VICTORIABANK
PRIMA BANCĂ DIN MOLDOVA

Statement of financial position

2015

Statement of financial position as at 31 december 2015

	31 december 2015	31 december 2014
ASSETS	MDL'000	MDL'000
Cash and balances with the National Bank of Moldova	*3,086,458*	*2,343,338*
Current accounts and deposits with banks	*1,640,804*	*2,059,759*
Equity securities – available-for-sale	*166,078*	*153,687*
Debt securities – held to maturity	*968,247*	*1,362,948*
Loans to customers, net	*5,518,138*	*5,641,567*
Property and equipment	*153,193*	*151,587*
Intangible assets	*57,415*	*46,757*
Investment property	*235,687*	*183,718*
Current income tax receivables	*11,728*	*9,454*
Assets held for sale	*73,243*	*22,510*
Other assets	*173,765*	*205,033*
Total assets	***12,084,756***	***12,180,358***
LIABILITIES		
Liabilities due to banks	*292,588*	*150,229*
Other borrowings	*398,292*	*383,043*
Liabilities due to customers	*9,228,227*	*9,615,686*
Current income tax liabilities	*91*	*4,225*
Deferred income tax liabilities	*4,974*	*77,653*
Other liabilities	*100,410*	*51,225*
Total liabilities	***10,024,582***	***10,282,061***

	31 december 2015	31 december 2014
	MDL'000	MDL'000
EQUITY		
Ordinary shares	*250,001*	*250,001*
Share premium	*10,250*	*10,250*
Revaluation reserve related to fair value of equity securities available for sale	*152,666*	*103,180*
Statutory reserves	*25,000*	*25,000*
Other reserves	*496,695*	*684,548*
Retained earnings	*1,125,562*	*825,318*
Total equity	***2,060,174***	***1,898,297***
TOTAL LIABILITIES AND EQUITY	***12,084,756***	***12,180,358***

These financial statements were authorized to be issued on 12 May 2016 by the Bank's management represented by:

President
Natalia Politov-Cangaș

Chief Accountant
Maria Iovu

Statement of profit or loss and other comprehensive income for the year ended 31 december 2015

	Year ended 31 December 2015	Year ended 31 December 2014
	MDL'000	MDL'000
Interest income	*876,749*	*712,062*
Interest expenses	*(382,059)*	*(403,061)*
Net interest income	***494,690***	***309,001***
Fee and commission income	*253,885*	*228,589*
Fee and commission expenses	*(81,283)*	*(67,393)*
Net fee and commission income	***172,602***	***161,196***
Financial income, net	*238,922*	*122,382*
Other operational income	*5,957*	*8,952*
Total operational income	***912,171***	***601,531***
Impairment charge on assets	*(537,168)*	*(73,660)*
Net operational income	***375,003***	***527,870***
Personnel expenses	*(168,079)*	*(146,556)*
General and administrative expenses	*(135,193)*	*(132,480)*
Amortization	*(35,159)*	*(28,578)*
Total operational expenses	***(338,431)***	***(307,614)***

	Exercițiul financiar încheiat la 31 december 2015	Exercițiul financiar încheiat la 31 december 2014
	MDL'000	MDL'000
Profit before tax	***36,572***	***220,255***
Income tax (expenses)/ income	*75,819*	*(21,700)*
Net profit for the year	*112,391*	*198,555*
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Reserve related to the fair value (available for sale financial instruments), Net change of fair value	*49,486*	*33,952*
Other comprehensive income for the year	***49,486***	***33,952***
Statement of comprehensive income for the year	***161,877***	***232,507***

These financial statements were authorized to be issued on 12 May 2016 by the Bank's management represented by:

President
Natalia Politov-Cangaș

Chief Accountant
Maria Iovu

Situația modificărilor în capitalurile proprii pentru exercițiul financiar încheiat la 31 december 2015

