sales)	20,410	483,316	94	-	503,820	(503,820)	-
Total interest income	**486,237**	**868,775**	**67,835**	**29,740**	**1,452,587**	**(503,820)**	**948,767**
Interest expense on deposits and borrowings	32,609	420,965	-	18,599	472,173	-	472,173
Interest expense applying transfer prices (inter segments sales)	250,463	180,933	66,601	5,859	503,856	(503,856)	-
Total interest expense	**283,072**	**601,898**	**66,601**	**24,458**	**976,029**	**(503,856)**	**472,173**
Net interest income	**203,165**	**266,877**	**1,234**	**5,282**	**476,558**	**36**	**476,594**
Less allowance for losses on interest bearing assets	29,720	5,819	-	(29,961)	5,578	-	5,578
Net interest income after allowance	173,445	261,058	1,234	35,243	470,980	36	471,016
Total non-interest income	47,423	145,346	21,409	21,701	235,879	-	235,879
TOTAL revenue	**220,868**	**406,404**	**22,643**	**56,944**	**706,859**	**36**	**706,895**

31 December 2013	Corporate banking MDL'000	Retail banking MDL'000	Treasury MDL'000	Other MDL'000	Total MDL'000	Eliminations MDL'000	Total per profit or loss statement MDL'000
Foreign exchange gains less losses	44,192	84,213	(8,727)	1,259	120,937	-	120,937
Direct expenses of the cost centre	22,824	222,697	13,067	138,235	396,823	-	396,823
Depreciation and amortisation	-	16,219	-	27,187	43,406	-	43,406
Indirect income (redistributed between segments)	(51,195)	42,859	8,336	-	-	-	-
Indirect expenses (of the administrative and support centre)	20,252	127,750	3,556	(151,558)	-	-	-
Profit before tax	**170,789**	**166,810**	**5,629**	**44,339**	**387,567**	**36**	**387,603**
Income tax	24,286	25,063	259	583	50,191	-	50,191
Net profit after taxation	**146,503**	**141,747**	**5,370**	**43,756**	**337,376**	**36**	**337,412**
Net Profit							**337,238**
Share of profit from investment in associate							**174**

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31 December 2012	Corporate banking MDL'000	Retail banking MDL'000	Treasury MDL'000	Other MDL'000	Total MDL'000	Eliminations MDL'000	Total per profit or loss statement MDL'000
Interest income	443,797	362,102	60,233	33,120	899,252	-	899,252
Interest income applying transfer prices (inter segments sales)	20,485	391,391	533	-	412,409	(412,409)	-
Total interest income	**464,282**	**753,493**	**60,766**	**33,120**	**1,311,661**	**(412,409)**	**899,252**
Interest expense on deposits and borrowings	33,064	371,540	768	17,939	423,311	-	423,311
Interest expense applying transfer prices (inter segments sales)	214,435	141,278	64,468	1,523	421,704	(421,704)	-
Total interest expense	**247,499**	**512,818**	**65,236**	**19,462**	**845,015**	**(421,704)**	**423,311**
Net interest income	**216,783**	**240,675**	**(4,470)**	**13,658**	**466,646**	**9,295**	**475,941**
Less allowance for losses on interest bearing assets	53,209	4,547	-	(25,634)	32,122	-	32,122
Net interest income after allowance	163,574	236,128	(4,470)	39,292	434,524	9,295	443,819
Total non-interest income	41,674	130,636	21,103	14,181	207,594	-	207,594
TOTAL revenue	**205,248**	**366,764**	**16,633**	**53,473**	**642,118**	**9,295**	**651,413**

31 December 2012	Corporate banking MDL'000	Retail banking MDL'000	Treasury MDL'000	Other MDL'000	Total MDL'000	Eliminations MDL'000	Total per profit or loss statement MDL'000
Foreign exchange gains less losses	39,433	68,420	(7,005)	492	101,340	-	101,340
Direct expenses of the cost centre	20,248	204,531	10,189	130,811	365,779	-	365,779
Depreciation and amortisation	-	16,820	-	26,952	43,772	-	43,772
Indirect income (redistributed between segments)	(45,169)	37,967	7,202	-	-	-	-
Indirect expenses (of the administrative and support centre)	15,789	127,681	2,966	(146,436)	-	-	-
Profit before tax	**163,475**	**124,119**	**3,675**	**42,638**	**333,907**	**9,295**	**343,202**
Income tax	21,771	20,736	-	676	43,183	-	43,183
Net profit after taxation	**141,704**	**103,383**	**3,675**	**41,962**	**290,724**	**9,295**	**300,019**
Net Profit							**299,836**
Share of profit from investment in associate							**183**

The total segments revenue and net profit differs from the profit and revenue, disclosed in the statement of comprehensive income due to intersegment revenue/expenses which are not significant enough to be disclosed.

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31 December 2013	Corporate banking MDL'000	Retail banking MDL'000	Treasury MDL'000	Others MDL'000	Total per statement of financial position MDL'000
ASSETS					
Cash on hand	-	-	-	371,530	371,530
Balances with National Bank of Moldova	-	-	1,375,089	-	1,375,089
Due from banks	-	-	804,326	867	805,193
Financial assets held for trading			214,820	-	214,820
Loans and advances to customers	5,499,702	3,257,367	-	-	8,757,069
Lease receivables	-	-	-	345,983	345,983
Financial investments available for sale	-	-	-	144,397	144,397
Financial investments held to maturity	-	-	1,124,375	-	1,124,375
Investments in associates	-	-	-	2,797	2,797
Foreclosed collateral	-	-	-	14,288	14,288
Property and equipment	-	-	-	364,334	364,334
Intangible assets	-	-	-	38,606	38,606
Other assets	-	388	-	125,468	125,856
TOTAL ASSETS	**5,499,702**	**3,257,755**	**3,518,610**	**1,408,270**	**13,684,337**
LIABILITIES					
Due to banks	-	-	229,727	218,390	448,117
Borrowings	-	-	1,185,996	-	1,185,996
Due to customers	924,979	8,604,176	-	-	9,529,155
Deferred tax liability	27,686	26,787	1,015	5,938	61,426
Other liabilities	888	19,191	-	75,749	95,828
TOTAL LIABILITIES	**953,553**	**8,650,154**	**1,416,738**	**300,077**	**11,320,522**

