
BC VICTORIABANK SA

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

**Prepared in Accordance with
International Financial Reporting Standards**

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
ASSETS			
Cash and balances with National Bank	3	1,149,573	714,434
Current accounts and deposits with banks	4	245,025	206,531
Treasury bills	5	424,620	338,783
Loans, net	6	3,366,257	2,666,698
Financial investments – available-for-sale	7	757	757
Property and equipment	8	142,597	115,354
Intangible assets	9	8,941	4,255
Current income tax asset		5	1,542
Other assets	10	126,356	69,329
Total assets		5,464,131	4,117,683
LIABILITIES			
Due to banks	11	124,271	64,303
Other borrowings	12	63,583	82,773
Due to customers	13	4,396,221	3,356,158
Other liabilities	15	19,756	23,528
Total liabilities		4,603,831	3,526,762
SHAREHOLDERS' EQUITY			
Ordinary shares	16	32,000	32,000
Share premium		10,250	10,250
Available for sale investments revaluation deficit		(665)	(1,675)
Statutory reserves	17	4,800	4,800
Retained earnings		813,915	545,546
Total shareholders' equity		860,300	590,921
Total liabilities and shareholders' equity		5,464,131	4,117,683

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
Interest and similar income	20	617,930	378,081
Interest and similar expense	20	(394,832)	(193,946)
Net interest and similar income		223,098	184,135
Fee and commission income	21	123,752	119,736
Fee and commission expense	21	(26,400)	(27,927)
Net fee and commission income		97,352	91,809
Financial income, net	22	108,099	66,235
Other operating income	23	7,950	5,585
Total operating income		436,499	347,764
Impairment of loans and other assets	6/10	(25,913)	(22,408)
Net operating income		410,586	325,356
Personnel expenses	24	(70,369)	(50,938)
General and administrative expenses	25	(57,141)	(42,788)
Depreciation and amortization		(14,707)	(12,203)
Total operating expenses		(142,217)	(105,929)
Profit before tax		268,369	219,427
Income tax expense	14	-	(9,508)
Net profit for the year		268,369	209,919

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BC VICTORIABANK SA

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year Ended 31 December 2008

	Ordinary shares MDL'000	Share premium MDL'000	Available for sale investments revaluation reserves MDL'000	Statutory reserves MDL'000	Retained earnings MDL'000	Total MDL'000
Balance at 1 January 2008	32,000	10,250	(1,675)	4,800	545,546	590,921
Net change in available for sale investments (Note 5)	-	-	1,010	-	-	1,010
Profit for the year	-	-	-	-	268,369	268,369
Total recognised income	-	-	1,010	-	268,369	269,379
Transfer to statutory reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Balance at 31 December 2008	32,000	10,250	(665)	4,800	813,915	860,300
Balance at 1 January 2007	32,000	10,250	(1,904)	4,800	335,627	380,773
Net change in available for sale investments (Note 5)	-	-	229	-	-	229
Profit for the year	-	-	-	-	209,919	209,919
Total recognised income	-	-	229	-	209,919	210,148
Transfer to statutory reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Balance at 31 December 2007	32,000	10,250	(1,675)	4,800	545,546	590,921

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
Cash flows from operating activities			
Interest receipts		608,603	389,059
Interest payments		(370,958)	(188,821)
Net fee and commission receipts		97,352	91,809
Net financial and other operating income		115,357	71,084
Staff costs paid		(69,574)	(50,945)
Payments of general and administrative expenses		(57,141)	(42,817)
Operating profit before working capital changes		323,639	269,369
<i>(Increase) / decrease in operating assets:</i>			
Due from NBM		(457,180)	(315,016)
Current accounts and deposits with banks		30,892	20,881
Treasury bills over three months		(47,566)	41,346
Loans		(768,233)	(1,291,061)
Other assets		(15,130)	(7,028)
<i>Increase /(decrease) in operating liabilities:</i>			
Due to banks		59,208	9,550
Due to customers		1,016,599	1,349,677
Other liabilities		(4,568)	(11,217)
Net cash from operating activities before income tax		137,661	66,501
Income tax paid		-	(15,134)
Net cash from operating activities		137,661	51,367
Cash flows from investing activities			
Purchase of intangible assets		(8,159)	(1,024)
Purchase of property and equipment		(40,353)	(19,091)
Proceeds from disposal of property and equipment		141	30
Purchase of financial investments		-	(200)
Proceeds from disposal of financial investments		11,452	3,250
Net cash used in investing activities		(36,919)	(17,035)
Cash flows from financing activities			
Repayment of loans and borrowings		(37,260)	(78,076)
Proceeds from loans and borrowings		18,421	8,702
Net cash used in financing activities		(18,839)	(69,374)
Net (decrease) / increase in cash and cash equivalents		81,903	(35,042)
Net foreign exchange difference		(9,235)	541
Cash and cash equivalents at 1 January		684,159	718,660
Cash and cash equivalents at 31 December	19	756,827	684,159

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

1. Corporate information

BC Victoriabank SA (“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 open joint stock commercial bank and the shares became listed on Moldova Stock Exchange. The Bank operates through its head office located in Chisinau, 28 branches (21 branches as at 31 December 2007) and 37 representative offices (21 representative offices as at 31 December 2007) located throughout the country.

The number of employees employed by the Bank as at 31 December 2008 was 1,106 (811 as at 31 December 2007).

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

As 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 and its activities are exclusively carried out in the 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.

2.1 Basis of preparation

The IFRS financial statements have been prepared on a historical cost basis, except for treasury bills that have been measured at fair value. The financial statements are presented in Moldovan lei (“MDL”), the currency of the country in which the Bank operates. The Bank maintains its books and records in accordance with Moldovan banking regulations and prepares its statutory financial statements in accordance with Regulations on Accounting and Reporting issued by Ministry of Finance and National Bank of Moldova.

Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS).

2.2 Significant accounting judgments and estimates

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank 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 with 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 in the group. Management uses estimates based on historical loss experience for assets with 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.

Where the final outcome of these factors is different from the amounts that were initially recorded, such differences could materially impact the provision for loan impairment in the period in which such determination is made.

(ii) Impairment of available-for-sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

2.3 Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that the Bank has adopted those new/revised standards mandatory for financial years beginning on or after 1 January 2008.

The changes in accounting policies result from adoption of the following new or revised standards:

Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets

The amendments allow entities to reclassify certain financial assets out of held-for-trading if they are no longer held for the purpose of being sold or repurchased in the near term.

- Financial assets that would be eligible for classification as loans and receivables (ie those assets which, apart from not being held with the intent of sale in the near term, have fixed or determinable payments, are not quoted in an active market and contain no features which could cause the holder not to recover substantially all of its initial investment except through credit deterioration) may be transferred from 'Held-for-trading' to 'Loans and receivables', if the entity has the intention and the ability to hold them for the foreseeable future.

- Financial assets that are not eligible for classification as loans and receivables, may be transferred from 'Held-for-trading' to 'Available-for-sale' or to 'Held-to-maturity', only in rare circumstances.

