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**BC VICTORIABANK SA**

**Financial Statements  
For the Year Ended 31 December 2008**

**Prepared in Accordance with  
National Accounting Standards**

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**BC VICTORIABANK SA**  
**FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2008**

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**BC VICTORIABANK SA**  
**BALANCE SHEET**  
**As at 31 December 2008**

	Notes	2008 MDL'000	2007 MDL'000
<b>ASSETS</b>			
Cash on hand	<b>9</b>	245,166	207,207
Current accounts and deposits with banks	<b>10</b>	163,380	137,850
Balances with National Bank	<b>11</b>	904,406	447,226
Overnight placements	<b>12</b>	41,167	60,000
<i>Securities:</i>			
Held for trading securities		-	2,857
Investment securities		425,282	337,488
Total securities	<b>13</b>	425,282	340,345
Loans and receivables on financial leasing	<b>14</b>	3,340,506	2,711,391
Property and equipment, net	<b>15</b>	143,798	115,999
Accrued interest receivable	<b>16</b>	17,811	9,595
Other property	<b>17</b>	34,160	21,999
Other assets	<b>18</b>	103,179	54,584
<b>Total assets</b>		<b>5,418,855</b>	<b>4,106,196</b>
<b>LIABILITIES</b>			
<i>Non-interest bearing deposits:</i>			
Banks		11,637	21,507
Individuals		171,128	231,624
Enterprises		387,232	346,051
Total non-interest bearing deposits		569,997	599,182
<i>Interest bearing deposits:</i>			
Banks		111,140	21,691
Individuals		2,916,454	1,974,521
Enterprises		891,940	782,849
Total interest bearing deposits		3,919,534	2,779,061
Total deposits	<b>19</b>	4,489,531	3,378,243
Overnight borrowings		-	20,000
Other borrowings	<b>20</b>	63,463	97,783
Accrued interest payable	<b>21</b>	31,082	7,208
Other liabilities	<b>22</b>	44,623	38,067
Provision for losses on conditional engagements	<b>34</b>	7,004	7,553
<b>Total liabilities</b>		<b>4,635,703</b>	<b>3,548,854</b>

**BC VICTORIABANK SA**  
**BALANCE SHEET**  
**As at 31 December 2008**

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	Notes	2008 MDL'000	2007 MDL'000
<b>SHAREHOLDERS' EQUITY</b>			
Ordinary shares	<b>24</b>	32,000	32,000
Share premium		10,250	10,250
General reserve		4,800	4,800
Retained earnings		736,102	510,292
<b>Total shareholders' equity</b>		<b>783,152</b>	<b>557,342</b>
<b>Total liabilities and shareholders' equity</b>		<b>5,418,855</b>	<b>4,106,196</b>

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

The financial statements were authorized for issue on 16 March 2009 by the Executives of the Bank represented by:

President

Mrs. Natalia Politov-Cangas

Chief Accountant

Mrs. Maria Iovu

**BC VICTORIABANK SA**  
**INCOME STATEMENT**  
**For the Year ended 31 December 2008**

	Notes	2008 MDL'000	2007 MDL'000
<b><i>Interest income</i></b>			
Interest income on loans to banks		8,412	12,688
Interest income on overnights		6,188	7,375
Interest income on held for trading securities		45	159
Interest income on investment securities		58,587	40,369
Interest income on loans to customers		543,309	327,409
Total interest income		<b>616,541</b>	<b>388,000</b>
<b><i>Interest expense</i></b>			
Interest expense on deposits from banks		(4,819)	(5,155)
Interest expense on deposits from individuals		(317,577)	(139,063)
Interest expense on deposits from enterprises		(64,621)	(34,230)
Total interest expense on deposits		<b>(387,017)</b>	<b>(178,448)</b>
Interest expense on overnights		(349)	(39)
Interest expense on other borrowings		(7,466)	(15,459)
Total interest expense on borrowings		(7,815)	(15,498)
Total interest expense		<b>(394,832)</b>	<b>(193,946)</b>
<b>Net interest income</b>		<b>221,709</b>	<b>194,054</b>
Less: Impairment losses on interest bearing assets		(54,940)	(29,746)
<b>Net interest income, less impairment on interest bearing assets</b>		<b>166,769</b>	<b>164,308</b>
<b><i>Non-interest income</i></b>			
Non-interest income on held for trading securities	<b>26</b>	11,461	977
Income from FX transactions	<b>27</b>	96,606	65,257
Commission income	<b>28</b>	123,752	119,736
Other non-interest income	<b>29</b>	8,428	13,313
Total non-interest income		<b>240,247</b>	<b>199,283</b>
<b><i>Non-interest expenses</i></b>			
Salaries		(42,912)	(31,232)
Bonuses		(9,738)	(8,216)
Social insurance contributions		(16,924)	(11,490)
Expenses related to fixed assets	<b>30</b>	(36,968)	(32,435)
Taxes and fees		(872)	(814)
Audit and consulting		(912)	(945)

**BC VICTORIABANK SA**  
**INCOME STATEMENT**  
**For the Year ended 31 December 2008**

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	Notes	2008 MDL'000	2007 MDL'000
		<u>MDL'000</u>	<u>MDL'000</u>
<i>Non-interest expenses (continued)</i>			
Other non-interest expenses	31	(76,749)	(55,673)
Allowances for losses on non-interest bearing assets		4,371	(9,067)
Allowances on conditional engagements		549	(7,553)
Total non-interest expenses		<u>(180,155)</u>	<u>(157,425)</u>
<b>Profit before tax</b>		<u><b>226,861</b></u>	<u><b>206,166</b></u>
Income tax expense	23	(1,159)	(26,162)
<b>Net profit for the year</b>		<u><b>225,702</b></u>	<u><b>180,004</b></u>

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

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**BC VICTORIABANK SA**  
**INCOME STATEMENT**  
**For the Year ended 31 December 2008**

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**BC VICTORIABANK SA****STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY****For the Year Ended 31 December 2008**

	<b>Share capital MDL'000</b>	<b>Share premium MDL'000</b>	<b>General reserve MDL'000</b>	<b>Retained earnings MDL'000</b>	<b>Total MDL'000</b>
<b>Balance as at 1 January 2007</b>	<b>32,000</b>	<b>10,250</b>	<b>4,800</b>	<b>330,147</b>	<b>377,197</b>
Net profit for the year	-	-	-	180,004	180,004
Dividends paid	-	-	-	-	-
Other adjustments	-	-	-	141	141
<b>Balance as at 31 December 2007</b>	<b>32,000</b>	<b>10,250</b>	<b>4,800</b>	<b>510,292</b>	<b>557,342</b>
<b>Balance as at 1 January 2008</b>	<b>32,000</b>	<b>10,250</b>	<b>4,800</b>	<b>510,292</b>	<b>557,342</b>
Net profit for the year	-	-	-	225,702	225,702
Dividends paid	-	-	-	-	-
Other adjustments	-	-	-	108	108
<b>Balance as at 31 December 2008</b>	<b>32,000</b>	<b>10,250</b>	<b>4,800</b>	<b>736,102</b>	<b>783,152</b>

According to the local legislation, 5% of Bank's income must be allocated to the reserve capital until this reserve represents 15% of Bank's share capital. The reserve capital cannot be distributed to the shareholders. As at 31 December 2008 the reserve capital was completed at 100%.