31 December 2012	Corporate banking MDL'000	Retail banking MDL'000	Treasury MDL'000	Others MDL'000	Total per statement of financial position MDL'000
ASSETS					
Cash on hand	-	-	-	275,967	275,967
Balances with National Bank of Moldova	-	-	1,173,000	-	1,173,000
Due from banks	-	-	616,567	171	616,738
Financial assets held for trading			226,224	-	226,224
Loans and advances to customers	4,520,268	2,790,832	-	-	7,311,100
Lease receivables	-	-	-	293,444	293,444
Financial investments available for sale	-	-	-	141,006	141,006
Financial investments held to maturity	-	-	1,101,377	-	1,101,377
Investments in associates	-	-	-	2,971	2,971
Foreclosed collateral	-	-	-	22,555	22,555
Property and equipment	-	-	-	382,980	382,980
Intangible assets	-	-	-	24,212	24,212
Other assets	8,438	93	-	120,524	129,055
TOTAL ASSETS	**4,528,706**	**2,790,925**	**3,117,168**	**1,263,830**	**11,700,629**
LIABILITIES					
Due to banks	-	-	334,593	213,839	548,432
Borrowings	-	-	1,166,085	-	1,166,085
Due to customers	568,518	7,106,056	-	-	7,674,574
Deferred tax liability	23,954	17,477	621	7,281	49,333
Other liabilities	1,290	12,400	-	66,379	80,069
TOTAL LIABILITIES	**593,762**	**7,135,933**	**1,501,299**	**287,499**	**9,518,493**

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38. RISK MANAGEMENT

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

The Group is exposed to the credit risk, including the risk related to counterparties, liquidity risk, market risk that includes interest rate risk and currency risk, operational risk, country and transfer risk.

38.1 Risk management structure

The risk management system functioning within the Group is based on actual requirements regarding the internal control system, general accepted practice, including recommendations of the Basel Committee for Banking Supervision.

The Group's Council is responsible for approving the Group's strategies, policies and general principles for addressing the risks in the Group and risk limits, implementation of which is a task for the Group executive, as part of specialized committees such as the Management Committee, Credit Committee, and Committee for asset and liabilities administration (ALCO).

Risk management and control is a centralised function at Group level and is delegated to the Risk Administration Department, which is an independent unit, subordinated directly to the Group's Vice-President, with the role of supervising all banking risks and minimising the probability of risk triggering events.

38.2 Basic principles of risk management

Risk management is carried out by applying structured management culture, policies, procedures and practices in order to identify, assess, monitor and reduce risk.

Monitoring and controlling risks is conducted primarily by using the system of limits imposed by the Group for each significant risk. Limits are monitored daily, ensuring communication to members of the Management Committee. Given the environmental change, market trends and / or increase of some risk indicators, the Group intervenes and imposes limits or other control measures. Risk limits reflect in the first place the tolerance and risk appetite of the Group.

The Group has developed its own internal model for evaluation and quantification of the economic capital required in order to cover the main types of risk it faces such as credit, currency, market (interest rate and exchange rate) and operational risks. The Group also uses guarantee and hedge of risk exposures through tools available on the market.

In order to ensure effective risk management and obtain objective information on the condition and size of the risks, Group's risk exposure is monitored continuously, information being presented and analysed daily, so that the risks are identified and kept at the Group's acceptable and justifiable level. Detailed monthly reports with information on the group's exposure, limits and risk parameters, the development of risk scenarios and their possible impact, and if necessary, are presented to the Group's executive, including the specialized committees such as ALCO Committee, Credit Committee, and Management Committee. Quarterly, a comprehensive report is presented to the Group's Council, which allows the members to create their own views on the efficiency of the Group's risk exposure and their management.

38.3 Country and transfer risk

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

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

The country risk management system within the Group provides for the application and improvement of the internal model for evaluation and assessing of the risk category established for the country, on the basis of the analysis of complex factors, including the international rating assigned by the international rating agencies stipulated in the internal normative acts. Based on them the risk categories and the exposure limits of the Group toward each country are established. A review and adjustment of the approved limits is done periodically.

The compliance with the country limits is monitored continuously, Group's management and Council is regularly informed about Group's exposure to the country risk.

Group's country risk exposure at 31 December:

Country risk category	2013		2012	
	MDL'000	%	MDL'000	%
I	675,436	99.03	597,221	99.03
II	6,474	0.95	6,367	0.95
III	171	0.03	1,488	0.03
Total	682,081	100	**605,076**	100

Category I includes countries with international rating AAA-AA, category II: A-BBB, category III: BB-B.

The Group monthly assesses the credit quality of its exposure to country risk and perfects various stress scenarios depending on the severity of the circumstances alleged, estimating the size of potential losses if implemented. Developments in the global and regional economy and trends and their predictions are continuously analysed by the Group, in order to react promptly and effectively towards risk reduction.

38.4 Market risk

Market risk represents the risk of recording financial losses and /or the worsening of the financial position of the Group, as a result of the unfavourable fluctuations in the price of the Group's portfolio, determined by the changes in the risk factors such as: interest, exchange rates, volatility, etc.