2.3 Change in accounting policies (continued)

The amendment requires detailed disclosures relating to such reclassifications. The effective date of the amendment is 1 July 2008 and reclassifications before that date are not permitted. The Bank did not reclassified any financial assets.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments, to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The adoption of this Interpretation did not have any effect on the financial position or performance of the Bank.

IFRIC 12 Service Concession Arrangements

IFRIC 12 outlines an approach to account for contractual (service concession) arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognise a financial asset and / or an intangible asset. The adoption of this Interpretation did not have any effect on the financial position or performance of the Bank.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. As the Bank has no defined benefit schemes, the Interpretation had no impact on the financial position or performance of the Bank.

2.4 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

a. Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognized in profit or loss, and other changes in the carrying amount are recognized in equity.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity. The year-end and average rates for the year were:

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

2.4 Summary of significant accounting policies (continued)

b. Financial assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost for such as loans and advances to customers or banks and debt securities in issue;
- Certain investments, such as equity investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss; and
- Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, are designated at fair value through profit and loss.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in 'net income from financial instruments designated at fair value. Currently the Bank does not have financial assets at fair value through profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

2.4 Summary of significant accounting policies (continued)

b. Financial assets (continued)

(iv) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Included in this category are, also, treasury bills.

Regular – way purchases and sales of financial assets at fair value through profit and loss, held-to-maturity and available-for-sale are recognized on trade-date – the date on which the Bank commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished, that is, when the obligation is discharged, cancelled or expired.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity is recognized in profit or loss.

However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the entity’s right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

c. Offsetting financial instruments

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

2.4 Summary of significant accounting policies (continued)

d. Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss are recognized in the income statement for all instruments measured at amortised cost using the effective interest method.

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

Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

e. Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-apportionate basis.

f. Sale and repurchase agreements

Securities sold subject to repurchase agreements (“repos”) are classified in the financial statements as available-for-sale securities (treasury bills) and the counter party liability is included in amounts due to banks or customers, as appropriate. Securities purchased under agreements to resell (‘reverse repos’) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities held by the Bank as collateral for lending activities with financial institutions are not recognized in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

2.4 Summary of significant accounting policies (continued)

g. Impairment of financial assets

(i) Assets carried at amortized costs

The Bank's assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods vary from 6 months to 12 months.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

2.4 Summary of significant accounting policies (continued)

g. Impairment of financial assets (continued)

(i) Assets carried at amortized costs (continued)

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 Bank's grading process that considers asset type, industry, geographical location, collateral type, 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 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 in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

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 recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement in impairment change for credit losses.

(ii) Assets carried at fair value

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

2.4 Summary of significant accounting policies (continued)

h. Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortised using the straight-line method over their useful lives (not exceeding five years).

i. Property and equipment

All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset type	Years
Buildings	40
Computers, furniture and equipment	3-5
Vehicles	7

Assets under construction are not depreciated until there are brought in use.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount. These are included in their operating expenses in the income statement.

j. 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.

2.4 Summary of significant accounting policies (continued)

k. Impairment of non – financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

l. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity of the assets at acquisition dates including: cash, non-restricted balances with National Bank of Moldova, treasury bills, amounts due from other banks and amounts due from quick payment systems.

m. 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. It is more likely that not than an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

n. Financial guarantee contracts

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

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

2.4 Summary of significant accounting policies (continued)

o. Defined contribution plan

The Bank, in the normal course of business makes payments to the Moldovan State funds on behalf of its employees for pension, health care and unemployment benefit. All employees of the Bank are members of the State pension plan.

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

p. Taxation

Income tax payable on profits, based on the applicable Moldovan tax law is recognized as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of equipment, provisions for loans and advances to customers, other assets and other liabilities. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

q. Borrowings

Borrowings are recognized initially 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 recognized in the income statement over the period of the borrowings using the effective interest method.

r. Dividends

Dividends are not accounted for until they have been approved at the Annual General Meeting.

s. Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Bank acts in a fiduciary capacity such as nominee, trustee or agent.

t. Assets for resale

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

2.4 Summary of significant accounting policies (continued)

u. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

v. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

2.5 Future changes in accounting policies

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

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements

The amendments to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statement. Both revisions will be effective for financial years beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The Bank has concluded that the amendment will have no impact on the financial position or performance of the Bank.

Amendments to IFRS 2 Share Based Payment – Vesting Conditions and Cancellations

The amended IFRS 2 was issued in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The amendment clarifies two issues: the definition of "vesting condition", introducing the term "non-vesting condition" for conditions other than service conditions and performance conditions. It also clarifies that the same accounting treatment applies to awards that are effectively cancelled by either the entity or the counterparty. The Bank expects that this Interpretation will have no impact on its financial statements.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures*. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. The financial statements of the Bank will not be impacted by the application of the revision.

2.5 Future changes in accounting policies (continued)

IFRS 8 Operating Segments

The standard was issued in November 2006 and becomes effective for financial years beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 Segment Reporting and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Bank is in the process of assessing the impact this new standard will have on its financial statements.

IAS 1R Presentation of Financial Statements

The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Bank will make the necessary changes to the presentation of its financial statements in 2009.

IAS 23R Borrowing Costs

The revised Standard was issued in March 2007 and becomes effective for financial years beginning on or after 1 January 2009. The benchmark treatment in the existing standard of expensing all borrowing costs to the income statement is eliminated in the case of qualifying assets. All borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset must be capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of the Standard, the Bank will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Bank, as the Bank has not issued such instruments.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Bank has concluded that the amendment will have no impact on the financial position or performance of the Bank, as the Bank has not entered into any such hedges.

2.5 Future changes in accounting policies (continued)

Improvements to IFRSs

In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Bank has decided not to early adopt the amendments and does not expect that their application to have significant effect.

IFRIC 13 Customer Loyalty Programmes

IFRIC 13 was issued in June 2007 and becomes effective for financial years beginning on or after 1 July 2008. The interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. IFRIC 13 is not relevant to the Bank's operations.

IFRIC 15 Agreement for the Construction of Real Estate

IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 will not have an impact on the financial statement because the Bank does not conduct such activity.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 16 was issued in July 2008 and becomes effective for financial years beginning on or after 1 October 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Bank is currently assessing which accounting policy to adopt for the recycling on disposal of the net investment.

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

3. Cash and balances with National Bank

	2008	2007
	MDL'000	MDL'000
Cash on hand	245,166	207,207
<i>Balances with National Bank</i>		
Overnight	-	60,000
Term deposits	-	-
Included in cash and cash equivalents (Note 19)	245,166	267,207
<i>Current account with National Bank</i>		
– mandatory reserve in foreign currency	418,196	275,417
– mandatory reserve in domestic currency	486,211	171,810
	904,407	447,227
	1,149,573	714,434

Current account and obligatory reserves

The National Bank of Moldova (NBM) requires commercial banks to maintain for liquidity purposes minimum reserves calculated at a certain rate of the average funds borrowed by banks during the previous 15 days including all customer deposits. Based on the decision Nr 85 by the Administrative Council of NBM dated 15 April 2004, the method for calculation and maintaining the compulsory reserves was changed. Funds attracted in Moldovan Lei (MDL) and in non-convertible currencies are reserved in MDL. Funds attracted in freely convertible currencies are reserved in US Dollars (USD) and/or EURO (EUR). As at 31 December 2008 the rate for calculation of the minimum compulsory reserve in all currencies was 17.5% (31 December 2007: 15%).