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

**BC VICTORIABANK SA**  
**CASH FLOW STATEMENT**  
**For the Year Ended 31 December 2008**

	Notes	2008 MDL'000	2007 MDL'000
<b>Operating activities</b>			
Interest and commission receipts		815,846	559,399
Interest and commission payments		(363,532)	(181,069)
Proceeds from loans previously written off		129	10,582
Other income		10,963	13,347
Payments to employees and social contributions		(69,574)	(50,945)
Payments to suppliers and entrepreneurs		(101,350)	(70,981)
<b>Net cash from operating profit before changes in operating assets and liabilities</b>		<b>292,482</b>	<b>280,333</b>
<i>Increase / (decrease) in operating assets:</i>			
Placements with banks		29,863	(4,119)
Placements with NBM		(142,778)	(171,870)
Loans to customers		(665,381)	(1,188,427)
Proceeds from disposal of securities		11,711	12,891
Purchase of securities		(8,942)	(9,474)
Other assets		(13,756)	(11,161)
<i>Increase / (decrease) in operating liabilities:</i>			
Due to customers		1,031,709	1,348,788
Due to banks		59,579	12,550
Other liabilities		5,397	(11,490)
<b>Net cash from operating activities before income tax</b>		<b>599,884</b>	<b>258,021</b>
Income tax paid		-	(15,134)
<b>Net cash flow from operating activities</b>		<b>599,884</b>	<b>242,887</b>
<b>Investing activities</b>			
Loans to customers		(86,350)	(111,161)
Purchase of investment securities		(87,794)	(3,524)
Proceeds from disposal of property and equipment		141	30
Purchases of property and equipment		(40,353)	(19,091)
Purchases of intangible assets		(8,159)	(1,024)
Dividends received		38	9
Interest received		33,583	11,850
<b>Net cash used in investing activities</b>		<b>(188,894)</b>	<b>(122,911)</b>
<b>Financing activities</b>			
Proceeds from issue of shares and other securities		-	23,597
Payments for bought out shares and other securities		(15,110)	(22,709)
Repayment of long term loans		(19,210)	(72,374)
Dividends paid		-	-
Interest paid		(7,427)	(7,752)
<b>Net cash used in financing activities</b>		<b>(41,747)</b>	<b>(79,238)</b>
Unrealized foreign exchange gain/(loss)		(9,236)	541
<b>Net increase in cash and cash equivalents</b>		<b>360,007</b>	<b>41,279</b>
<b>Balance as at 1 January</b>		<b>576,949</b>	<b>535,670</b>
<b>Balance as at 31 December</b>	25	<b>936,956</b>	<b>576,949</b>

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

**BC VICTORIABANK SA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2008**

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**1. Corporate information**

BC Victoriabank SA (hereinafter the Bank) was established in the Republic of Moldova in 1989. The Bank was re-incorporated as a joint stock commercial bank on 26 August 1991. On 29 November 2002 the Bank was re-registered as an opened joint stock commercial bank and the shares became listed at Moldova Stock Exchange.

The Bank acts as commercial and savings Bank, offering a large spectrum of services to all categories of clients, through its 28 branches and 37 representative offices (2007: 21 branches and 22 representative offices).

The Bank has 1,106 employees as at 31 December 2008 (811 as at 31 December 2007).

The registered office of the Bank is located at 31 August 1989, 141, Chisinau, Republic of Moldova.

The Board of Directors formulates policies for the operation of the Bank and supervises their implementation. The Board is composed of 7 members appointed by the General Meeting of Shareholders.

As at 31 December 2008 the Board of Directors comprised the following members:

- Mr. Vladimir Plahotniuc, Chairman of the Board; General Director of ICS Petrom-Moldova SA;
- Mrs. Tamara Andrusca, Prime Vice-Chairman of the Board; Economic Director of ICS Petrom-Moldova SA;
- Mr. Eugeniu Baleca, Vice-Chairman of the Board, General Director of Franzeluta SA;
- Mr. Vasile Botnari, member of the Board, General Director of Transportation Agency;
- Mr. Iurie Carp, member of the Board, General Director of Moldova-Vin;
- Mrs. Ecaterina Pascarel, member of the Board, Financial Director of ICS Petrom-Moldova SA;
- Mr. Victor Turcan, member of the Board, shareholder of BC Victoriabank SA.

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

## **2. Basis of presentation**

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

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

The financial statements are presented in Moldovan lei ("MDL"), the currency of the country in which the Bank operates.. Financial statements have been prepared on a historical cost basis.

The Bank prepares the balance sheet, income statement and cash flow statements in accordance with National Accounting Standard No.30 and NBM Instruction dated 8 August 1997 regarding preparation and presentation of the financial statements.

## **3. Significant accounting policies**

### **a. Basis of accounting**

The accounting evidence in the commercial banks from the Republic of Moldova is prepared in conformity with National Accounting Standards (NAS), Chart of Accounts, NBM Instructions referring to accounting evidence in the financial institutions, internal Bank's procedures and instructions.

### **b. Foreign currency translation**

Foreign currency transactions are recorded at the exchange rate of the date of 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 period were:

	<b>2008</b>		<b>2007</b>	
	<b>USD</b>	<b>Euro</b>	<b>USD</b>	<b>Euro</b>
Average for the period	10.3895	15.2916	12.1362	16.5986
Year end	10.4002	14.7408	11.3192	16.6437

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

### **c. Interest income and expenses**

Interest income and expenses for all interest bearing financial instruments are recognized in the income statement using the accrual method.

Interest on loans is suspended in case when the overdue is more than 60 days and are excluded from interest income until they are written off.

Interest income includes interest from investment securities with fixed income and amortized discounts on state securities.

**3. Significant accounting policies (continued)**

**d. Cash and cash equivalents**

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, unrestricted balances with National Bank of Moldova, state securities, short-term placements in other banks and receivables from international money transfer systems with an original maturity of three months or less.

**e. Held for trading securities**

Held for trading securities are initially recognized at fair value. All realized or unrealized gains and losses from transactions with securities are recorded as trading income. Interest income on trading securities is included in interest income.

**f. Investment securities**

Investment securities are securities that the management has positive intention to hold to maturity and are recorded at nominal value, adjusted with the non-amortized value of bonus or discount. Interest income on investment securities is reported as interest income. A decrease in the market value is considered only when it is considered to be irreversible. Investment securities include state securities issued by the Ministry of Finance of the Republic of Moldova.

**g. REPO agreements**

REPO operations are considered as financing operations with guarantees. Securities sold with a simultaneous commitment to repurchase are recognized as liabilities. The liability for amounts received under these agreements is included in loans and receivables on financial leasing. Interest income and expenses are calculated within the validity of REPO agreements.

**h. Investments in other companies**

Investments are the long term shares held in other companies and are presented at the cost less impairment provision.

The dividends received are included in dividend income.

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

Assets are stated at nominal value, less provision for losses on assets impairment.

Provisions for losses on assets impairment (risk fund) are estimated by the management, in order to cover the impairment for loan portfolio, as well as for compromised loans. Impairment amount is established according to the estimation of recovery on loans within the portfolio.

When an asset can not be recovered, it is deducted from the risk fund.

Interest accrued on loans is recognized as income during the term of loan. If the reimbursement of the loan and its interest are overdue with 60 or more days, the loan is classified as non-performing and the overdue interest is registered in off balance sheet accounts.

**3. Significant accounting policies (continued)**

**j. Property and equipment**

Property and equipment are stated at cost less accumulated depreciation.

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

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

<b>Fixed Assets</b>	<b>Years</b>
Buildings	40
Equipment, computers and furniture	3-5
Vehicles	7

Land is not depreciated. Assets under construction are not depreciated until they are brought in use.

Fixed assets with an acquisition cost greater than MDL 3,000 and a useful life greater than one year are capitalized. Fixed assets with an acquisition cost less than MDL 3,000 are recognized as expenses.

**k. Assets for resale**

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

**l. Leases**

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

**m. Income tax**

Current tax assets and liabilities are measured based on the stipulations of Fiscal Code approved by the Parliament of the Republic of Moldova, dated 24 April 1997 and the Law on Budget for the reporting period.

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, as well as on carry forward unused tax losses.

According to the fiscal legislation, the income tax for the legal entities for the year 2008 constituted 0% (2007: 15%).

**3. Significant accounting policies (continued)**

**n. Advertising expenses**

The advertising expenses are recognized when they were carried out.