The Group identifies itself as being exposed to the linear market risk, respectively to the risks that arise in the case of opened positions, which value is modified in a linear manner, or with a linear admissible approximation to the change in the risk factors.

The most important market risks that the Group is exposed to are interest rate and currency risks.

The Group applies risk management procedures in order to minimise its loses, which include the following types:

Expected losses - statistical average losses recorded by the Group due to the financial market operations, the amount includes fees, interest rates and the price of those instruments.

Unexpected Losses - maximum loss, evaluated using statistical probability methods for a time horizon and a set confidence level.

Stress-losses - losses from events with low probability and significant impact, which exceed in size the unexpected losses, their assessment is carried out using stress - tests.

Market risk management is aimed at monitoring and maintaining the exposure of the financial instruments in the portfolio within the set parameters while optimizing the return on those investments.

34.4.1 Currency risk

Currency risk is the risk of potential losses due to exchange rate changes (price) of the respective currency on exchange market.

Group manages the exchange rate risk through its prudent management of the open currency positions, the management and monitoring process being based on VaR methodology, the internal system of indicators and limits applied, maintenance of a balanced structure of assets and liabilities in foreign currency, applying stress scenarios to exchange rate developments and analysis of the impact on Group's earnings.

In order to estimate the market risk derived from changes in exchange rates of foreign exchange to the Moldovan Leu, the Group uses the VaR method with a confidence interval of 95%, calculated on the basis of information on daily fluctuations of exchange rates, recorded during a period of observation of two years.

VaR is the maximum amount of potential losses on open currency positions due to fluctuations in exchange rates throughout the day. The size of the VaR index is calculated daily in order to be in accordance with the internal established limit.

The VaR limit and limits applied for the management of currency risk exposure are examined by ALCO and approved annually by the management, and included to the Annual Directives regarding the Limits and Risk Parameters.

	VAR Limit	Effectively as at 31 December	Daily average	Maximum	Minimum
2013	700	157	171	646	4
2012	700	99	174	537	19

During 2013, the Group did not incurred losses from foreign currency transactions; the cumulated revenue from foreign currency transactions represents a significant share in Group's financial results. The VAR calculated for the Group as at 31 December 2013 was MDL'000 945.

To ensure effective monitoring of the currency risk and an increase of Group protection against possible adverse developments in the risk factors, the Group analysesthe sensitivity of its opened currency positions to the volatility in the exchange rates.
The table below reflects the potential effect (on account of profit / loss) from daily change of foreign exchange rates that Group mainly operates with and therewith significant exposure (given the size of balance sheet assets and foreign exchange liabilities): EUR ,USD, RUB in relation to MDL.

The sensitivity analysis are applied to open currency positions for each of the three currencies listed, at 31 December 2013, given the maximum deviation increase / decrease in exchange rates during the last 5 years. Negative amount, possibly obtained under scenario reflects a potential net reduction in financial income, while a positive amount reflects a possible increase in the net financial result:

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Open currency position	Nominal value	Exchange rate	Possible rate increase, in	Income/(loss) effect	Possible rate decrease, in	Income/(loss) effect
	MDL'000		%	MDL'000	%	MDL'000
As at 31 December 2013						
EUR	62,478	17.9697	+4.76	2,971	(3.99)	(2,493)
USD	22,616	13.057	+2.69	609	(1.14)	(259)
RUB	(1,352)	0.3986	+4.25	(57)	(4.51)	61
Total				**3,523**		**(2,691)**
As at 31 December 2012						
EUR	(8,097)	15.9967	+ 4.76	(385)	-3.99	323
USD	1,176	12.0634	+ 2.69	32	-1.14	(13)
RUB	(2,772)	0.3957	+ 4.25	(118)	-4.51	125
Total				**(471)**		**435**

The disclosure of assets and liabilities of the Group by currencies is shown in Note 39

38.4.2 Interest rate risk

Interest rate risk is the risk of loss resulting from changes in interest rates, which can influence the future cash flows or market value of financial instruments.

The Group's net interest income represents a significant part of the Group's income, thereby increasing its capital and ensuring that the Group's business model succeeds. In this context, the Group pays the corresponding importance to the management of the interest rate risk.

The Group is exposed to interest rate risk mainly due to adverse changes in market interest rates due to maturity / term discrepancies of price revision or values of interest bearing assets and liabilities and due to modifications in the interest rates for assets, liabilities and off-balance sheet instruments.

The Group registers a positive GAP value between assets and liabilities vulnerable to interest rate, which indicates a greater sensitivity of the earning assets from the balance sheet to the interest rate evolution. In the event interest rates increase, the amount of income will be higher and vice versa.

To assess and minimise interest rate risk, the Bank establishes among other internal limits, an optimal value (limit risk) reported cumulative GAP by assets sensitive to changes in interest rates which the Bank aims to maintain.

Recorded values of these parameters are shown in the table below:

Cumulative GAP/ Interest rate sensitive assets	2013 %	2012 %
Risk limit	17	17
As at 31 December	9.25	13.18

During 2013, the cumulative GAP size to assets sensitive to changes in interest rates ratio notified reasonable values, the result extending the volume balance of assets and liabilities sensitive to interest rate, supporting accumulation of interest income.

The Group is preparing for various market developments in order to respond quickly to negative trends. In 2013, concerning this matter the focus has been on further development of tools for analysis and reporting, and their implementation within the Group. Thus, standard developments and / or non-standard risk factors estimates are taken into account by modelling scenarios of deviation of their level, which being applied to the amount of assets and liabilities interest rate gap indicates the sensitivity and potential impact on net interest income.