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

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 compulsory reserve on funds attracted in Moldovan Lei and non-convertible currencies. The balance reserved on USD and EUR compulsory 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 compulsory 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: 0.4% - 0.6% for reserves in foreign currency and 2% per annum for reserves in MDL). The compulsory reserves on funds attracted in USD and EUR are placed in Nostro accounts of NBM at correspondent banks incorporated in OECD countries.

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

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

4. Current accounts and deposits with banks

	2008	2007
	MDL'000	MDL'000
Current accounts	93,794	60,038
Overnight placements	41,174	-
Deposits	71,640	77,894
Included in cash and cash equivalents (Note 19)	206,608	137,932
Other placements	38,417	68,599
	245,025	206,531

The major part of current accounts and deposits are held with foreign banks. Deposits include short-term placements in amount of MDL'000 14,741 with DZ Bank AG (2007: MDL'000 66,575), MDL'000 27,900 with BC Investprivatbank SA (2007: Nil) and MDL'000 14,500 with BC Procredit Bank SA (2007: Nil). Other placements with banks include restricted deposits in the amount of MDL'000 22,877 (2007: MDL'000 23,238) representing placements with HSBC London for fund transfers through Europay system and JP MORGAN CHASE Bank for Visa system. These deposits do not have fixed maturity, however the Bank does not expect them to be withdrawn within the next 5 years. During 2008, interest on balances with banks in freely convertible currencies ranged from 1.5% to 3.6% (2007: 1.9% to 4.3%).

5. Treasury bills

	2008	2007
	MDL'000	MDL'000
State securities	174,605	167,868
Certificates issued by the NBM	250,015	167,306
Treasury bills – G-7 countries	-	3,609
	424,620	338,783
Included in cash and cash equivalents (Note 19)	295,848	259,589
Treasury bills with maturity over three months	128,772	79,194
	424,620	338,783

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 of between 15.01% and 21.74% per annum (2007: 11.18% to 17.16% p.a.).

Certificates issued by the National Bank of Moldova as at 31 December 2008 are of 14 days original maturity bearing an interest of 13.97% per annum (2007: 15.84% to 15.90% p.a.).

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

5. Treasury bills (continued)

For subsequent measurement purposes treasury bills are classified as available-for-sale. The movement in treasury bills may be summarised as following:

	2008	2007
	MDL'000	MDL'000
Balance as at 1 January	338,783	335,887
Additions	8,267,606	4,357,785
Disposals	(8,182,779)	(4,355,118)
Losses from changes in fair value recognised in equity	(427)	(1,127)
Losses transferred to net profit upon derecognition	1,437	1,356
Balance as at 31 December	424,620	338,783

As at 31 December 2008 and 2007 no securities were pledged against loans from banks.

6. Loans, net

	2008	2007
	MDL'000	MDL'000
Loans	3,453,431	2,739,223
Less: Allowance for impairment losses	(87,174)	(72,525)
	3,366,257	2,666,698

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).

Analysis of loan portfolio by industry is presented below:

	2008	2007
	MDL'000	MDL'000
Manufacturing and trade	1,447,740	1,105,887
Real estate	454,074	399,076
Consumer loans	449,296	393,521
Agricultural and food industry	262,494	207,693
Transportation and road construction	91,895	102,632
Energy sector	28,564	87,535
Government	9,637	34,067
Other	709,731	408,812
	3,453,431	2,739,223

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

6. Loans, net (continued)

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%). Borrowers have the right to repay loans in advance, subject to an early settlement option exercise price of up to 1.00% of the prepaid amount.

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

	2008	2007
	MDL'000	MDL'000
Balance as at 1 January	72,525	66,370
Write-offs	(7,531)	(9,068)
Charge for the year	22,180	15,223
Balance as at 31 December	87,174	72,525

Collateral repossessed

During the year, the Bank took possession of winery, industrial buildings, dwellings and land with an estimated value of MDL'000 30,154. Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the balance sheet within other assets.

7. Financial investments

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

	2008	2007
	MDL'000	MDL'000
Balance as at 1 January	757	757
Additions	-	-
Disposals	-	-
Balance as at 31 December	757	757

Investment securities available-for-sale include unlisted equity investments in local companies. The analysis of equity investments is as follows:

	Field of activity	Ownershi p 2008, %	2008	2007
			MDL'000	MDL'000
Garant Invest SRL	Guarantees granting	9.92	440	440
CA Victoria Asigurari SRL	Insurance	7.49	300	300
Moldova Stock Exchange	Stock Exchange	2.56	10	10
Other			7	7
			757	757

All available for sale investments as at 31 December 2008 and 2007 are carried at cost because there is no quoted market price in an active market for them and the fair value cannot be reliably determined. No impairment was assessed in respect of these investments as at 31 December 2008 and 2007.

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

8. Property and equipment

	Land and buildings MDL'000	Furniture and equipment MDL'000	Motor vehicles MDL'000	Improvements of leasehold assets MDL'000	Assets under construction MDL'000	Total MDL'000
Cost						
Balance as at 1 January 2008	88,562	79,144	5,899	1,911	13,486	189,002
Additions	6	229	-	-	40,903	41,138
Transfers	2,442	18,532	3,082	-	(24,056)	-
Disposals	(5)	(6,254)	(372)	-	-	(6,631)
Balance as at 31 December 2008	91,005	91,651	8,609	1,911	30,333	223,509
Accumulated depreciation						
Balance as at 1 January 2008	10,674	58,160	4,256	558	-	73,648
Charge for the year	3,571	8,912	576	361	-	13,420
Disposals	(1)	(6,054)	(101)	-	-	(6,156)
Balance as at 31 December 2008	14,244	61,018	4,731	919	-	80,912
Net book value						
At 31 December 2008	76,761	30,633	3,878	992	30,333	142,597
At 31 December 2007	77,888	20,984	1,643	1,353	13,486	115,354

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

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

8. Property and equipment (continued)

	Land and buildings MDL'000	Furniture and equipment MDL'000	Motor vehicles MDL'000	Improvements of leasehold assets MDL'000	Assets under construction MDL'000	Total MDL'000
Cost						
Balance as at 1 January 2007	88,276	70,257	5,963	1,946	4,421	170,863
Additions	286	772	-	-	18,235	19,293
Transfers	-	9,086	-	-	(9,086)	-
Disposals	-	(971)	(64)	(35)	(84)	(1,154)
Balance as at 31 December 2007	88,562	79,144	5,899	1,911	13,486	189,002
Accumulated depreciation						
Balance as at 1 January 2007	8,470	51,186	3,764	228	-	63,648
Charge for the year	2,204	7,914	552	330	-	11,000
Disposals	-	(940)	(60)	-	-	(1,000)
Balance as at 31 December 2007	10,674	58,160	4,256	558	-	73,648
Net book value						
At 31 December 2007	77,888	20,984	1,643	1,353	13,486	115,354
At 31 December 2006	79,806	19,071	2,199	1,718	4,421	107,215

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

9. Intangible assets

	Software in use MDL'000	Intangibles under construction MDL'000	Total MDL'000
Cost			
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	21,754	4,520	26,274
Accumulated depreciation			
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	17,333	-	17,333
Net book value			
At 31 December 2008	4,421	4,520	8,941
At 31 December 2007	3,615	640	4,255

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).