**o. Related parties**

Parties are considered to be related, if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Transactions among related parties represent a transfer of resources or obligations among them, regardless of whether a price is charged.

**p. Borrowings**

Borrowings are recorded and measured at cost. Borrowing costs are expensed as incurred.

**q. Provisions**

Provisions and legal claims are recognized when the Bank has a present legal or constructive obligation to transfer economic benefits as a result of past events and the amount has been reliably estimated.

**4. Crediting activity**

The Bank's crediting activity is performed according to the Law on financial institutions and is regulated by the Regulation on bank's crediting activity, dated 25 December 1997.

The Bank elaborated its internal policy, regulations and loan procedures, that describe the process and crediting limits.

Each loan granted by the Bank is included in one of the following five categories, the necessary amount for provisions for loan impairments is established applying the following quotes to the remaining balance of assets from each classification category:

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

According to the Law on financial institutions, the Bank must observe the prudence measures for:

- transactions with related parties;
- "large" loans.

## **5. Capital adequacy**

Capital adequacy is calculated by dividing the Bank's capital to assets, off balance liabilities and other risk weighted items in order to reflect their relative risk.

The Bank calculates the capital adequacy based on the Regulation of National Bank of Moldova on capital adequacy, dated 17 October 2001.

Assets are weighted accordingly to the notional credit risk, by applying a risk weight calculated based on the necessary amount of capital that would cover it. There are four categories (0%, 20%, 50% and 100%). For example, cash and money market instruments are weighted at zero rate, i.e. there is no need for capital to cover the risk for those assets. Unsecured loans and non-interest bearing loans, as well as property and equipment are applied with a risk weight of 100%. Other asset categories have an intermediary weight.

For the liabilities categorized to the off balance credit items, forward and derivative instruments, different factor categories for risk conversion are applied, they are used to transfer these elements into balance equivalents. Credit equivalent elements are subsequently weighted at credit risk using the same coefficients as for balance assets.

Tier I capital includes ordinary shares into circulation, retained earnings and reserves, less intangible assets.

Tier II capital is zero as of 31 December 2008 (31 December 2007: zero).

## **6. Liquidity**

The liquidity is the capacity of the Bank to ensure at any moment the fulfillment of its commitments and is calculated according to the two principles established by the National Bank of Moldova in the Regulation on bank's liquidity, dated 8 August 1997.

Principle I Long-term liquidity: the Bank's total assets with 2 years maturity and more should not exceed the sum of its corresponding financial resources.

Principle II Current liquidity: liquid assets to total assets ratio must be higher than 20%.

## **7. Fair value of financial assets and liabilities**

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

The value of short term client deposits, deposits from other banks and of the liabilities is close to the real value due to short maturity terms and of the insignificant transaction costs.

Term deposits, loans and prepayments granted to clients, guarantees and letters of credit are registered at net value due to general and specific provisions. The value is considered to be close to the real one because the respective instruments are bearing the market interest rate, except the loans granted under loan agreements with different government institutions which bear lower rates than on the market. Still, the maturity and interest rates for these loans are compensated with financing obligation. As a consequence, each alteration in the real value of financial assets leads to interest modification and thus to commitments towards real value of financial assets for which it is applied a different interest rate.

Financial investments represent the participations in non-listed companies for which there is no market value. As a result, the administration considers that the accounting value does not differ significantly from their real value.

**BC VICTORIABANK SA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2008**

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**8. Risk management**

**a. Market risk**

The economy of the Republic of Moldova continues to display characteristics of an emerging market and there are considerable doubts regarding its political and economical development tendencies. It is not possible to forecast the changes that may occur in the Republic of Moldova as well as their effects on the financial positions, on the activity's results and cash flows of the Bank.

**b. Exposure to credit risk**

In its lending activity, the Bank is exposed to credit risk, i.e. the risk of non-payment of receivables. It is associated with the Bank's balance sheet accounts – loans granted, interest bearing securities and other off-balance accounts. Credit risk concentration could result in significant losses for the Bank, if significant economic negative factors affect the economy of the Republic of Moldova. The relevant analysis is presented in the corresponding notes and in the table below:

	Notes	2008 MDL'000	2007 MDL'000
Current accounts and deposits with banks	10	163,380	137,850
Balances with National Bank	11	904,406	447,226
Overnight placements	12	41,167	60,000
Held for trading securities	13	-	2,857
Investment securities	13	425,282	337,488
Loans and receivables on financial leasing	14	3,340,506	2,711,391
Accrued interest receivable	16	17,811	9,595
Other assets	18	103,179	54,584
		<b>4,995,731</b>	<b>3,760,991</b>
Letters of credit	34	1,784	2,348
Guarantees	34	134,017	143,948
Financing commitments and other	34	168,173	192,631
		<b>303,974</b>	<b>338,927</b>
<b>Total maximum credit risk exposure</b>		<b>5,299,705</b>	<b>4,099,918</b>

**c. Interest rate risk**

The tables below provide information on the extent of the Bank's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market interest rate before maturity, the next re-pricing date. It is the policy of the Bank to manage its exposure to fluctuations in net interest income arising from changes in interest rates by the degree of re-pricing mismatch in the balance sheet.

**BC VICTORIABANK SA**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2008**

As at 31 December 2008	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Non-interest bearing MDL'000
<b>Assets</b>							
Cash on hand	245,166	-	-	-	-	-	245,166
Current accounts and deposits with banks	163,380	148,880	-	14,500	-	-	-
Balances with National Bank	904,406	197,879	92,005	299,390	41,479	1,839	271,814
Overnight placements	41,167	41,167	-	-	-	-	-
Held for trading securities	-	-	-	-	-	-	-
Investment securities	425,282	270,531	54,375	90,576	9,800	-	-
Loans and receivables on financial leasing	3,340,506	266,216	220,495	1,308,103	1,332,942	196,277	16,473
Property and equipment, net	143,798	-	-	-	-	-	143,798
Accrued interest receivable	17,811	-	-	-	-	-	17,811
Other property	34,160	-	-	-	-	-	34,160
Other assets	103,179	-	-	-	-	-	103,179
<b>Total assets</b>	<b>5,418,855</b>	<b>924,673</b>	<b>366,875</b>	<b>1,712,569</b>	<b>1,384,221</b>	<b>198,116</b>	<b>832,401</b>
<b>Liabilities</b>							
Due to banks	122,777	50,965	-	60,175	-	-	11,637
Due to customers	4,366,754	834,860	641,301	2,034,785	284,422	13,026	558,360
Overnight borrowings	-	-	-	-	-	-	-
Other borrowings	63,463	1,560	10,346	41,487	9,360	710	-
Accrued interest payable	31,082	-	-	-	-	-	31,082
Other liabilities	51,627	-	-	-	-	-	51,627
<b>Total liabilities</b>	<b>4,635,703</b>	<b>887,385</b>	<b>651,647</b>	<b>2,136,447</b>	<b>293,782</b>	<b>13,736</b>	<b>652,706</b>
<b>Interest gap</b>	<b>783,152</b>	<b>37,288</b>	<b>(284,772)</b>	<b>(423,878)</b>	<b>1,090,439</b>	<b>184,380</b>	<b>179,695</b>
<b>Cumulative interest gap</b>		<b>37,288</b>	<b>(247,484)</b>	<b>(671,362)</b>	<b>419,077</b>	<b>603,457</b>	<b>783,152</b>

**BC VICTORIABANK SA**

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**For the Year Ended 31 December 2008**