	Ordinary shares	Share premium	Revaluation reserve on available for sale equity securities	Statutory reserve	Other reserves*	Retained earnings	Total
	MDL'000	*MDL'000*	*MDL'000*	*MDL'000*	*MDL'000*	*MDL'000*	*MDL'000*
Balance as at 1 January 2014	***250,001***	***10,250***	***69,228***	***25,000***	***574,573***	***796,738***	***1,725,790***
Fair value change of equity securities available for sale	-	-	*33,952*	-	-	-	*33,952*
Net profit for the year	-	-	-	-	-	*198,555*	*198,555*
Total comprehensive income	-	-	***33,952***	-	-	***198,555***	***232,507***
Transactions with Bank's shareholders							
Contributions and distributions							
Dividends paid	-	-	-	-	-	*(60,000)*	*(60,000)*
Appropriation of reserves					*109,976*	*(109,976)*	-
Total transactions with Bank's shareholders	-	-	-	-	***109,976***	***(169,976)***	***(60,000)***
Balance as at 31 December 2014 and as at 1 January 2015	***250,001***	***10,250***	***103,180***	***25,000***	***684,548***	***825,318***	***1,898,297***
Fair value change of equity securities available for sale	-	-	*49,486*	-	-	-	*49,486*
Net profit for the year	-	-	-	-	-	*112,391*	*112,391*
Total comprehensive income	-	-	***49,486***	-	-	***112,391***	***161,877***
Transactions with Bank's shareholders							
Contributions and distributions							
Appropriation of reserves	-	-	-	-	*(187,853)*	*187,853*	-
Total transactions with Bank's shareholders	-	-	-	-	***(187,853)***	***187,853***	-
Balance as at 31 December 2015	***250,001***	***10,250***	***152,666***	***25,000***	***496,695***	***1,125,562***	***2,060,174***

* In accordance with the regulations of National Bank of Moldova, starting 2012, banks have to allocate from retained earnings to reserves, the amount of the difference between allowances for impairment on assets calculated based on prudential requirements of the National Bank of Moldova and those based on IFRS. Therefore, as at 31 December 2015, the Bank allocated to other reserves the cumulated amount of MDL 496,695 thousand. These reserves are non-distributable.

Statement of cash flow for the year ended 31 december 2015

	Note	Year ended 31 December 2015	Year ended 31 December 2014 (restated)*
		MDL'000	MDL'000
Cash flows from operations			
Interest receipts		*863,347*	*716,983*
Interest payments		*(360,402)*	*(404,142)*
Net fee and commission receipts		*170,608*	*162,079*
Net financial income and other operating income		*276,386*	*140,525*
Personnel costs		*(164,159)*	*(148,941)*
Payments of general and administrative expenses		*(133,701)*	*(127,148)*
Recoveries from loans written-off		*18,608*	*-*
Net cash flows from operating activities before changes of assets and liabilities		***670,687***	***339,356***
(Increase) / decrease in operational assets:			
Cash and balances with NBM		*(735,733)*	*(588,084)*
Current accounts and bank deposits		*(3,173)*	*(195)*
Debt securities held to maturity		*255,394*	*(335,444)*
Loans to customers		*(266,845)*	*1,264,990*
Other assets		*(9,723)*	*53,532*
Increase / (decrease) in operational liabilities:			
Liabilities due to banks		*142,103*	*109,662*
Liabilities due to customers		*(1,106,236)*	*(332,496)*
Other borrowings		*(224)*	*(141)*
Other liabilities		*42,089*	*(1,207)*

	Nota	Exercițiul financiar încheiat la 31 december 2015	Exercițiul financiar încheiat la 31 december 2014 (retratat)*
Net cash from operating activities before income tax		***(1,011,661)***	***509,973***
Income tax paid		*(6,696)*	*(5,000)*
Net cash from operating activities		*(1,018,357)*	*504,973*
Cash flows from investing activities			
Purchases of intangible assets	*9*	*(21,869)*	*(12,860)*
Purchases of property and equipment	*8*	*(27,046)*	*(16,701)*
Proceeds from sale of investment property		*6,506*	*-*
Proceeds from sale of available-for-sale equity investments		*40,637*	*-*
Net cash used in investing activities		***(1,772)***	***(29,561)***
Cash flows from financing activities			
Borrowings, net		*(47,909)*	*21,401*
Dividends paid		*-*	*(60,000)*
Net cash generated used in financing activities		***(47,909)***	***(38,599)***
Net cash flow		***(1,068,038)***	***436,813***
Cash and cash equivalent at the beginning of the year		***3,335,393***	***2,782,847***
Effects of exchange rate changes on cash and cash equivalents		*369,624*	*115,733*
Cash and cash equivalent at the end of the year	*19*	***2,636,979***	***3,335,393***

*Please see Noate 2.7 for restatements

NOTES TO THE FINANCIAL STATEMENTS
General information

BC Victoriabank SA (thereafter "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 Moldovan Stock Exchange. The Bank operates through its head office located in Chisinau, 34 branches (34 branches as at 31 December 2014) and 74 agencies (74 agencies as at 31 December 2014), located throughout the country.

The average number of Bank's employees as at 31 December 2015 was of 1,623 (1,531 as at 31 December 2014). The Head Office of the Bank is located at str. 31 August 1989, nr. 141, Chisinau, Republic of Moldova.