	Software in use MDL'000	Intangibles under construction MDL'000	Total MDL'000
Cost			
Balance as at 1 January 2007	18,993	302	19,295
Additions	98	1,000	1,098
Transfers	662	(662)	-
Disposals	(88)	-	(88)
Balance as at 31 December 2007	19,665	640	20,305
Accumulated depreciation			
Balance as at 1 January 2007	14,862	-	14,862
Charge for the year	1,202	-	1,202
Disposals	(14)	-	(14)
Balance as at 31 December 2007	16,050	-	16,050
Net book value			
At 31 December 2007	3,615	640	4,255
At 31 December 2006	4,131	302	4,433

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

10. Other assets

	2008	2007
	MDL'000	MDL'000
Receivables from international payment systems	3,160	13,254
Receivables from Visa and Europay	5,565	4,931
Receivables from AMEX	480	1,246
Included in cash and cash equivalents (Note 19)	9,205	19,431
Assets for resale	107,628	40,347
Inventory and spare parts	6,813	4,284
Prepayments	2,038	2,057
Other receivables	10,502	15,535
	126,981	62,223
Less: Allowance for impairment losses	(9,830)	(12,325)
	126,356	69,329

Assets for resale include foreclosed collateral on non-performing loans.

Movement in allowance for impairment losses on assets for resale is as follows:

	2008	2007
	MDL'000	MDL'000
Balance as at 1 January	12,325	5,147
Write-offs	(6,228)	(7)
Charge for the year	3,733	7,185
Balance as at 31 December	9,830	12,325

11. Due to banks

	2008	2007
	MDL'000	MDL'000
Current accounts	18,690	31,879
Overnight deposits of banks	-	20,025
Term deposits of banks	104,871	11,319
Loan from National Bank of Moldova	710	1,080
	124,271	64,303

The loan from the National Bank of Moldova is payable in 2015 and bears an effective interest rate of 10.5% (2007: 10.5%).

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

11. Due to banks (continued)

Term deposits of banks

	2008	2007
	MDL'000	MDL'000
BC Investprivatbank SA	29,523	11,319
BC Moldindconbank SA	14,795	-
BC Procredit Bank SA	16,107	-
ING Bank	44,446	-
	104,871	11,319

All loans and deposits from banks are attracted without a pledge.

12. Other borrowings

	2008	2007
	MDL'000	MDL'000
Loans from international financial institutions	27,410	56,074
Loans from Ministry of Finance	26,800	26,699
Loan from Aurodent SA	6,240	-
Loan from Hadson Financial Corporation	3,133	-
	63,583	82,773

Loans from international financial institutions

	2008	2007
	MDL'000	MDL'000
<i>EBRD</i>		
Loan agreement dated 29 October 2003	-	13,402
Loan agreement dated 14 June 2004	1,306	2,916
	1,306	16,318
<i>IFC</i>		
Loan agreement dated 29 June 2004	26,104	39,756
	27,410	56,074

12. Other borrowings (continued)

Loan from EBRD

The Bank had two credit lines from the European Bank for Reconstruction and Development (“EBRD”) in the amount of USD 4 million on 29 October 2003 and USD 6 million on 14 June 2004 having the right of cash withdrawal in USD and EUR. As at 31 December 2008 the amount outstanding was USD’000 125 (31 December 2007: USD’000 1,417). All loans are aimed to finance local small and medium sized enterprises. The loans received from EBRD are unsecured.

The interest rate on credit lines 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” in Note 33.3.

Loan from IFC

The Bank obtained credit line from the International Finance Corporation (“IFC”) of USD 5 million on 29 June 2004. As at 31 December 2008 the amount outstanding was USD’000 2,500 (31 December 2007: USD’000 3,500). Loan is aimed to finance local small and medium sized enterprises. The interest rate is equal for each quarterly interest period to a margin of 3.6% p.a. over the LIBOR at 6 months. This loan is 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” in Note 33.3.

Loans from 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: 10.75% and 13.2%). These loans are unsecured.

Loan from Hadson

The loan from Hadson Financial Corporation in amount of USD’000 300 was obtained according to agreement signed on 16 May 2008. This loan is aimed to cover the Bank’s need for USD currency for current operations. The loan bears fixed interest rate of 14% p.a. The final maturity is 16 May 2010. This loan is unsecured.

Loan from Aurodent

The loan from Aurodent SA in amount of USD’000 600 was obtained according to agreement signed on 19 November 2008. This loan is aimed to cover the Bank’s need for USD currency for current operations. The loan bears fixed interest rate of 15.2% p.a. The final maturity is 21 May 2010. This loan is unsecured.

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13. Due to customers

	2008	2007
	MDL'000	MDL'000
Corporate customers		
Current accounts	725,665	686,054
Term deposits	553,507	458,092
	1,279,172	1,144,146
Individuals		
Current accounts	422,314	473,658
Term deposits	2,694,735	1,738,354
	3,117,049	2,212,012
	4,396,221	3,356,158

Current accounts of corporate customers as at 31 December 2008 include restricted deposits under guarantee agreements in amount of MDL'000 55,742 (31 December 2007: MDL'000 22,535).

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

	2008				2007							
	MDL		FCY		MDL		FCY					
	%	%	%	%	%	%	%	%				
Enterprises												
Demand deposits	0.0	-	22.8	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	3.5	-	16.0	3.5	-	5.5
Term deposits over 1 year	13	-	23.0	5.5	-	15	13.0	-	17.5	5.5	-	6.0
Individuals												
Demand deposits	0.0	-	4.5	0	-	1.5	0.0	-	4.5	0.0	-	1.5
Term deposits up to 3 months	5.0	-	21.5	4	-	11	5.0	-	6.5	3.5	-	5.5
Term deposits >3 months< 1 year	14.25	-	24.2	5	-	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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14. Taxation

	2008	2007
	MDL'000	MDL'000
<i>Current income tax</i>		
Current income tax	-	13,614
	-	13,614
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	(4,106)
	-	(4,106)
Income tax expense for the year	-	9,508

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

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:

	2008	2007
	MDL'000	MDL'000
Accounting profit before tax	268,369	219,427
At Moldovan statutory income tax rate of 0% (2007: 15%)	-	32,914
Tax allowance	-	(13,614)
Effect of changes in tax rates	-	(4,106)
Non-deductible expenses	-	4,053
Income not subject to tax	-	(9,739)
At the effective income tax rate of 0% (2007: 4.33%)	-	9,508

In December 2007 the Company signed an Agreement with Moldovan fiscal authorities to use 50% income tax exemption for a period of five consecutive years from 1 January 2007 till 31 December 2011.