As at 31 December 2007	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Non-interest bearing MDL'000
<b>Assets</b>							
Cash on hand	207,207	-	-	-	-	-	207,207
Current accounts and deposits with banks	137,850	112,533	-	-	-	-	25,317
Balances with National Bank	447,226	135,996	34,123	117,083	57,793	2,241	99,990
Overnight placements	60,000	60,000	-	-	-	-	-
Held for trading securities	2,857	-	-	2,857	-	-	-
Investment securities	337,488	184,317	74,254	72,368	5,808	-	741
Loans and receivables on financial leasing	2,711,391	109,243	160,138	2,427,606	5,835	3,550	5,019
Property and equipment, net	115,999	-	-	-	-	-	115,999
Accrued interest receivable	9,595	-	-	-	-	-	9,595
Other property	21,999	-	-	-	-	-	21,999
Other assets	54,584	-	-	-	-	-	54,584
<b>Total assets</b>	<b>4,106,196</b>	<b>602,089</b>	<b>268,515</b>	<b>2,619,914</b>	<b>69,436</b>	<b>5,791</b>	<b>540,451</b>
<b>Liabilities</b>							
Due to banks	43,198	41,692	-	-	-	-	1,506
Due to customers	3,335,045	677,019	326,037	1,126,580	532,527	8,942	663,940
Overnight borrowings	20,000	20,000	-	-	-	-	-
Other borrowings	97,783	2,704	11,720	28,897	40,390	14,072	-
Accrued interest payable	7,208	-	-	-	-	-	7,208
Other liabilities	45,620	-	-	-	-	-	45,620
<b>Total liabilities</b>	<b>3,548,854</b>	<b>741,415</b>	<b>337,757</b>	<b>1,155,477</b>	<b>572,917</b>	<b>23,014</b>	<b>718,274</b>
<b>Interest gap</b>	<b>557,342</b>	<b>(139,326)</b>	<b>(69,242)</b>	<b>1,464,437</b>	<b>(503,481)</b>	<b>(17,223)</b>	<b>(177,823)</b>
<b>Cumulative interest gap</b>		<b>(139,326)</b>	<b>(208,568)</b>	<b>1,255,869</b>	<b>752,388</b>	<b>735,165</b>	<b>557,342</b>

**BC VICTORIABANK SA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2008**

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**8. Risk management (continued)**

**d. Currency risk**

The Bank complied with opened currency position to the total capital ratio as established by the National Bank of Moldova as at 31 December 2008.

The Bank takes is exposed to fluctuations of foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The tables below summarize the Bank's exposure to foreign currency exchange rate risk as at 31 December 2008 and 31 December 2007. Included in the tables are the Bank's assets and liabilities at carrying amounts, categorized by currency.

	<b>As at 31 December 2008</b>				
	<b>Total MDL'000</b>	<b>MDL MDL'000</b>	<b>USD MDL'000</b>	<b>EUR MDL'000</b>	<b>Other MDL'000</b>
<b>Assets</b>					
Cash on hand	245,166	141,377	25,763	70,970	7,056
Current accounts and deposits with banks	163,380	54,868	29,954	68,918	9,640
Balances with National Bank	904,406	486,211	127,670	290,525	-
Overnight placements	41,167	15,000	26,167	-	-
Held for trading securities	-	-	-	-	-
Investment securities	425,282	425,282	-	-	-
Loans and receivables on financial leasing	3,340,506	1,759,080	417,743	1,163,683	-
Property and equipment, net	143,798	143,798	-	-	-
Accrued interest receivable	17,811	15,122	1,296	1,393	-
Other property	34,160	34,160	-	-	-
Other assets	103,179	81,309	11,100	9,972	798
<b>Total assets</b>	<b>5,418,855</b>	<b>3,156,207</b>	<b>639,693</b>	<b>1,605,461</b>	<b>17,494</b>
<b>Liabilities</b>					
Due to banks	122,777	2,273	18,149	102,355	-
Dues to customers	4,366,754	2,302,310	557,388	1,498,864	8,192
Overnight borrowings	-	-	-	-	-
Other borrowings	63,463	24,307	39,156	-	-
Accrued interest payable	31,082	19,880	3,179	8,023	-
Other liabilities	51,627	28,518	11,591	10,571	947
<b>Total liabilities</b>	<b>4,635,703</b>	<b>2,377,288</b>	<b>629,463</b>	<b>1,619,813</b>	<b>9,139</b>
<b>Gap</b>	<b>783,152</b>	<b>778,919</b>	<b>10,230</b>	<b>(14,352)</b>	<b>8,355</b>

**BC VICTORIABANK SA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. Risk management (continued)**

**d. Currency risk (continued)**

	As at 31 December 2007				
	Total MDL'000	MDL MDL'000	USD MDL'000	EUR MDL'000	Others MDL'000
<b>Assets</b>					
Cash on hand	207,207	105,255	38,044	60,335	3,573
Current accounts and deposits with banks	137,850	-	37,334	98,964	1,552
Balances with National Bank	447,226	171,809	100,645	174,772	-
Overnight placements	60,000	60,000	-	-	-
Held for trading securities	2,857	-	2,857	-	-
Investment securities	337,488	337,488	-	-	-
Loans and receivables on financial leasing	2,711,391	1,366,088	500,524	844,779	-
Property and equipment, net	115,999	115,999	-	-	-
Accrued interest receivable	9,595	6,335	1,071	2,187	2
Other property	21,999	21,999	-	-	-
Other assets	54,584	26,075	15,600	12,656	253
<b>Total assets</b>	<b>4,106,196</b>	<b>2,211,048</b>	<b>696,075</b>	<b>1,193,693</b>	<b>5,380</b>
<b>Liabilities</b>					
Due to banks	43,198	21,746	20,012	1,440	-
Due to customers	3,335,045	1,520,504	606,373	1,203,090	5,078
Overnight borrowings	20,000	20,000	-	-	-
Other borrowings	97,783	40,988	56,557	238	-
Accrued interest payable	7,208	1,072	500	5,636	-
Other liabilities	45,620	24,128	13,876	7,378	238
<b>Total liabilities</b>	<b>3,548,854</b>	<b>1,628,438</b>	<b>697,318</b>	<b>1,217,782</b>	<b>5,316</b>
<b>Gap</b>	<b>557,342</b>	<b>582,610</b>	<b>(1,243)</b>	<b>(24,089)</b>	<b>64</b>

Other currencies mainly include British Pound, Russian Ruble, Ukrainian Hrivna and Romanian Leu.

**e. Liquidity risk**

Bank's policies sets limits on the minimum proportion of maturing funds available to cover withdrawals at unexpected levels of demand.

The tables below analyses the Bank's liquidity risk exposure as at 31 December 2008 and 31 December 2007.

**BC VICTORIABANK SA**

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As at 31 December 2008	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Undefined maturity MDL'000
<b>Assets</b>							
Cash on hand	245,166	245,166	-	-	-	-	-
Current accounts and deposits with banks	163,380	148,880	-	14,500	-	-	-
Balances with National Bank	904,406	904,406	-	-	-	-	-
Overnight placements	41,167	41,167	-	-	-	-	-
Held for trading securities	-	-	-	-	-	-	-
Investment securities	425,282	269,790	54,375	90,576	9,800	-	741
Loans and receivables on financial leasing	3,340,506	266,216	220,495	1,308,103	1,332,942	196,277	16,473
Property and equipment, net	143,798	-	-	-	-	-	143,798
Accrued interest receivable	17,811	8,171	1,864	-	-	-	7,776
Other property	34,160	-	-	-	-	-	34,160
Other assets	103,179	33,543	-	-	-	-	69,636
<b>Total assets</b>	<b>5,418,855</b>	<b>1,917,339</b>	<b>276,734</b>	<b>1,413,179</b>	<b>1,342,742</b>	<b>196,277</b>	<b>272,584</b>
<b>Liabilities</b>							
Due to banks	122,777	62,602	-	60,175	-	-	-
Due to customers	4,366,754	1,447,505	620,777	2,005,973	279,473	13,026	-
Overnight borrowings	-	-	-	-	-	-	-
Other borrowings	63,463	230	545	13,374	36,183	13,131	-
Accrued interest payable	31,082	31,082	-	-	-	-	-
Other liabilities	51,627	25,278	908	-	-	-	25,441
<b>Total liabilities</b>	<b>4,635,703</b>	<b>1,566,697</b>	<b>622,230</b>	<b>2,079,522</b>	<b>315,656</b>	<b>26,157</b>	<b>25,441</b>
<b>Maturity gap</b>	<b>783,152</b>	<b>350,642</b>	<b>(345,496)</b>	<b>(666,343)</b>	<b>1,027,086</b>	<b>170,120</b>	<b>247,143</b>
<b>Cumulative maturity gap</b>	<b>-</b>	<b>350,642</b>	<b>5,146</b>	<b>(661,197)</b>	<b>365,889</b>	<b>536,009</b>	<b>783,152</b>