The table below represents the net interest income sensitivity to a potential modification of the interest rate for individual intervals.

Sensitivity of Net Interest Income, MDL'000

	Increase in basis points	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
2013	+100	22,240	(3,940)	(3,579)	93	(91)	14,723
	+50	9,390	(1,970)	(1,789)	46	(45)	5,632
2012	+100	25,283	(5 890)	(5,422)	118	(0.15)	14,089
	+50	12,642	(2 945)	(2,711)	59	(0.08)	7,045

Sensitivity of Net Interest Income, MDL'000

	Decrease in basis points	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
2013	-100	(22,240)	3,940	3,579	(93)	91	(14,723)
	-50	(9,390)	1,970	1,789	(46)	45	(5,632)
2012	-100	(25,283)	5 890	5,422	(118)	0.15	(14,089)
	-50	(12,642)	2 945	2,711	(59)	0.08	(7,045)

The Group constantly monitors the sensitivity of the market value of portfolio securities (issued by the MOF and the NBM) and the approved internal limits on the size of the Duration indicator, indicator of the sensitivity of market value of the fixed interest instruments to the modifications of the interest rates.

Interest rates for the national currency and the main foreign currencies

Currency	Interest rate	31 December 2013	31 December 2012
Leul Moldovenesc (MDL)	Chibor 3 luni	8.77%	9.46%
Euro (EUR)	Euribor 3 luni	0.287%	0.187%
Euro (EUR)	Euribor 6 luni	0.389%	0.320%
Dolar SUA (USD)	Libor 6 luni	0.3467%	0.5142%

38.5 Liquidity risk

Liquidity risk represents the incapacity of the Group to ensure at any moment in time and at a reasonable price the necessary monetary funds in order to meet its obligations resulting from the outflow of deposits and other obligations or from an increase in the amount of the liquid assets (loans).

The main principles of liquidity risk management include the control of the compliance with all norms, limits and parameters related to liquidity risk established by the NBM, external creditors of the Group and those established by the Annual Directives on risk limits and parameters, periodic reporting of the level of liquidity risk exposure of the Group, preparation of respective recommendations and suggestions, systemic monitoring and analysis of risk factors on current and long term liquidity of the Group, executing stress tests based on modelling scenarios defined regarding the forecasted current and long-term liquidity level which supports the cash flows forecasting process and the increase in Group's resistance to potential shocks .

Since liquidity risk requires not only the actual deficit of funds needed and the associated cost to obtain, the Group aims to provide a diversified portfolio of high quality assets and to ensure business is sustainable and successful.

The Group also uses the credit lines from international financial institutions and other creditors to expand its lending and financing activity. The access to various financing sources improves the Group's flexibility in fundraising, limits the dependence on a single financing source and partner and leads to a general decrease in the fundraising costs. The Group tends to maintain a balance between the continuity and the flexibility of fundraising, by contracting loans with different maturity and in different currencies.

The NBM's basic requirements on liquidity risk refers to, but is not limited to, maintaining the required level of mandatory reserves in foreign currency at the National Bank current account, the minimum required level of the current liquidity ratio(K2) and the long-term liquidity ratio (K1).

Additionally, for the purpose of efficient management and for the timely prevention of the liquidity deficit, the Group has developed a number of indicators which provide a dynamic and comparative analysis of the liquidity position. Therefore, in accordance with the Basel Committee, the Group computes the size of the permanent balance of deposits from clients in order to obtain an efficient result for its maturity gap structure.

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The table below outlines the current liquidity ratio of the Group for the last reporting date:

Current liquidity value of the coefficient k2, %	K2	IFI Limit
As at 31 December 2013	28.43%	25%
As at 31 December 2012	29.65%	25%

Analysis of gaps for the assets and liabilities of the Group, taking as a basis their remaining period until maturity, is presented in Note 40.

	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
As at 31 December 2013						
Financial liabilities						
Due to banks	75,054	84,555	187,819	105,983	9,200	462,611
Borrowings	44,296	14,016	292,792	756,106	200,213	1,307,423
Due to customers	3,534,020	1,625,725	4,170,556	388,059	12,154	9,730,514
Deferred tax liability	-	-	-	61,426	-	61,426
Other financial liabilities	32,989	-	-	-	-	32,989
Total undiscounted financial liabilities	**3,686,359**	**1,724,296**	**4,651,167**	**1,311,574**	**221,567**	**11,594,963**
Financial guarantees	195,269	6,766	22,955	25,723	-	250,713
Financial commitments	14,871	37,131	487,140	349,656	8	888,806
Total	**3,896,499**	**1,768,193**	**5,161,262**	**1,686,953**	**221,575**	**12,734,482**
As at 31 December 2012						
Financial liabilities						
Due to banks	69,349	77,855	124,121	314,062	11,794	597,181
Borrowings	38,584	13,099	286,353	826,644	156,226	1,320,906
Due to customers	2,649,081	1,322,721	3,639,762	258,581	359	7,870,504
Deferred tax liability	-	-	-	49,757	-	49,757
Other financial liabilities	47,089	-	-	-	-	47,089
Total undiscounted financial liabilities	2,804,103	1,413,675	4,050,236	1,449,044	168,379	9,885,437
Financial guarantees	210,839	4,693	10,189	22,805	-	248,526
Financial commitments	8,066	43,475	168,173	379,443	-	599,157
Total	**3,023,008**	**1,461,843**	**4,228,598**	**1,851,292**	**168,379**	**10,733,120**

38.6 Counterparty risk

The counterparty risk (the partner banks) constitutes the risk that certain financial assets and liabilities arising from transactions concluded on financial markets (currency, monetary and stock) during settlement and / or clearing operations are not met, which may cause considerable losses for the Group.