BC VICTORIABANK SA
NOTES TO THE FINANCIAL STATEMENTS
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14. Taxation (continued)

Deferred tax was calculated by applying the 2009 standard tax rate of 0% (2007: 2008 standard tax rate of 0%). Significant components of the Bank's gross deferred income tax liabilities are as follows:

	2008	2007
	MDL'000	MDL'000
Balance as at 1 January	-	4,106
Income statement (credit)/charge	-	(4,106)
Balance as at 31 December	-	-

Deferred income tax as at 31 December 2008 and 2007 relates to the following:

	Balance sheet		Income statement	
	2008	2007	2008	2007
	MDL'000	MDL'000	MDL'000	MDL'000
<i>Deferred income tax liability</i>				
Impairment loss on loans and advances to customers	-	-	-	4,119
Accelerated depreciation for tax purposes	-	-	-	1,541
Other assets	-	-	-	388
	-	-		
<i>Deferred income tax assets</i>				
Reflection of loans and advances to customers at amortized cost	-	-	-	(1,942)
	-	-		
Net deferred tax liability	-	-		
Deferred income tax release/(charge)			-	4,106

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15. Other liabilities

	2008	2007
	MDL'000	MDL'000
Settlements with individuals and companies	7,672	8,174
Payments to travellers cheques issuers	854	2,047
Pending amounts	2,221	2,822
Amounts in transit	1,186	1,777
Payables on documentary transactions	1,180	692
Other	6,643	8,016
	19,756	23,528

16. Ordinary shares

Share capital as at 31 December 2008 and 2007 represents 3,200 thousand ordinary shares authorized and issued. As at 31 December 2008 and 2007 the nominal value per share is MDL 10. All shares have equal voting rights and are fully paid.

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

	2008	2007
EBRD	15.06	15.06
Alpha Bank Romania SA	12.50	12.50
Turcan Victor	10.45	10.45
Atrium Limited	5.76	5.76
AVB-Prim SRL	5.76	5.76
Victoria Invest Limited	5.76	5.76
Financial Investments Corporation Limited	5.60	5.60
Others	39.11	39.11
	100%	100%

There are 193 other shareholders (31 December 2007: 190) of which 175 represent individuals and 18 – enterprises (31 December 2007: 174 individuals and 16 enterprises).

During the years ended 31 December 2008 and 2007 no dividends were declared and paid.

17. Statutory reserves

In accordance with the local legislation, 5% of the net profit of the Bank is required to be transferred to a non-distributable statutory reserve until such time as this reserve represents 15% of the share capital of the Bank.

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18. Capital management

The Bank's objectives when managing capital are to safeguard the Bank's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

The National Bank of Moldova requires each bank to hold the minimum level of the regulatory capital (MDL'000 100,000), and maintain a ratio of total regulatory capital to the risk-weighted asset at minimum of 12%.

During the past year, the Bank had complied in full with all its externally imposed capital requirements.

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

	Nominal amount			Risk weighted amount	
	2008	2007		2008	2007
	MDL'000	MDL'000		MDL'000	MDL'000
Balance sheet assets (net off reserves)					
Cash on hand	245,166	207,207	0%	-	-
Balances with National Bank	486,211	231,810	0%	-	-
Balances with National Bank denominated in FCY	418,196	275,417	20%	83,639	55,083
Current accounts and deposits with banks	245,025	206,531	20%	49,005	41,306
Treasury bills	424,620	338,783	0%	-	-
Loans, net (excluding mortgage)	1,462,461	1,245,826	100%	1,462,461	1,245,826
Loans, net (mortgage)	1,903,796	1,420,872	50%	951,898	710,436
Financial investments	757	757	100%	757	757
Property and equipment	142,597	115,354	100%	142,597	115,354
Intangible assets	8,941	4,255	100%	8,941	4,255
Other assets	126,361	70,871	100%	126,361	70,871
Total balance sheet items	5,464,131	4,117,683		2,825,659	2,243,888
Off-balance sheet items					
Guarantees issued	138,631	148,426	100%	138,631	148,426
Letters of credit	1,796	2,348	100%	1,796	2,348
Commitments to extend the loan	170,551	195,706	50%	85,276	97,853
Total off-balance sheet position	310,978	346,480		225,703	248,627
Total	5,775,109	4,464,163		3,051,362	2,492,515

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18. Capital management (continued)

	2008	2007
	MDL'000	MDL'000
Tier 1 capital		
Share capital, nominal	32,000	32,000
Share premium	10,250	10,250
Statutory reserves	4,800	4,800
Retained earnings	813,915	545,546
Total tier 1 capital	860,965	592,596
Tier 2 capital		
Revaluation reserve - available-for-sale investments	(665)	(1,675)
Total tier 2 capital	(665)	(1,675)
Total capital	860,300	590,921
Tier 1 ratio	28.22%	23.78%
Tier 1 and 2 ratio	28.19%	23.71%

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, statutory reserves and retained earnings. Certain adjustments are made to IFRS-based results and reserves. The other component of regulatory capital is Tier 2 capital, which includes revaluation reserves.

19. Cash and cash equivalents

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

	Notes	2008	2007
		MDL'000	MDL'000
Cash and balances with National Bank	3	245,166	267,207
Current accounts and deposits with banks	4	206,608	137,932
Treasury bills	5	295,848	259,589
Other assets	10	9,205	19,431
		756,827	684,159

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20. Interest and similar income and expense

	2008	2007
	MDL'000	MDL'000
<i>Interest and similar income</i>		
Loans and advances to customers	536,986	311,272
Investments available-for-sales	58,596	40,284
Loans and advances to banks	22,348	26,291
Investments held-to-maturity	-	234
	617,930	378,081
<i>Interest and similar expense</i>		
Deposits from individuals	(317,577)	(139,063)
Deposits from corporate clients	(64,621)	(34,230)
Deposits and loans from banks	(5,260)	(5,341)
Issued securities	(390)	(3,660)
Other borrowings	(6,984)	(11,652)
	(394,832)	(193,946)
Net interest income	223,098	184,135

21. Net fee and commission income

	2008	2007
	MDL'000	MDL'000
<i>Fee and commission income</i>		
Processing of payments by clients	40,867	43,691
Transactions with debit cards	47,043	40,222
Foreign exchange operations	12,670	15,574
Commission on guarantees and letters of credit	3,883	3,071
Brokerage fees	960	350
Other	18,329	16,828
	123,752	119,736
<i>Fee and commission expense</i>		
Commissions on debit card services	(21,341)	(22,809)
Payment transactions	(4,053)	(2,727)
Other	(1,006)	(2,391)
	(26,400)	(27,927)
Net fee and commission income	97,352	91,809

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22. Financial income, net

	2008	2007
	MDL'000	MDL'000
Gains on trading of foreign currency, net	105,842	64,725
Foreign exchange gains/(losses)	(9,235)	531
Gains on disposals of financial investments	11,452	967
Dividends received	38	9
Other	2	3
	108,099	66,235