BC VICTORIABANK SA

NOTES TO THE FINANCIAL STATEMENTS

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As at 31 December 2007	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Undefined maturity MDL'000
<b>Assets</b>							
Cash on hand	207,207	207,207	-	-	-	-	-
Current accounts and deposits with banks	137,850	137,850	-	-	-	-	-
Balances with National Bank	447,226	447,226	-	-	-	-	-
Overnight placements	60,000	60,000	-	-	-	-	-
Held for trading securities	2,857	2,857	-	-	-	-	-
Investment securities	337,488	186,430	74,255	70,254	5,808	-	741
Loans and receivables on financial leasing	2,711,391	109,244	160,046	785,679	1,521,214	135,208	-
Property and equipment, net	115,999	-	-	-	-	-	115,999
Accrued interest receivable	9,595	8,821	774	-	-	-	-
Other property	21,999	-	17,793	4,206	-	-	-
Other assets	54,584	28,061	-	-	26,523	-	-
<b>Total assets</b>	<b>4,106,196</b>	<b>1,187,696</b>	<b>252,868</b>	<b>860,139</b>	<b>1,553,545</b>	<b>135,208</b>	<b>116,740</b>
<b>Liabilities</b>							
Due to banks	43,198	43,198	-	-	-	-	-
Due to customers	3,335,045	1,335,940	326,389	1,131,234	532,539	8,943	-
Overnight borrowings	20,000	20,000	-	-	-	-	-
Other borrowings	97,783	58,357	11,720	12,861	773	14,072	-
Accrued interest payable	7,208	957	896	5,355	-	-	-
Other liabilities	45,620	22,613	20,400	2,607	-	-	-
<b>Total liabilities</b>	<b>3,548,854</b>	<b>1,481,065</b>	<b>359,405</b>	<b>1,152,057</b>	<b>533,312</b>	<b>23,015</b>	<b>-</b>
<b>Maturity gap</b>	<b>557,342</b>	<b>(293,369)</b>	<b>(106,537)</b>	<b>(291,918)</b>	<b>1,020,233</b>	<b>112,193</b>	<b>116,740</b>
<b>Cumulative maturity gap</b>	<b>(293,369)</b>	<b>(399,906)</b>	<b>(691,824)</b>	<b>(691,824)</b>	<b>328,409</b>	<b>440,602</b>	<b>557,342</b>

**8. Risk management (continued)**

**f. Sensitivity analysis**

*Sensitivity to interest rate*

According to the internal and external financial market evolution, the Bank forecasts the evolution of interest rates for its assets and liabilities and the impact of these possible changes on the net interest income. The Bank estimates a fluctuation of +/- 100 and +/- 50 basic points:

	Increase in basis points	Sensitivity of Net Interest Income, MDL'000	Decrease in basis points	Sensitivity of Net Interest Income, MDL'000
<b>2008</b>	+100	6,035	-100	(6,035)
	+50	3,017	-50	(3,017)
<b>2007</b>	+100	8,489	-100	(8,489)
	+50	4,245	-50	(4,245)

*Sensitivity analysis to currency risk*

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

The tables below show the currencies for which the Bank has significant exposure to currency risk as at 31 December 2008 and as at 31 December 2007, for the balance sheet items that are sensible to the currency rates' modifications. The analysis demonstrates the effect of reasonably possible changes in currency rates against Moldovan Leu with all other variables held constant:

<b>As at 31 December 2008</b>	Increase in currency rates, in %	Effect on PBT MDL'000	Decrease in currency rates, in %	Effect on PBT MDL'000
EUR	+5%	(718)	-5%	718
USD	+5%	512	-5%	(512)

<b>As at 31 December 2007</b>	Increase in currency rates, in %	Effect on PBT MDL'000	Decrease in currency rates, in %	Effect on PBT MDL'000
EUR	+5%	(1,692)	-5%	1,692
USD	+5%	(1,015)	-5%	1,015

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**9. Cash on hand**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Cash	181,566	147,027
Cash in ATMs	32,583	31,295
Other	31,017	28,885
	<b>245,166</b>	<b>207,207</b>

**10. Current accounts and deposits with banks**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Current accounts	93,771	60,038
Deposits	70,641	77,894
	164,412	137,932
Less: Impairment provision	(1,032)	(82)
	<b>163,380</b>	<b>137,850</b>

Movement in allowance for impairment losses on current accounts and deposits with banks for the years 2008 and 2007 are as follows:

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Balance as at 1 January	82	-
Annual expense	950	82
	<b>1,032</b>	<b>82</b>

**11. Balances with National Bank of Moldova**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Current account	486,211	171,810
Obligatory reserves	418,195	275,416
	<b>904,406</b>	<b>447,226</b>

**11. Balances with National Bank of Moldova (continued)**

*Current account and mandatory reserves*

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

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

As at 31 December 2008 the balance reserved in the current account held with the NBM amounted to MDL'000 486,211 (31 December 2007: MDL'000 171,810). This balance included mandatory reserves on funds attracted in Moldovan Lei and non-convertible currencies. The balance reserved on USD and EUR mandatory reserve accounts amounted to USD'000 12,276 and EUR'000 19,709 respectively (31 December 2007: USD'000 8,892 and EUR'000 10,501).

The interest paid by NBM on the mandatory reserves during 2008 varied between 0.4% and 0.8% per annum for reserves in foreign currency and 2.0% for reserves in MDL (2007: 2.0 % in MDL and 0.4% - 0.6% in foreign currencies).

The mandatory reserves held in the current account at NBM are available for use in the Bank's day-to-day operations.

**12. Overnight placements**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
National Bank of Moldova	-	60,000
Banca Sociala SA	15,000	-
Citibank	26,167	-
	<b>41,167</b>	<b>60,000</b>

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**13. Securities**

*Held for trading securities:*

Movement for the year was the following:

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Balance as at 1 January	2,857	3,247
Additions	8,915	-
Disposals	(11,545)	-
FX differences	(227)	(390)
<b>Balance as at 31 December</b>	<b>-</b>	<b>2,857</b>

Held for trading securities include the following:

<b>Company</b>	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Government of Canada	-	2,857
	<b>-</b>	<b>2,857</b>

*Investment securities:*

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Certificates issued by the NBM	250,106	167,309
State securities	174,434	169,437
Equity investments	757	757
	425,297	337,503
Less: Impairment provision	(15)	(15)
	<b>425,282</b>	<b>337,488</b>

*Investments in state securities and certificates issued by the NBM*

Investments in state securities as at 31 December 2008 represent MDL treasury bills of 91 to 364 days original maturity, issued by the Ministry of Finance of the Republic of Moldova, with an interest rate between 15.01 % and 21.74% p.a. (31 December 2007: 11.18% - 17.16% p.a.), as well as MDL state bonds with floating interest rate issued by the Ministry of Finance of 730 days original maturity, and with an interest between 18.70% and 22.20% p.a. (31 December 2007: 12.65% and 19.28% p.a.)

Certificates issued by the National Bank of Moldova are of 14 days original maturity, bearing an interest of 13.97% p.a. (31 December 2007: 15.84% - 15.90% p.a.).