The Group follows a prudent policy regarding the partnership with local and foreign banks. Largest share of completed operations, and means held in correspondent accounts is perfected through strategic partners with long experience of working together.

The management system of counterparty risk in the Group provides a mechanism for implementation and improvement of assessment and review of the solvency of partner groups based on an internal evaluation model that involves the qualitative and quantitative analysis of the groups in order to establish certain total exposure limits, with further structuring based on the type and term of the operations. The limits are revised and adjusted periodically.

The lowest rating is taken into consideration for the assessment of foreign group's solvency for which rating agencies: Standard & Poor's, Moody's and Fitch Ratings have assigned the international rating.

In the control process regarding the counterparty risk management (partner banks), the Group provides clear procedures for current monitoring and post-factum control of compliance with the limits, the level of exposure of the Group to a particular partner bank or cumulatively, and the effectiveness of the monitoring and control system. The Group monthly evaluates the credit quality of its exposure to the partner banks and depending on the degree of severity of the circumstances alleged, estimates the size of potential losses if implemented.

The information on the analysis of the level of exposure of the Group to counterparty risk is provided daily to all interested units and summative reports are submitted monthly to the Group's Management and the Credit Committee. The group's exposure to counterparty risk is quarterly presented to the Group's Board for analysis and information.

For the evaluation of counterparty risk, in addition to the assessment of the solvency of each bank with which it concludes transactions, the Group monitors and analyses changes in the banking system as a whole, in particular the domestic political and macroeconomic situation, and estimates their potential effects on the Group.

38.7 Credit risk

The credit risk is the current or future risk of a negative impact on the profits and capital of the Group as a result of the failure or reluctance of the debtor to fulfil its contractual obligations or deterioration of its situation.

The Group monitors credit risk through:

- Analysis of each crediting transaction by the Corporative Clients Department or the bank's branch;
- Separation of the activity of the Sales Division and Risk Management Division and making the decisions regarding the issuance of credit risk products in accordance with the internal normative acts;
- Set the level of empowerment for the transaction approval based on the credit risk size.
- Use of diversification methods for the loan portfolio;
- Respect the limits established by the National Bank of Moldova and by other international financial institutions – bank creditors , respect the internal indicators established by the bank, set up and monitoring of annual limits for the credit risk exposure on loans granted to each corporate client;
- Monthly analysis of loan portfolio quality, quarterly classification of credits in accordance with the Regulation of the National Bank of Moldova "On the classification of assets and contingent liabilities, setting up allowances for loan losses and provisions for contingent liabilities" and set up allowance for possible assets losses and provisions for losses on contingent liabilities for prudential purposes;
- Measurement of impairment of loan portfolio (individual and collective), other assets that are not loans and allowance for impairment losses depending on whether objective impairment indicators are in place.

The table below shows the maximum exposure to credit risk for the components of the balance sheet and off-balance sheet items of the Group. The table also includes the financial effect of the total fair value of the collateral held according to type and the excess of the value of collateral.

The uncovered exposure value includes National Bank of Moldova accounts, foreign bank accounts with ratings between BBB and A according to international rating agencies, certificates issued by the National Bank of Moldova, state securities issued by the Ministry of Finance of the Republic of Moldova, as well as lending products for individuals and businesses within the Products without Collateral Presentation Programs.

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Fair value of the collateral

31 December 2013	Maximum exposure to credit risk MDL'000	Immovable assets MDL'000	Movable assets MDL'000	Securities MDL'000	Securities MDL'000	Cash in deposit accounts MDL'000	Total value of collateral MDL'000
Balances with NBM	1,375,089	-	-	-	-	-	-
Due from banks	805,193	-	-	-	-	-	-
Financial assets held for trading	214,820	-	-	-	-	-	-
Loans and receivables							
Corporate	5,499,702	4,094,150	4,603,222	53,345	-	-	8,750,717
Retail, entities	1,555,208	1,919,083	1,303,891	430	58,313	11,176	3,292,893
Retail, individuals	1,702,159	2,146,358	15,632	350	-	10,095	2,172,435
Total loans	**8,757,069**	**8,159,591**	**5,922,745**	**54,125**	**58,313**	**21,271**	**14,216,045**
Lease receivables							
Financial investments	345,983	95,908	267,940	-	-	-	363,848
held to maturity	1,124,375	-	-	-	-	-	-
Other financial assets	98,517	-	-	-	-	-	-
Letters of credit	7,230	3,000	5,000	-	-	-	8,000
Guarantees	250,713	123,428	161,246	-	2,000	46,188	332,862
Loan commitments	888,806	384,047	1,005,083	9,707	2,431	6,117	1,407,385
	1,146,749	**510,475**	**1,171,329**	**9,707**	**4,431**	**52,305**	**1,748,247**
Total	**13,867,795**	**8,765,974**	**7,362,014**	**63,832**	**62,744**	**73,576**	**16,328,140**