23. Other operating income

	2008	2007
	MDL'000	MDL'000
Fines and penalties	5,927	1,794
Assets previously written-off	129	1,348
Income from SWIFT/Telex systems	23	1,162
Rent income	524	469
Other income	1,347	812
	7,950	5,585

24. Personnel expenses

	2008	2007
	MDL'000	MDL'000
Salaries and bonuses	53,445	39,448
Social insurance and contributions	12,701	9,920
Medical insurance	1,587	986
Other personnel expenses	2,636	584
	70,369	50,938

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

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25. General and administrative expenses

	2008	2007
	MDL'000	MDL'000
Utilities and rent	15,091	7,434
Repairs and maintenance	10,739	9,405
Advertising and charity	7,545	6,374
Postage and telephone	4,880	3,670
Stationery and supplies	3,387	3,417
Transportation	2,332	1,724
Safeguarding of assets and security costs	2,281	1,488
Contribution to Deposits Guarantee Fund	2,139	1,525
Insurance	1,652	1,762
Disposal of property and equipment	1,226	739
Taxes and penalties	981	1,078
Professional services	912	945
Training	608	924
Travel	423	539
Business promotion	133	104
Other	2,812	1,660
	57,141	42,788

26. Guarantees and other financial commitments

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

	2008	2007
	MDL'000	MDL'000
Letters of credit	1,796	2,348
Guarantees	138,631	148,426
Financing commitments and other	170,551	195,706
	310,978	346,480

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

Financing commitments represent the Bank's commitments to grant loans and advances to customers. Financing commitments do not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

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27. Capital commitments

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

28. Operating lease commitments

Where the Bank is lessee, the future minimum lease payments under non cancellable building and vehicles operating leases are as follows:

	2008	2007
	MDL'000	MDL'000
No later than 1 year	20,462	6,473
Later than 1 year and no later than 5 years	44,175	17,714
Later than 5 years	1,109	3,493
	65,746	27,680

29. Contingencies

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

30. Earnings per share

	Ordinary shares issued	Profit for the year MDL'000	Basic earning per share MDL
As at 31 December 2007	3,200,000	209,919	66
As at 31 December 2008	3,200,000	268,369	84

Basic earning per share are calculated by dividing net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares issued during the year. As at 31 December 2008 and 2007 there were no dilutive equity instruments subscribed to by the Bank.

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31. Fair value of financial instruments

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

	2008		2007	
	Carrying value MDL'000	Fair value MDL'000	Carrying value MDL'000	Fair value MDL'000
Financial assets				
Loans and advances to banks	245,025	245,025	206,531	205,212
Loans and advances to customers	3,366,257	3,150,522	2,666,698	2,566,138
Financial liabilities				
Due to banks	124,271	124,271	64,303	64,238
Other borrowings	63,583	59,128	82,773	81,661
Due to customers	4,396,221	4,199,795	3,356,158	3,244,518

(i) Loans and advances to banks

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

(ii) Loans and advances to customers

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

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

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

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32. Related parties

The main shareholders in the Bank, holding individually more than 5% of the share capital, are disclosed in Note 16. According to the Board of Directors and the Management Board, the Bank did not have as at 31 December 2008 and 2007 and during the financial years then ended an ultimate controlling party, i.e. an individual or a group of individuals who have a contractual arrangement to act together. The shareholders and their representatives in the Board of Directors and the Management Board act in co-operation with each other as part of governing and implementing the financial and operating policies of the Bank.

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. Vlad Plahotniuc, is the Chairman of the Board;
- Atrium Limited – Bank shareholder;
- Victoria Asigurari SRL – related parties to the Chairman of the Board, Mr. Vlad Plahotniuc;
- Franzeluta SA – the general director Mr. Eugeniu Balecu is the Vice-Chairman of the Board.

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.

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

	Directors and Executive Management		Related entities	
	2008	2007	2008	2007
	MDL'000	MDL'000	MDL'000	MDL'000
Balance sheet				
Loans and advances to customers	150	157	98,524	283,169
Deposits from customers and borrowings	229	2,152	158,546	43,252
Income statement				
Interest income earned	8	48	28,293	23,798
Interest expense on deposits	4	1,983	8,095	6,257

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties is at normal commercial rates. Loans to employees were granted at market rates. Outstanding balances at the year end are unsecured. There have been no guarantees provided or received from any related parties receivables or payables. For the year ended 31 December 2008, the Bank has not made doubtful debts relating to amounts owed by related parties (2007: Nil).

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.

33. Risk management

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

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

Risk management is carried out by a central treasury department (Bank Treasury) under policies approved by the Board of Directors. Bank Treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

33.1 Credit risk

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

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product and industry sector are approved quarterly by the Board of Directors.

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

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

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

33. Risk management (continued)

33.1 Credit risk (continued)

Credit quality by class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amounts presented are gross of impairment allowances.

		2008			
	Notes	Neither past due nor impaired MDL'000	Past due but not impaired MDL'000	Individually impaired MDL'000	Total MDL'000
Cash and balances with National Bank	3	1,149,573	-	-	1,149,573
Current accounts and deposits with banks	4	245,025	-	-	245,025
Treasury bills	5	424,620	-	-	424,620
Loans	6	3,116,955	330,603	5,873	3,453,431
Financial investments – available-for-sale	7	757	-	-	757
Other assets	10	9,205	-	-	9,205
		4,946,135	330,603	5,873	5,282,611
		2007			
	Notes	Neither past due nor impaired MDL'000	Past due but not impaired MDL'000	Individually impaired MDL'000	Total MDL'000
Cash and balances with National Bank	3	714,434	-	-	714,434
Current accounts and deposits with banks	4	206,531	-	-	206,531
Treasury bills	5	338,783	-	-	338,783
Loans	6	2,622,914	115,725	584	2,739,223
Financial investments – available-for-sale	7	757	-	-	757
Other assets	10	19,431	-	-	19,431
		3,902,850	115,725	584	4,019,159

33. Risk management (continued)

33.1 Credit risk (continued)

Credit-related commitments

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

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

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

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

	Notes	2008 MDL'000	2007 MDL'000
Balances with National Bank	3	904,407	507,227
Current accounts and deposits with banks	4	245,025	206,531
Treasury bills	5	424,620	338,783
Loans, net	6	3,366,257	2,666,698
Financial investments - available for sale	7	757	757
Other assets	10	126,356	69,329
		5,067,422	3,789,325
Off-balance sheet items	26	310,978	346,480
Total credit risk exposure		5,378,400	4,135,805

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

As shown above, 67.1% of the total maximum exposure is derived from loans and advances to banks and customers (2007: 69.5%); 7.9% represents investments in treasury bills (2007: 8.2%).

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

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33. Risk management (continued)

33.1 Credit risk (continued)

Risk concentrations of the maximum exposure to credit risk

The Bank's concentrations of risk are managed by client/counterparty and by industry sector. The maximum credit exposure to any client or counterparty as at 31 December 2008 was MDL'000 67,100 (as at 31 December 2007: MDL'000 106,284) before taking account of collateral or other credit enhancements.