The Council of Administration formulates operating policies of the Bank and supervises their implementation. The Council is composed of 7 members appointed by the General Meeting of Shareholders.

At the Extraordinary General Shareholders Meeting from 23 October 2015, the following composition of Council of Administration was elected:

- Victor Turcan, member, Bank's shareholder;
- Igor Spoiala, member, administrator I.M. „Roofart" SRL;
- Pătrăhău Ionuț – Octavian, Administrator, SC "Brain Hospital Team" S.R.L., România; President of the Foundation for Modern Neurosurgery.
- RYAN Gavin Nicholas - (not approved by the National Bank of Moldova as at 31 December 2015)
- Vancikova Maria - (not approved by the National Bank of Moldova as at 31 December 2015)
- Juravliov Stepan - (not approved by the National Bank of Moldova as at 31 December 2015)
- Aladinskaia Alisa - (not approved by the National Bank of Moldova as at 31 December 2015i)

According to the Bank's internal regulation, the Council of Administration is exercising its duties only when having the quorum of 2/3 from the total number of members, namely after approval of at least 5 members by the National Bank of Moldova. As at the date of approval of these financial statements the Bank's Council of Administration was not functional because 4 members were not yet approved by the National Bank of Moldova. Starting 19 September 2014 and till the election of the new Administrative Council (i.e. 23 October 2015) the Bank also did not have a functional Council of Administration due to its suspension by a court decision.

The shareholders' structure and/ or groups of persons that act in concert and own significant share (i.e. greater than 1%) in the Bank's share capital and final beneficiaries as at 31 December 2015, based on information at the Bank's disposal and reported to the National Bank of Moldova according to the Regulation regarding disclosure of information related to their activity by the banks from Republic of Moldova, are presented below:

Direct owners						Final beneficiaries of significat share	
Nr.	Name of the shareholder	Residence country	Number of the group	Share, %	Voting rights, %	Name of final beneficiary	Residence country
1	*INSIDOWN LTD*	*CYP*	*0*	*39.2*	*39.2*	*Sergey Lobanov*	*RUS*
2	*Banca Europeana pentru Reconstrucție si Dezvoltare*	*GBR*	*0*	*15.06*	*15.06*	*Nu există*	-
3	*ALPHA BANK ROMANIA SA*	*ROU*	*0*	*12.5*	*12.5*	*Nu există*	-
4	*Țurcan Victor*	*MDA*	*0*	*10.45*	*10.45*	*Țurcan Victor*	*MDA*
5	*Proidisvet Galina*	*MDA*	*1*	*4.04*	*4.04*	*Proidisvet Galina*	*MDA*
6	*Artemenco Mihail*	*MDA*	*1*	*2.49*	*2.49*	*Artemenco Mihail*	*MDA*
7	*Țurcan Valentina*	*MDA*	*1*	*2.47*	*2.47*	*Țurcan Valentina*	*MDA*
8	*Artemenco Elena*	*MDA*	*1*	*2.45*	*2.45*	*Artemenco Elena*	*MDA*
9	*"Notabil" SRL*	*MDA*	*1*	*2.36*	*2.36*	*Țurcan Valentina*	*MDA*
10	*Bondari Iurie*	*MDA*	*0*	*1.01*	*1.01*	*Bondari Iurie*	*MDA*

Summary of main accounting policies

Declarations of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

Basis of of preparation

The financial statements have been prepared under the historical cost basis or amortised cost basis, except for available-for-sale investments which are carried at fair value. Non-current assets held for sale are stated at lower of carrying amount and fair value less cost to sell.

Preparation of the financial statements on a going concern basis assumes making judgments by the management, estimates and assumptions regarding income and expenses, assets and liabilities, cashflows, liquidity and capital requirements. Uncertainties regarding this estimates and assumptions may lead to results requiring important adjustments for assets, liabilities and capital requirements in future periods.