Valoarea justă a gajului

31 Decembrie 2012	Maximum exposure to credit risk MDL'000	Immovable assets MDL'000	Movable assets MDL'000	Securities MDL'000	Securities MDL'000	Cash in deposit accounts MDL'000	Total value of collateral MDL'000
Balances with NBM	1,173,000	-	-	-	-	-	-
Due from banks	616,738	-	-	-	-	-	-
Financial assets held for trading	226,224	-	-	-	-	-	-
Loans and receivables							
Corporate	4,520,268	3,489,242	3,607,899	74,562	-	9,279	7,180,982
Retail, entities	1,386,648	1,778,334	1,227,621	-	15,756	8,310	3,030,021
Retail, individuals	1,404,184	1,849,217	20,839	-	-	431	1,870,487
Total loans	**7,311,100**	**7,116,793**	**4,856,359**	**74,562**	**15,756**	**18,020**	**12,081,490**
Lease receivables							
Financial investments	293,444	52,018	312,497	-	-	-	364,515
held to maturity	1,101,377	-	-	-	-	-	-
Other financial assets	104,805	-	-	-	-	-	-
Letters of credit	6,285	-	8,716	-	-	-	8,716
Guarantees	248,526	123,590	140,320	-	2,055	38,997	304,962
Loan commitments	599,158	371,180	732,900	4,029	1,833	31,416	1,141,358
	853,969	**494,770**	**881,936**	**4,029**	**3,888**	**70,413**	**1,455,036**
Total	**11,680,657**	**7,663,581**	**6,050,792**	**78,591**	**19,644**	**88,433**	**13,901,041**

Financial effect of the collateral

The financial effect of the collateral is presented as its disclosure of the value, separately for (i) the assets for which the collateral is equal or greater than the balance sheet value of the asset (over-collateralized) and (ii) the assets for which the collateral is less than the balance sheet value of the asset (under-collateralized). Taking that in account "over-collateralized assets" do not include the assets insured only by surety, third party collateral and cash flows, including cash claims.

Balance sheet value of the under-collateralized assets, issued to corporate clients by insuring only the cash claim is MDL'000 102,646 (31 Decembrist 2012: MDL'000 174,458).
Therefore, the share of loans granted without insurance under the contractual baseline conditions and the ones stipulated in the credit products in total amount of under-collateralized assets is 78.15%.

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The financial effect of the collateral at 31 December 2013 and 31 December 2012 is presented below:

	Over-collateralized asset		Under-collateralized asset	
	Balance sheet value of the	Fair value of the assets	Balance sheet value of the	Fair value of the assets
31 December 2013				
Corporate clients	5,245,787	8,612,883	253,915	44,555
Retail, entities	1,393,046	3,230,279	162,162	62,614
Individuals	1,062,681	2,151,619	639,478	20,816
Total	**7,701,514**	**13,994,781**	**1,055,555**	**127,985**
31 December 2012				
Corporate clients	4,093,315	8,317,263	426,954	109,745
Retail, entities	1,300,632	3,203,947	86,015	24,760
Individuals	904,316	1,866,829	499,868	7,865
Total	**6,298,263**	**13,388,039**	**1,012,837**	**142,370**

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). The effect of collateral at 31 December 2013:

	Over-collateralised assets		Under-collateralised	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
31 December 2013				
Lease receivable from individuals	70,952	99,813	32,821	29,407
Lease receivable from corporate clients	200,080	264,035	42,130	38,069
Total	**271,032**	**363,848**	**74,951**	**67,476**
31 December 2012				
Lease receivable from individuals	65,611	97,008	16,863	14,952
Lease receivable from corporate clients	190,461	267,508	20,509	18,123
Total	**256,072**	**364,516**	**37,372**	**33,075**

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The loans granted to 20 major customers (Groups) of the Group as at 31 December 2013 amounted to MDL'000 2,900,430representing 32.22 % of the Group's gross loan portfolio (as at 31 December 2012: MDL'0002,291,613or 30.51%). These are analysed by industry as follows:

	2013 MDL'000	2012 MDL'000
Winery	413,271	344,086
Non-food industry	587,772	363,353
Sunflower oil production	194,340	187,453
Commerce	640,905	535,416
Food processing	164,322	36,452
Real estate construction	-	5,999
Car dealers	168,415	237,512
Agriculture	161,945	189,626
Leisure	-	9,973
Consumer	576	1,076
Transport	215,891	84,088
Postal services/telecommunications	114,846	
Social services (electricity, electrical and thermal storage, gas, water)	119,018	92,424
Others	119,129	204,155
	2,900,430	**2,291,613**

For significant credit risk concentration at the industry level please refer to Note 8.

39. STATEMENT OF FINANCIAL POSITION STRUCTURE BY CURRENCY

31 December 2013	Total MDL'000	MDL MDL'000	USD MDL'000	EUR MDL'000	Other MDL'000
ASSETS					
Cash on hand	371,530	168,596	44,132	99,061	59,741
Balances with NBM	1,375,089	865,234	120,661	389,194	-
Due from banks	805,193	70,787	284,559	442,068	7,779
Financial assets held for trading	214,820	214,820	-	-	-
Loans and advances to customers	8,757,069	5,815,763	828,410	2,112,896	-
Lease receivable	345,983	97,465	7,444	241,074	-
Financial investments-AFS	144,397	144,397	-	-	-
Financial investments-HTM	1,124,375	1,124,375	-	-	-
Investment in associates	2,797	2,797	-	-	-
Foreclosed collateral	14,288	14,288	-	-	-
Property and equipment	364,334	364,334	-	-	-
Intangible assets	38,606	38,606	-	-	-
Other assets	**125,856**	**86,236**	**12,976**	**25,541**	**1,103**
Total assets	**13,684,337**	**9,007,698**	**1,298,182**	**3,309,834**	**68,623**
LIABILITIES					
Due to banks	448,117	18,758	113,465	315,894	-
Borrowings	1,185,996	451,676	358,580	375,740	
Due to customers	9,529,155	5,973,767	875,841	2,670,794	8,753
Deferred tax liability	61,426	61,426	-	-	-
Other liabilities	95,828	75,775	5,836	13,992	225
Total liabilities	**11,320,522**	**6,581,402**	**1,353,722**	**3,376,420**	**8,978**
GAP	**2,363,815**	**2,426,296**	**(55,540)**	**(66,586)**	**59,645**