The loans granted to major 20 major customers (Groups) of the Bank as at 31 December 2008 amounted at MDL'000 1,175,043 representing 34.03% of the Bank's gross loan portfolio (as at 31 December 2007: MDL'000 985,606 or 35.98%). These could be analyzed by industries as follows:

	2008	2007
	MDL'000	MDL'000
Commerce	311,051	297,704
Real estate construction	199,188	198,826
Food processing	149,690	-
Winery	127,127	135,848
Leasing	121,304	144,837
Sugar production	86,440	88,190
Services	60,000	30,000
Non-food industry	44,222	49,931
Micro financing	39,124	-
Air company	36,897	40,270
	1,175,043	985,606

For significant credit risk concentration at the industry level please refer to Note 6.

Loans and advances

Loans and advances are summarized as follows:

	2008			2007		
	Banks	Enterprise	Individual	Banks	Enterprise	Individual
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Neither past due nor impaired	-	2,661,459	455,496	68,542	2,255,083	367,831
Past due but not impaired	-	265,178	65,425	-	72,031	43,694
Individually impaired	-	87	5,786	-	46	538
Gross	-	2,926,724	526,707	68,542	2,327,160	412,063
Less: allowances for impairment	-	(72,597)	(14,577)	-	(65,489)	(7,036)
Net	-	2,854,127	512,130	68,542	2,261,671	405,027

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33. Risk management (continued)

33.1 Credit risk (continued)

(i) Loans and advances neither past due nor impaired

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

	2008			2007		
	Banks	Enterprise s	Individual s	Banks	Enterprise s	Individual s
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Standard	-	1,419,710	452,317	68,542	1,287,814	366,688
Watch	-	1,164,008	3,128	-	892,286	1,143
Sub-standard	-	77,741	51	-	74,983	-
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
	-	2,661,459	455,496	68,542	2,255,083	367,831

(ii) Loans and advances past due but not impaired

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

	2008			2007		
	Banks	Enterprises	Individuals	Banks	Enterprises	Individuals
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Past due up to 30 days	-	149,301	43,049	-	58,591	33,103
Past due 30-60 days	-	89,752	12,132	-	682	5,112
Past due 60-90 days	-	26,125	10,244	-	12,758	5,479
	-	265,178	65,425	-	72,031	43,694
Fair value of collateral	-	538,096	53,603	-	170,250	22,071

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets.

33. Risk management (continued)

33.1 Credit risk (continued)

(iii) Loans and advances individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is MDL'000 5,873 (2007: MDL'000 584). No collateral is held by the Bank relating to loans individually impaired (2007: MDL'000 177).

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets.

(iv) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification 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 local management, indicate that payment will most likely continue. These policies are kept under continuous review. Renegotiated loans that would otherwise be past due or impaired amounts to MDL'000 212,798 at 31 December 2008 (2007: MDL'000 163,044).

33.2 Market risk

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

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

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

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

The market risks arising from trading and non-trading activities are concentrated in Bank Treasury. Regular reports are submitted to the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

33. Risk management (continued)

33.2.1 Foreign exchange risk

The Bank takes on exposure to effects of fluctuations in the prevailing 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.

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 sensitive to the currency rates' modifications. The analysis demonstrates the effect of reasonably possible changes in currency rates against Moldovan Leu with all other variables held constant:

31 December 2008	Increase in currency rates, %	Effect on PBT MDL'000	Decrease in currency rates, %	Effect on PBT MDL'000
EUR	+5%	(718)	-5%	718
USD	+5%	512	-5%	(512)
31 December 2007	Increase in currency rates, %	Effect on PBT MDL'000	Decrease in currency rates, %	Effect on PBT MDL'000
EUR	+5%	(1,692)	-5%	1,692
USD	+5%	(1,015)	-5%	1,015

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

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33. Risk management (continued)

33.2.1 Foreign exchange risk (continued)

	31 December 2008				
	Total MDL'000	MDL MDL'000	USD MDL'000	EUR MDL'000	Other MDL'000
ASSETS					
Cash and balances with National Bank	1,149,573	627,589	153,433	361,495	7,056
Current accounts and deposits with banks	245,025	71,343	80,105	83,936	9,641
Treasury bills	424,620	424,620	-	-	-
Loans, net	3,366,257	1,822,881	394,261	1,149,115	-
Financial investments – available-for-sale	757	757	-	-	-
Property and equipment	142,597	142,597	-	-	-
Intangible assets	8,941	8,941	-	-	-
Current income tax asset	5	5	-	-	-
Other assets	126,356	113,998	4,703	7,548	107
Total assets	5,464,131	3,212,731	632,502	1,602,094	16,804
LIABILITIES					
Due to banks	124,271	3,287	18,171	102,813	-
Other borrowings	63,583	24,277	39,306	-	-
Due to customers	4,396,221	2,321,204	560,395	1,506,430	8,192
Other liabilities	19,756	7,896	4,400	7,203	257
Total liabilities	4,603,831	2,356,664	622,272	1,616,446	8,449
GAP	860,300	856,067	10,230	(14,352)	8,355

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33. Risk management (continued)

33.2.1 Foreign exchange risk (continued)

	31 December 2007				
	Total MDL'000	MDL MDL'000	USD MDL'000	EUR MDL'000	Other MDL'000
ASSETS					
Cash and balances with National Bank	714,434	337,065	138,689	235,107	3,573
Current accounts and deposits with banks	206,531	25,010	62,830	117,137	1,554
Treasury bills	338,783	335,903	2,880	-	-
Loans, net	2,666,698	1,361,806	476,099	828,793	-
Financial investments – available-for-sale	757	757	-	-	-
Property and equipment	115,354	115,354	-	-	-
Intangible assets	4,255	4,255	-	-	-
Current income tax asset	1,542	1,542	-	-	-
Other assets	69,329	40,820	15,600	12,656	253
Total assets	4,117,683	2,222,512	696,098	1,193,693	5,380
LIABILITIES					
Due to banks	64,303	42,851	20,012	1,440	-
Other borrowings	82,773	25,540	56,995	238	-
Due to customers	3,356,158	1,535,919	606,435	1,208,726	5,078
Other liabilities	23,528	2,036	13,876	7,378	238
Total liabilities	3,526,762	1,606,346	697,318	1,217,782	5,316
GAP	590,921	616,166	(1,220)	(24,089)	64

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

33. Risk management (continued)

33.2.2 Interest rate risk

Interest sensitivity of assets, liabilities and off balance sheet items – repricing analysis

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

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
2008	+100	6,035	-100	(6,035)
	+50	3,017	-50	(3,017)
2007	+100	8,489	-100	(8,489)
	+50	4,245	-50	(4,245)

The tables below summarize the Bank's exposure to interest rate risks at 31 December 2008 and 31 December 2007. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