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**13. Securities (continued)**

*Equity investments*

As of 31 December 2008 and 31 December 2007 equity investments comprised:

	<b>Activity</b>	<b>Interest held, %</b>	<b>2008 MDL'000</b>	<b>2007 MDL'000</b>
Garantininvest SRL	Guarantees granting	9.92	440	440
CA Victoria Asigurări SRL	Insurance	7.49	300	300
Bursa de Valori a Moldovei S.A.	Stock Exchange	2.56	10	10
Depozitarul Național de Valori Mobiliare SA	Depository activity	3.13	6	6
Altele			1	1
			<b>757</b>	<b>757</b>

Movement in allowance for impairment losses on securities for 2008 and 2007 are presented below:

	<b>2008 MDL'000</b>	<b>2007 MDL'000</b>
Balance as at 1 January	15	-
Annual expenses	-	15
<b>Balance as at 31 December</b>	<b>15</b>	<b>15</b>

**14. Loans and receivables on financial leasing**

	<b>2008 MDL'000</b>	<b>2007 MDL'000</b>
Loans	3,501,059	2,825,233
Less: Impairment provision	(160,553)	(113,842)
	<b>3,340,506</b>	<b>2,711,391</b>

As at 31 December 2008 the gross book value of loans on which nominal interest rate is not being accrued, or is suspended, amounted to MDL'000 38,391 (2007: MDL'000 11,601). Unrecognized interest related to such loans amounted to MDL'000 16,336 (2007: MDL'000 1,061).

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**14. Loans and receivables on financial leasing (continued)**

Analysis of loan portfolio by industries is presented below:

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Agriculture and food industry	313,271	209,308
Commerce and industry	1,567,713	1,114,560
Loans to individuals	410,718	392,818
Transport and road construction	96,440	103,313
Real estate	586,122	402,202
Fuel and energy	34,463	88,252
Loans granted to banks	-	26,319
Others	492,332	488,461
	<b>3,501,059</b>	<b>2,825,233</b>

The average interest rate during the year for loans granted in MDL is 21.05% (2007: 17.7%), in foreign currency 11.99% (2007: 11.5%).

Movement in allowance for impairment losses on loans for the years 2008 and 2007 are as follows:

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Balance as at 1 January	113,842	91,108
Write-offs	(10,928)	(26,134)
Recoveries	3,396	19,122
Provision charge	54,243	29,746
<b>Balance as at 31 December</b>	<b>160,553</b>	<b>113,842</b>

*Large loans*

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Top 10 loans granted, net	821,595	696,676
Top 10 loans to Bank's loan portfolio	24.59%	25.69%

The maximum established limit for the top 10 loans to the total Bank's loan portfolio is 50% (2007: 50%).

Single client exposure ratio must not exceed 25% (2007: 25%) of the Bank's total capital.

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**15. Property and equipment, net**

	<b>Land</b>	<b>Buildings</b>	<b>Furniture and equipment</b>	<b>Motor vehicles</b>	<b>Assets under construction</b>	<b>Total</b>
	<b>MDL'000</b>	<b>MDL'000</b>	<b>MDL'000</b>	<b>MDL'000</b>	<b>MDL'000</b>	<b>MDL'000</b>
<b>Cost</b>						
Balance as at 1 January 2008	547	89,927	79,141	5,900	14,688	190,203
Additions	-	6	229	-	40,902	41,137
Transfers	-	2,442	18,532	3,082	(24,056)	-
Disposals	-	(5)	(6,252)	(373)	-	(6,630)
Balance as at 31 December 2008	547	92,370	91,650	8,609	31,534	224,710
<b>Accumulated depreciation</b>						
Balance as at 1 January 2008	-	12,547	57,518	4,139	-	74,204
Charge for the year	-	2,617	9,555	692	-	12,864
Disposals	-	(1)	(6,055)	(100)	-	(6,156)
Balance as at 31 December 2008	-	15,163	61,018	4,731	-	80,912
<b>Net book value</b>						
At 31 December 2008	<b>547</b>	<b>77,207</b>	<b>30,632</b>	<b>3,878</b>	<b>31,534</b>	<b>143,798</b>
At 31 December 2007	<b>547</b>	<b>77,380</b>	<b>21,623</b>	<b>1,761</b>	<b>14,688</b>	<b>115,999</b>

As at 31 December 2008 the cost of fully depreciated property and equipment amounted to MDL'000 38,497 (31 December 2007: MDL'000 38,982).

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**16. Accrued interest receivable**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Loans and advances to customers	11,796	4,597
Investment state securities	744	753
Current accounts and deposits in banks	1,030	320
Other	4,241	3,925
	<b>17,811</b>	<b>9,595</b>

**17. Other property**

Other property includes collateral repossessed for non performing loans:

	<b>Date of taking into possession</b>	<b>2008</b>	<b>2007</b>
		<b>MDL'000</b>	<b>MDL'000</b>
Acorex Wine Holding SA	17.12.2008	17,622	-
Intercontinent SRL	30.12.2008	5,200	-
Fabrica de vin Prut	23.10.2007	4,000	4,000
Burlacu-Vin SA	22.12.2008	2,000	-
Sistemotehnic SRL	29.12.2008	1,500	-
Votir-Expres SRL	17.12.2008	1,224	-
Hamutova Tatiana	31.12.2008	1,100	-
Primotim SRL	25.12.2008	885	-
SPD Sari II	28.11.2008	350	-
Free-Fisheris SRL	26.12.2006	-	15,793
Basavin-Group SRL	22.11.2006	-	2,000
Vladsercom SRL	30.10.2007	-	200
Others		279	6
		<b>34,160</b>	<b>21,999</b>

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**18. Other assets**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Other repossessed assets	56,780	18,292
Receivables from other international money transfer systems	9,827	4,984
Intangible assets	8,941	4,255
Inventory and spare parts	6,813	4,284
Receivables from Visa and Europay	5,565	5,222
Receivables from Money Gram and Western Union	4,586	8,270
Prepaid expenses	2,022	11,172
Current income tax receivable	5	1,542
Receivables from AMEX checks	480	1,246
Others	11,305	4,287
	<b>106,324</b>	<b>63,554</b>
Less: Impairment provision	<b>(3,145)</b>	<b>(8,970)</b>
	<b>103,179</b>	<b>54,584</b>

Movement in allowance for impairment losses on other assets for 2008 and 2007 is presented below:

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Balance as at 1 January	8,970	-
Write-offs	(8,910)	-
Recoveries	7,710	-
Provision charge	(4,625)	8,970
<b>Balance as at 31 December</b>	<b>3,145</b>	<b>8,970</b>

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**18. Other assets (continued)**

*Intangible assets*

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

	<b>Software in use</b>	<b>Intangibles under construction</b>	<b>Total</b>
	<b>MDL'000</b>	<b>MDL'000</b>	<b>MDL'000</b>
<b>Cost</b>			
Balance as at 1 January 2008	19,665	640	20,305
Additions	187	7,972	8,159
Transfers	1,907	(1,907)	-
Disposals	(5)	(2,185)	(2,190)
Balance as at 31 December 2008	<b>21,754</b>	<b>4,520</b>	<b>26,274</b>
<b>Accumulated amortization</b>			
Balance as at 1 January 2008	16,050	-	16,050
Charge for the year	1,287	-	1,287
Disposals	(4)	-	(4)
Balance as at 31 December 2008	<b>17,333</b>	<b>-</b>	<b>17,333</b>
<b>Net book value</b>			
At 31 December 2008	<b>4,421</b>	<b>4,520</b>	<b>8,941</b>
At 31 December 2007	<b>3,615</b>	<b>640</b>	<b>4,255</b>

As at 31 December 2008 the cost of fully amortized intangible assets amounted to MDL'000 14,809 (31 December 2007: MDL'000 13,776).