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31 December 2012	Total MDL'000	MDL MDL'000	USD MDL'000	EUR MDL'000	Other MDL'000
ASSETS					
Cash on hand	275,967	168,348	38,090	52,762	16,767
Balances with NBM	1,173,000	732,213	115,719	325,068	-
Due from banks	616,738	164	191,220	418,418	6,936
Financial assets held for trading	226,224	226,224	-	-	-
Loans and advances to customers	7,311,100	4,476,820	1,001,052	1,833,228	-
Lease receivable	293,444	54,055	6,487	232,902	-
Financial investments-AFS	141,006	141,006	-	-	-
Financial investments-HTM	1,101,377	1,101,377	-	-	-
Investment in associates	2,971	2,971	-	-	-
Foreclosed collateral	22,555	22,555	-	-	-
Property and equipment	382,980	382,980	-	-	-
Intangible assets	24,212	24,212	-	-	-
Other assets	**129,055**	**108,497**	**9,891**	**10,667**	**-**
Total assets	**11,700,629**	**7,441,422**	**1,362,459**	**2,873,045**	**23,703**
LIABILITIES					
Due to banks	548,432	26,351	153,165	368,916	-
Borrowings	1,166,085	454,413	457,228	254,444	
Due to customers	7,674,574	4,587,063	762,142	2,315,583	9,786
Deferred tax liability	49,333	49,333	-	-	-
Other liabilities	80,069	73,143	2,353	4,515	58
Total liabilities	**9,518,493**	**5,190,303**	**1,374,888**	**2,943,458**	**9,844**
GAP	**2,182,136**	**2,251,119**	**(12,429)**	**(70,413)**	**13,859**

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40. MATURITY STRUCTURE

The structure of the Group's assets and liabilities based on the remaining contractual maturity as at 31 December 2013 and 31 December 2012, based on the time to maturity is as follows:

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	Undefined maturity MDL'000
ASSETS							
Cash on hand	371,530	371,530	-	-	-	-	-
Balances with NBM	1,375,089	1,375,0890	-	-	-	-	-
Due from banks	805,193	805,193	-	-	-	-	-
Financial assets held for trading	214,820	55,150	65,965	93,705	-	-	-
Loans and advances to customers	8,757,069	389,195	706,579	2,903,771	3,802,1775	849,685	105,662
Lease receivable	345,983	71,426	16,142	69,626	169,802	18,987	-
Financial investments-AFS	144,397	-	-	-	-	-	144,397
Financial investments-HTM	1,124,375	644,118	141,840	329,085	9,332	-	-
Investments in associates	2,797	-	-	-	-	-	2,797
Foreclosed collateral	14,288	-	-	-	-	-	14,288
Property and equipment	364,334	-	-	-	-	326,270	38,064
Intangible assets	38,606	-	-	-	-	38,606	-
Other assets	125,856	125,856	-	-	-	-	-
Total assets	**13,684,337**	**3,837,557**	**930,526**	**3,396,187**	**3,981,311**	**1,233,548**	**305,208**
LIABILITIES							
Due to banks	448,117	74,831	84,035	183,286	98,662	7,303	-
Borrowings	1,185,996	44,152	13,879	285,419	675,615	166,931	-
Due to customers	9,529,155	3,412,445	1,627,635	4,103,801	376,163	9,111	-
Deferred tax liability	61,426	-	-	-	61,426	-	-
Other liabilities	95,828	95,828	-	-	-	-	-
Total liabilities	**11,320,522**	**3,627,256**	**1,725,549**	**4,572,506**	**1,211,866**	**183,345**	**-**
Maturity gap	**2,363,815**	**210,301**	**(795,023)**	**(1,176,319)**	**2,769,445**	**1,050,203**	**305,208**
Cumulative maturity gap		**210,301**	**(584,722)**	**(1,761,041)**	**1,008,404**	**2,058,607**	**2,363,815**

The negative value of the individual GAP with maturity up to one year derives from the balances of the deposits of the bank's clients, who usually place cash for short terms, and, usually, are renewed at maturity, but benefit from credits of longer terms. The Group constantly monitors the balance of its deposits and considers that they are stable. This offers an assurance and certainty regarding the capacity of the Group to honour its' contractual obligations. The maturity GAP of less than a month, considered as most important for the liquidity risk management, represents a positive value which is sufficient to attain the Group's goals.

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31 decembrie 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	Undefined maturity MDL'000
ASSETS							
Cash on hand	275,967	275,967	-	-	-	-	-
Balances with NBM	1,173,000	1,173,000	-	-	-	-	-
Due from banks	616,738	616,738	-	-	-	-	-
Financial assets held for trading	226,224	38,768	73,449	114,007	-	-	-
Loans and advances to customers	7,311,100	406,088	624,192	2,305,055	3,315,135	631,941	28,689
Lease receivable	293,444	47,027	22,139	74,149	141,274	8,855	-
Financial investments-AFS	141,006	-	-	-	-	-	141,006
Financial investments-HTM	1,101,377	982,241	27,266	80,004	11,866	-	-
Investments in associates	2,971	-	-	-	-	-	2,971
Foreclosed collateral	22,555	-	-	-	-	-	22,555
Property and equipment	382,980	-	-	-	-	335,815	47,165
Intangible assets	24,212	-	-	-	-	24,212	-
Other assets	129,055	129,055	-	-	-	-	-
Total assets	**11,700,629**	**3,668,884**	**747,046**	**2,573,215**	**3,468,275**	**1,000,823**	**242,386**
LIABILITIES							
Due to banks	548,432	69,077	76,945	118,515	275,035	8,860	-
Borrowings	1,166,085	38,433	12,946	273,420	723,920	117,366	-
Due to customers	7,674,574	2,634,591	1,264,552	3,535,122	239,971	338	-
Deferred tax liability	49,333	-	-	-	49,333	-	-
Other liabilities	80,069	80,069	-	-	-	-	-
Total liabilities	**9,518,493**	**2,822,170**	**1,354,443**	**3,927,057**	**1,288,259**	**126,564**	**-**
Maturity gap	**2,182,136**	**846,714**	**(607,397)**	**(1,353,842)**	**2,180,016**	**874,259**	**242,386**
Cumulative maturity gap		**846,714**	**239,317**	**(1,114,525)**	**1,065,491**	**1,939,750**	**2,182,136**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in MDL thousand unless otherwise stated)