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31 December 2008	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 month 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 and balances with National Bank	1,149,573	197,880	92,005	299,390	41,479	1,839	516,980
Current accounts and deposits with banks	245,025	229,495	-	14,500	-	-	1,030
Treasury bills	424,620	269,125	54,375	90,576	9,800	-	744
Loans, net	3,366,257	258,477	252,558	1,308,103	1,332,942	196,277	17,900
Financial investments – available-for-sale	757	-	-	-	-	-	757
Financial investments – held-to-maturity	-	-	-	-	-	-	-
Property and equipment	142,597	-	-	-	-	-	142,597
Intangible assets	8,941	-	-	-	-	-	8,941
Current income tax asset	5	-	-	-	-	-	5
Other assets	126,356	-	-	-	-	-	126,356
Total assets	5,464,131	954,977	398,938	1,712,569	1,384,221	198,116	815,310
LIABILITIES							
Due to banks	124,271	50,965	-	60,175	-	710	12,421
Other borrowings	63,583	1,560	10,346	41,487	9,360	-	830
Due to customers	4,396,221	834,860	641,301	2,034,785	284,422	13,026	587,827
Deferred tax liability	-	-	-	-	-	-	-
Other liabilities	19,756	-	-	-	-	-	19,756
Total liabilities	4,603,831	887,385	651,647	2,136,447	293,782	13,736	620,834
Interest gap	860,300	67,592	(252,709)	(423,878)	1,090,439	184,380	194,476
Cumulative interest gap		67,592	(185,117)	(608,995)	481,444	665,824	860,300

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For the Year Ended 31 December 2008

31 December 2007	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 month 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 and balances with National Bank	714,434	195,997	34,123	117,083	57,793	2,241	307,197
Current accounts and deposits with banks	206,531	179,575	1,319	-	-	-	25,637
Treasury bills	338,783	183,496	74,254	75,225	5,808	-	-
Loans, net	2,666,698	107,442	157,498	2,387,591	5,739	3,491	4,937
Financial investments – available-for-sale	757	-	-	-	-	-	757
Property and equipment	115,354	-	-	-	-	-	115,354
Intangible assets	4,255	-	-	-	-	-	4,255
Current income tax asset	1,542	-	-	-	-	-	1,542
Other assets	69,329	-	-	-	-	-	69,329
Total assets	4,117,683	666,510	267,194	2,579,899	69,340	5,732	529,008
LIABILITIES							
Due to banks	64,303	61,692	-	1,080	-	-	1,531
Other borrowings	82,773	-	2,916	78,677	-	-	1,180
Due to customers	3,356,158	677,019	326,037	1,126,580	547,637	8,942	669,943
Other liabilities	23,528	-	-	-	-	-	23,528
Total liabilities	3,526,762	738,711	328,953	1,206,337	547,637	8,942	696,182
Interest gap	590,921	(72,201)	(61,759)	1,373,562	(478,297)	(3,210)	(167,174)
Cumulative interest gap		(72,201)	(133,960)	1,239,602	761,305	758,095	590,921

33. Risk management (continued)

33.3 Liquidity risk

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

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

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

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

As at 31 December 2007 the Bank classified borrowings in total of MDL'000 56,074 from EBRD and IFC in category of "Up to 1 month" due to breach of financial covenants. See details in Note 12.

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

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31 December 2008	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 month to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Undefined maturity MDL'000
ASSETS							
Cash and balances with National Bank	1,149,573	1,149,573	-	-	-	-	-
Current accounts and deposits with banks	245,025	230,525	-	14,500	-	-	-
Treasury bills	424,620	269,869	54,375	90,576	9,800	-	-
Loans, net	3,366,257	258,802	254,417	1,307,346	1,332,942	196,277	16,473
Financial investments – available-for-sale	757	-	-	757	-	-	-
Property and equipment	142,597	-	-	-	-	-	142,597
Intangible assets	8,941	-	-	-	-	-	8,941
Current income tax asset	5	-	5	-	-	-	-
Other assets	126,356	22,560	-	-	-	-	103,796
Total assets	5,464,131	1,931,329	308,797	1,413,179	1,342,742	196,277	271,807
LIABILITIES							
Due to banks	124,271	64,096	-	60,175	-	-	-
Other borrowings	63,583	350	545	13,374	36,183	13,131	-
Due to customers	4,396,221	1,476,972	620,777	2,005,973	279,473	13,026	-
Other liabilities	19,756	11,855	908	-	-	-	6,993
Total liabilities	4,603,831	1,553,273	622,230	2,079,522	315,656	26,157	6,993
Maturity gap	860,300	378,056	(313,433)	(666,343)	1,027,086	170,120	264,814
Cumulative maturity gap		378,056	64,623	(601,720)	425,366	595,486	860,300

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31 December 2007	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 month to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Undefined maturity MDL'000
ASSETS							
Cash and balances with National Bank	714,434	714,434	-	-	-	-	-
Current accounts and deposits with banks	206,531	157,660	16,319	7,995	1,319	23,238	-
Treasury bills	338,783	188,466	74,255	70,254	5,808	-	-
Loans, net	2,666,698	107,443	157,406	745,664	1,521,036	135,149	-
Financial investments – available-for-sale	757	-	-	757	-	-	-
Property and equipment	115,354	-	-	-	-	-	115,354
Intangible assets	4,255	-	-	-	-	-	4,255
Current income tax asset	1,542	-	1,542	-	-	-	-
Other assets	69,329	25,403	16,108	3,808	24,010	-	-
Total assets	4,117,683	1,193,406	265,630	828,478	1,552,173	158,387	119,609
LIABILITIES							
Due to banks	64,303	63,223	-	-	-	1,080	-
Other borrowings	82,773	58,357	5,077	5,574	773	12,992	-
Due to customers	3,356,158	1,341,943	326,389	1,146,344	532,539	8,943	-
Other liabilities	23,528	11,662	10,521	1,345	-	-	-
Total liabilities	3,526,762	1,475,185	341,987	1,153,263	533,312	23,015	-
Maturity gap	590,921	(281,779)	(76,357)	(324,785)	1,018,861	135,372	119,609
Cumulative maturity gap		(281,779)	(358,136)	(682,921)	335,940	471,312	590,921

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NOTES TO THE FINANCIAL STATEMENTS
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33. Risk management (continued)

33.3 Liquidity risk (continued)

The tables below summarize the maturity profile of the Bank's financial liabilities at 31 December 2008 and 2007 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment at the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

31 December 2008	On demand MDL'000	Less than 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Total MDL'000
Due to banks	64,047	-	63,548	597	1,304	129,496
Other borrowings	257	609	14,942	39,827	13,395	69,030
Due to customers	1,604,712	674,285	2,181,784	305,079	14,173	4,780,033
	1,669,016	674,894	2,260,274	345,503	28,872	4,978,559

31 December 2007	On demand MDL'000	Less than 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Total MDL'000
Due to banks	31,879	31,319	-	756	1,188	65,142
Other borrowings	-	1,660	31,453	36,734	13,856	83,703
Due to customers	1,150,430	515,700	1,144,002	538,502	10,804	3,359,438
	1,182,309	548,679	1,175,455	575,992	25,848	3,508,283

The tables below show the contractual expiry by maturity of the Bank's contingent liabilities and commitments:

31 December 2008	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
Commitments and guarantees	32,044	125,010	149,643	4,281	310,978
	32,044	125,010	149,643	4,281	310,978

31 December 2007	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
Commitments and guarantees	40,781	130,569	174,246	884	346,480
	40,781	130,569	174,246	884	346,480

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