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**19. Deposits**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
<i>Due to banks</i>		
Bank's Loro accounts	18,379	31,879
Short-term placements	104,398	11,319
	<b>122,777</b>	<b>43,198</b>
<i>Due to individuals</i>		
Current accounts	392,847	467,791
Term deposits	2,694,735	1,738,354
	<b>3,087,582</b>	<b>2,206,145</b>
<i>Due to enterprises</i>		
Current accounts	729,766	692,882
Term deposits	549,406	436,018
	<b>1,279,172</b>	<b>1,128,900</b>
	<b>4,489,531</b>	<b>3,378,243</b>

As at 31 December 2008 current accounts of enterprises include restricted deposits through collateral agreements in the amount of MDL'000 55,742 (31 December 2007: MDL'000 22,535).

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

	<b>2008</b>				<b>2007</b>							
	<b>MDL</b>		<b>FCY</b>		<b>MDL</b>		<b>FCY</b>					
	%	%	%	%	%	%	%	%				
<b>Enterprises</b>												
Demand deposits	0.0	-	22.83	0.0	-	4.5	0.0	-	5.9	0.0	-	4.5
Term deposits up to 3 months	2.5	-	15.0	1.95	-	12.5	2.5	-	6.0	1.95	-	2.5
Term deposits >3 months< 1 year	3.5	-	23.0	3.5	-	11.0	3.5	-	16.0	3.5	-	5.5
Term deposits over 1 year	13.0	-	23.0	5.5	-	15.0	13.0	-	17.5	5.5	-	6.0
<b>Individuals</b>												
Demand deposits	0.0	-	4.5	0.0	-	1.5	0.0	-	4.5	0.0	-	1.5
Term deposits up to 3 months	5.0	-	21.5	4.0	-	11.0	5.0	-	6.5	3.5	-	5.5
Term deposits >3 months< 1 year	14.25	-	24.25	5.0	-	15.5	15.5	-	18.0	5.25	-	9.5
Term deposits over 1 year	15.5	-	26.0	6.75	-	15.5	16.75	-	18.0	7.5	-	9.5

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**20. Other borrowings**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
<b>Borrowings from:</b>		
National Bank of Moldova	710	1,080
International Financial Organizations	27,301	55,653
Other creditors	35,452	41,050
	<b>63,463</b>	<b>97,783</b>

The table below presents the borrowings from International Financial Organizations, warranties and interest rates:

<b>Creditor</b>	<b>Final maturity</b>	<b>Original currency</b>	<b>Amount in the original currency ('000)</b>	<b>Collateral</b>	<b>Interest rate, %</b>	<b>Amount (MDL'000)</b>
BERD	16.12.2009	USD	125	-	9.22	1,300
CFI	15.06.2011	USD	2,500	-	6.73	26,001
<b>Total</b>						<b>27,301</b>

*Loans from NBM*

Loan from National Bank of Moldova is payable in 2015 and has an interest rate of 10.5% (2007: 10.5%).

*Loans from the Ministry of Finance*

Loans from the Ministry of Finance of the Republic of Moldova for certain agricultural projects are financed by the World Bank, International Development Association and International Fund for Agricultural Development. The purpose is to finance certain agricultural projects. During 2008, the effective interest rate on these loans varied between 9.8% and 14.2% (2007: 10.7% - 13.2%). These loans are unsecured.

*Loans from EBRD*

As at 31 December 2008 the Bank has one credit line obtained from the European Bank for Reconstruction and Development ("EBRD") in the amount of USD 6 millions on 14 June 2004, having the right of cash withdrawal in USD and EUR. As at 31 December 2008, the amount outstanding was of USD'000 125 (31 decembrie 2007: USD'000 1,417). All loans are aimed to finance small and medium sized enterprises. Loans received from EBRD are unsecured.

The interest rate is equal for each quarterly interest period to a margin of 3.625% p.a. over the LIBOR at 6 months.

The Bank is subject to a number of loan covenants under the loan agreements obtained from EBRD. In case of breach of these covenants, EBRD may request immediate repayment of the loan. As at 31 December 2008 the Bank was in compliance with all financial covenants. As at 31 December 2007, the Bank was not in compliance with maturity gap ratio, being 160% instead of required limit of 100% and the aggregate related party exposure being 51% instead of required limit of 15%. Accordingly, loans from EBRD were reflected as "up to one month maturity".

**BC VICTORIABANK SA**  
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**20. Other borrowings (continued)**

*Loans from IFC*

The Bank had two credit lines from the International Finance Corporation (“IFC”) of USD 4 millions on 4 September 2001 and of USD 5 millions on 29 June 2004. The contract dated 4 September 2001 expired on 15 September 2006. As at 31 December 2008 the amount outstanding was USD’000 2,500. Both loans were aimed to finance small and medium sized enterprises. The interest rates are equal for each quarterly interest period to a margin of 3.6% p.a. over the LIBOR at 6 months. These loans are unsecured.

Also, the Bank is subject to a number of loan covenants under the loan agreements obtained from IFC. In case of breach of these covenants, IFC may request immediate repayment of the loan. As at 31 December 2008 the Bank was in compliance with all financial covenants. As at 31 December 2007 the Bank was not in compliance with maturity gap ratio, being 160% instead of required limit of 100%, the aggregate related party exposure being 51%, instead of required limit of 15% and industry exposure ratio being 39% for trade industry instead of 20%. Accordingly, loans from IFC were reflected as “up to one month maturity”.

**21. Accrued interest payable**

	<b>2008</b>	<b>2007</b>
	<b>MDL’000</b>	<b>MDL’000</b>
Interest bearing deposits from individuals	27,920	5,815
Interest bearing deposits from legal entities	1,547	187
Interest bearing deposits from banks	784	25
Other borrowings	831	1,181
	<b>31,082</b>	<b>7,208</b>

**22. Other liabilities**

	<b>Note</b>	<b>2008</b>	<b>2007</b>
		<b>MDL’000</b>	<b>MDL’000</b>
Reserve for tax allowance		13,614	13,614
Payables to international money transfer systems		12,813	2,585
Amounts in transit		3,793	5,446
Unclarified amounts		2,221	2,822
Payables to travellers cheques issuers		854	2,048
Deferred tax liability	<b>23</b>	-	924
Payables on documentary transactions		1,180	692
Other		10,148	9,936
		<b>44,623</b>	<b>38,067</b>

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**23. Taxation**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
<i>Current income tax</i>	-	
Current income tax	-	27,228
	-	27,228
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	1,159	(1,066)
	1,159	(1,066)
<b>Income tax expense for the year</b>	<b>1,159</b>	<b>26,162</b>

The standard income tax rate in 2008 was 0% (2007: 15%).

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

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Accounting profit before tax	225,702	206,166
At Moldovan statutory income tax rate of 0% (2007: 15%)	-	30,925
Fiscal effect of permanent differences	-	(2,233)
Fiscal effect of temporary differences	1,159	(1,066)
Tax allowance	-	(1,464)
<b>At effective income tax rate of 0.5% (2007: 12.7%)</b>	<b>1,159</b>	<b>26,162</b>

The deferred income tax was calculated applying the 2008 standard tax rate of 0% (2007: 15%).

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
<i>Deferred tax asset</i>		
Balance as at 1 January	2,082	2,014
Income statement credit (charge)	(2,082)	68
<b>Balance as at 31 December</b>	<b>-</b>	<b>2,082</b>
<i>Deferred tax liability</i>		
Balance as at 1 January	(924)	(1,922)
Income statement credit (charge)	924	998
<b>Balance as at 31 December</b>	<b>-</b>	<b>(924)</b>

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**24. Share capital**

Share capital as at 31 December 2008 and 2007 respectively represents 3,200,000 ordinary shares authorized and issued with the nominal value of MDL 10 per share.