41. INTEREST RATE RISK EXPOSURE

The table below presents information on the Group's exposure to interest rate risk based on the earlier of contractual maturity of its financial instruments or the next interest rate repricing date, if the instruments are subject to variable interest rates.Group's policy on interest rate risk management is to minimize exposure and continuously to adapt interest repricing dates and maturities for assets and liabilities.

As at 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	371,530	-	-	-	-	-	371,530
Balances with NBM	1,375,089	1,375,089	-	-	-	-	-
Due from banks	805,193	805,193	-	-	-	-	-
Financial assets held for trading	214,820	55,150	65,965	93,705	-	-	-
Loans to customers (variable interest rate)	8,757,069	8,651,407	-	-	-	-	105,662
Loans to customers (fixed interest rate)	-	-	-	-	-	-	-
Lease receivables	345,983	345,983	-	-	-	-	-
Financial investments-AFS	144,397	-	-	-	-	-	144,397
Financial investments- HTM	1,124,375	644,118	141,840	329,085	9,332	-	-
Investments in associates	2,797	-	-	-	-	-	2,797
Foreclosed collateral	14,288	-	-	-	-	-	14,288
Property and equipment	364,334	-	-	-	-	-	364,334
Intangible assets	38,606	-	-	-	-	-	38,606
Other assets	125,856	-	-	-	-	-	125,856
Total assets	**13,684,337**	**11,876,940**	**207,805**	**422,790**	**9,332**	**-**	**1,167,470**
LIABILITIES							
Due to banks	448,117	2,820	445,297	-	-	-	-
Borrowings	1,185,996	237,376	145,552	723,079	-	-	79,989
Due to customers (fixed rate deposits)	263,554	185,921	10,978	57,562	36	9,057	-
Due to customers (variable rate deposits)	9,265,601	9,226,825	-	-	-	-	38,776
Deferred tax liability	61,426						61,426
Other liabilities	95,828	-	-	-	-	-	95,828
Total liabilities	**11,320,522**	**9,652,942**	**601,827**	**780,641**	**36**	**9,057**	**276,019**
Interest gap	**2,363,815**	**2,223,998**	**(394,022)**	**(357,851)**	**9,296**	**(9,057)**	**891,451**
Cumulative interest gap		**2,223,998**	**1,829,976**	**1,472,125**	**1,481,421**	**1,472,364**	**2,363,815**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts in MDL thousand unless otherwise stated)

As at 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	275,967	-	-	-	-	-	275,967
Balances with NBM	1,173,000	1,173,000	-	-	-	-	-
Due from banks	616,738	616,738	-	-	-	-	-
Financial assets held for trading	226,224	38,768	73,449	114,007	-	-	-
Loans to customers (variable interest rate)	7,311,081	7,282,392	-	-	-	-	28,689
Loans to customers (fixed interest rate)	19	19	-	-	-	-	-
Lease receivables	293,444	293,444	-	-	-	-	-
Financial investments-AFS	141,006	-	-	-	-	-	141,006
Financial investments- HTM	1,101,377	982,241	27,266	80,004	11,866	-	-
Investments in associates	2,971	-	-	-	-	-	2,971
Foreclosed collateral	22,555	-	-	-	-	-	22,555
Property and equipment	382,980	-	-	-	-	-	382,980
Intangible assets	24,212	-	-	-	-	-	24,212
Other assets	129,055	-	-	-	-	-	129,055
Total assets	**11,700,629**	**10,386,602**	**100,715**	**194,011**	**11,866**	**-**	**1,007,435**
LIABILITIES							
Due to banks	548,432	3,302	545,130	-	-	-	-
Borrowings	1,166,085	235,544	140,781	725,170	-	-	64,590
Due to customers (fixed rate deposits)	175,152	160,223	3,812	11,010	92	15	-
Due to customers (variable rate deposits)	7,499,422	7,459,192	-	-	-	-	40,230
Deferred tax liability	49,333						49,333
Other liabilities	80,069	-	-	-	-	-	80,069
Total liabilities	**9,518,493**	**7,858,261**	**689,723**	**736,180**	**92**	**15**	**234,222**
Interest gap	**2,182,136**	**2,528,341**	**(589,008)**	**(542,169)**	**11,774**	**(15)**	**773,213**
Cumulative interest gap		**2,528,341**	**1,939,333**	**1,397,164**	**1,408,938**	**1,408,923**	**2,182,136**

The Group issues loans and accepts deposits bearing as fixed rate as well as variable rate. Variable rate loans to customers and deposits from customers represent instruments in respect of which the Group has the right to change unilaterally the interest rate in line with change rates on the market. The Group is to give 15 days notice prior to the date when the change takes place. For interest gap disclosure purposes loans and deposits bearing floating rate were considered to have a 15 days notice re-pricing period and were classified into the category "up to 1 month".

42. EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events after the balance sheet date in order to be disclosed.

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