*Structure of Bank's shareholders*

Name of shareholder	As at 31 December 2008		As at 31 December 2007	
	Participation	Participation	Participation	Participation
	quota MDL	quota %	quota MDL	quota %
<b>Shareholders, which quote exceeds 5%</b>				
BERD	4,820,410	15.06	4,820,410	15.06
Alpha Bank România	4,000,000	12.50	4,000,000	12.50
Țurcan Victor	3,342,690	10.45	3,342,690	10.45
Atrium Limited	1,842,150	5.76	1,842,150	5.76
SC AVB-PRIM SRL	1,842,150	5.76	1,842,150	5.76
Victoria Invest Limited	1,842,140	5.76	1,842,140	5.76
Financial Investments Corporation Limited	1,794,350	5.60	1,794,350	5.60
	19,483,890	60.89	19,483,890	60.89
<b>Shareholders, which quote does not exceed 5%</b>				
Profinanțe SRL	1,570,240	4.91	1,570,240	4.91
Financiar Invest SRL	1,570,240	4.91	1,570,240	4.91
Program Invest SRL	1,332,150	4.16	1,332,150	4.16
Provileg Invest SRL	1,291,940	4.04	1,291,940	4.04
Maxim Profit Invest SRL	1,279,210	4.00	1,279,210	4.00
CA Victoria Asigurări SRL	1,242,240	3.88	1,242,240	3.88
CA Notabil-Polis SRL	755,490	2.36	755,490	2.36
Others	3,474,600	10.85	3,474,600	10.85
	12,516,110	39.11	12,516,110	39.11
<b>Total</b>	<b>32,000,000</b>	<b>100.00</b>	<b>32,000,000</b>	<b>100.00</b>

There are 186 other shareholders (31 December 2007: 183) of which 175 represent individuals and 11 – legal entities (31 December 2007: 174 individuals and 9 legal entities).

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**25. Cash and cash equivalents**

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

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Cash on hand	245,166	207,207
Current accounts and deposits with banks	164,412	137,932
Balances with National Bank	486,211	171,810
Overnight placements	41,167	60,000
	<b>936,956</b>	<b>576,949</b>

**26. Non-interest income on held for trading securities**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Result from disposal of other financial assets	11,452	967
Result from revaluation of held for trading state securities	6	8
Result from disposal of held for trading state securities	3	2
	<b>11,461</b>	<b>977</b>

**27. Income from FX transactions**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Transactions with foreign currency	105,842	64,725
Net foreign currency translation gain/(loss)	(9,236)	532
	<b>96,606</b>	<b>65,257</b>

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**28. Commission income**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Commission on operations with cards	47,043	40,221
Commission on client accounts	40,867	43,692
Commission on foreign exchange operations	12,670	15,574
Commission on operations with securities	960	350
Other	22,212	19,899
	<b>123,752</b>	<b>119,736</b>

**29. Other non-interest income**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Fees and penalties	5,927	1,794
Rent	524	469
Gain on disposal of property and equipment	382	72
Income on repossessed assets	129	6,945
Other income	1,466	4,033
	<b>8,428</b>	<b>13,313</b>

**30. Expenses related to fixed assets**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Depreciation	12,864	17,663
Utilities and rent	15,091	7,434
Repairs and maintenance	5,803	5,491
Safeguarding of assets and insurance costs	2,281	1,488
Other	929	359
	<b>36,968</b>	<b>32,435</b>

**BC VICTORIABANK SA**  
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**31. Other non-interest expenses**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Card services	21,341	22,809
Provisions for other losses	16,632	-
Advertising	6,770	5,750
Postage and telephone	4,880	3,670
Taxes and penalties	4,053	2,727
Maintenance of intangible assets	4,008	3,554
Transportation	2,332	1,724
Contribution to Deposits Guarantee Fund	2,139	1,525
Office supplies	1,750	1,376
Amortization of intangible assets	1,287	1,202
Travel & training expenses	1,030	1,464
Provision for unused vacation	795	-
Charity expenses	775	624
Losses from disposal of property and equipment	262	61
Other expenses	8,695	9,187
	<b>76,749</b>	<b>55,673</b>

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**32. Capital adequacy**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Tier 1 capital	774,210	553,087
Tier 2 capital	-	-
Total capital	774,210	553,087
Total risk weighted assets	2,710,036	2,267,754
<b>Capital adequacy</b>	<b>28.57%</b>	<b>24.39%</b>

According to the NBM Regulation on the capital adequacy, banks must hold and maintain the capital adequacy ratio at minimum 12%.

**33. Liquidity of the Bank**

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
<b>Principle I</b>		
1 Assets with the maturity of 2 years and more	598,848	839,090
2 Financial liabilities with maturity of 2 years and more	1,090,946	1,140,848
<b>Ratio ½</b>	<b>0.55</b>	<b>0.74</b>
<b>Principle II</b>		
Cash and precious metals	245,166	207,207
Due from NBM	904,406	507,226
Liquid Government Bonds	436,835	345,302
Add/less net inter-banking loans (with maturity less than 1 month)	128,477	90,394
Total liquid assets	1,714,884	1,150,129
Total assets	5,418,855	4,106,196
<b>Liquid assets ÷ total assets x 100%</b>	<b>31.65%</b>	<b>28.01%</b>
Minimal liquidity ratio	20.00%	20.00%

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**34. Contingencies and other financial commitments**

*Legal cases*

As at 31 December 2008 the Bank is a defendant in a number of lawsuits arising out of normal corporate activities. In the opinion of Management, the probability of loss is remote.

*Capital commitments*

There were no capital commitments as at 31 December 2008.

*Financial commitments*

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

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Letters of credit	1,796	2,348
Guarantees	138,631	148,426
Financing commitments and other	170,551	195,706
	<hr/>	<hr/>
	310,978	346,480
Less: Impairment provision	(7,004)	(7,553)
	<hr/>	<hr/>
	<b>303,974</b>	<b>338,927</b>

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

Movement in allowance for impairment losses on conditional commitments for 2008 and 2007 is presented below:

	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>
Balance as at 1 January	7,553	-
Annual expenses	(549)	7,553
	<hr/>	<hr/>
<b>Balance as at 31 December</b>	<b>7,004</b>	<b>7,553</b>

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**35. Earnings per share**

	<b>Ordinary issued shares</b>	<b>Profit for the year MDL'000</b>	<b>EPS MDL</b>
As at 31 December 2007	3,200,000	180,004	56
As at 30 December 2008	3,200,000	225,702	71

**36. Related parties**

During the year a number of banking and non-banking transactions were entered into with related parties in the normal course of business. These include loans granting, deposit taking and foreign currency transactions. The nature of the related party relationships for those related parties with whom the Bank entered into significant transactions or had significant balances outstanding at year end are detailed below. As at 31 December 2008 and 2007 the Bank had operations with the following related entities:

- ICS Petrom-Moldova SA – the director of the company, Mr. Vladimir Plahotniuc, is the Chairman of the Board;
- Atrium Limited – Bank shareholder;
- CA Victoria Asigurari SRL – related parties to the Chairman of the Board, Mr. Vladimir Plahotniuc;
- Franzeluta SA – the general director Mr. Eugeniu Baleca is the Vice-Chairman of the Board.

Below we present the balances and transactions with related parties during the year:

	<b>Directors and Executive Management</b>		<b>Related entities</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>MDL'000</b>	<b>MDL'000</b>	<b>MDL'000</b>	<b>MDL'000</b>
<b>Balance sheet</b>				
Loans and advances to customers	150	157	98,524	223,911
Deposits from customers and borrowings	229	2,152	158,546	43,252
<b>Income statement</b>				
Interest income earned	8	48	28,293	23,798
Interest expense on deposits	4	1,983	8,095	6,257

*Directors' remuneration*

The key executive management received remuneration totalling MDL'000 3,697 (2007: MDL'000 5,393). The non-executive members of the Bank Council do not receive remuneration from the Bank.