According the decision nr. 157 from 11 June 2015 of the Council of Administration of the National Bank of Moldova and the decisions nr. 24 from 11 September 2015, nr. 138 from 14 December 2015 and nr. 51 from 9 March 2016 of the Executive Committee of the National Bank of Moldova, based on reasons invoked in those decisions, the Bank was placed under special supervision for four consecutive terms of three months. Also, as mentioned in Note 1 the Bank does not have a functional Council of Administration starting 19 September 2014 after it was suspended by a court decision and, although the Extraordinary General Assembly of the Shareholders elected a new Council of Administration it has not started exercising its attributions till the date of approval of these financial statements. These aspects may have an impact on the going concern of the Bank. However, the Bank has recorded a net profit in amount of MDL 112,391 thousand for the year ended 31 December 2015 and retained earnings in amount of MDL 1,125,562 thousand, while the capital adequacy ratio, reported according to the requirements of the National Bank of Moldova, was 25.33% (the minimum being 16%) as at 31 December 2015. For 3 month period ended 31 March 2016, the Bank recorded an unaudited profit of MDL 62,439 thousand and a capital adequacy ratio of 25.43% as at 31 March 2016. In the same time, based on Bank's forecast, the management estimates a net profit of MDL 250 million for the year ending 31 December 2016, on a ground of increasing total assets by 10% (up to MDL 13,134 million) and total deposits by 11% (up to MDL 10,126 million) as compared to 31 December 2015 and by estimating an impairment charges on assets of MDL 132 million. The capital adequacy ratio estimated for 31 December 2016 is 25.2%.

Based on the above mentioned, the Bank's management assessed the Bank's capacity to continue as a going concern in the foreseeable future and concluded that the Bank will continue its activity in the foreseeable future (i.e. at least 12 months from 31 December 2015), in normal conditions and, therefore, the financial statements as at and for the year ended 31 December 2015 were prepared based on the going concern principle.

Functional and presentation currency

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The Bank's financial statements are presented in Moldovan Lei (MDL), which is the Bank's functional and presentation currency, rounded up to 1,000 units, except for the cases where otherwise specified.

Significant accounting judgments and estimates

The Bank makes estimates and assumptions that affect the reported amounts of assets, of liabilities, of income and expenses. Estimates and judgments 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

Impairment losses on loans

In determining whether an impairment loss should be recorded in the statement of profit or loss, the Bank makes judgments 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 similar credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

Impairment losses on individually significant loans are based on estimated discounted future cash flows of the individual loans, taking into account their repayment and sales of any assets held as collateral for these loans. A decrease or increase of 20% of the estimated future cash flows of loans analyzed individually for impairment, which may arise from differences in amounts and timing of cash flows, would result in an increase in impairment losses of MDL 282,064 thousand or a decrease in impairment losses of MDL 183,298 thousand, respectively.

The management has estimated the impact on the provision for loan losses collectively analyzed using stress scenarios of increase / decrease of probability of default with 20% used to estimate the provision collectively. The increase of the probability of default and future estimated cash flows with 20% may cause the increase of impairment losses of collectively analyzed loans with MDL 9,164 thousand, while the decrease of these indicators with 20% may cause a decrease of impairment losses with MDL 9,164 thousand respectively.

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.

Imparment losses on non-current assets held for sale, inventories and investment porperty

The Bank's assess at each reporting date whether there objective evidence that the non-current assets held for sale, inventories and investment property are impaired. The accounting policies regarding the impairment assessment of these assets are presented in Notes 2.5 r-t.

Assets held for sale are measured at the lower value of carrying amount and fair value minus costs of sale. A decrease or an increase of 20% of the fair value would not have an impact on the impairment value because the carrying amount of these assets remains lower than fair value minus costs of sale.

Inventories are valued at the lower of cost and net realizable value. A 20% decrease in net realizable value would generate an increase of impairment adjustments to net realizable value in amount of 9,212 thousand MDL, and a 20% increase in net realizable value would not have an impact because the carrying amount of these assets is less than the net realizable value.

Investment properties are measured at cost less accumulated amortization and impairment losses, both at initial recognition and at subsequent measurement, being tested annually for impairment. A 20% decrease in the market value would generate an increase of impairment losses of 16,279 thousand MDL, and an increase of 20% of the market value would have no impact.

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The management uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at each reporting date.

Significant accounting policies

The accounting policies have been applied consistently by the Bank to all financial periods presented in these financial statements.

Foreign currency translation

The financial statements are presented in Moldovan lei ("MDL"), which is the Bank's functional and presentation currency.

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 statement of profit or loss.

Modifications 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.

The non-monetary elements denominated in another currency that are accounted for at cost are translated using the exchange rates as of the date of the initial transaction. The non-monetary elements denominated in a foreign currency, measured at fair value are translated using the exchange rates as of the date of determining the fair value.

The year end and average exchange rates were the following for the currencies that had a significant impact on the Bank's financial statements:

	2015		2014	
	USD	EURO	USD	EURO
Average for the period	*18.8161*	*20.8980*	*14,0388*	*18,6321*
Year end	*19.6585*	*21.4779*	*15,6152*	*18,9966*

Financial assets and liabilities

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 assets at initial recognition.

Financial assets at fair value through profit or loss

AThis 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 benefits.

Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Gains and losses arising from changes in the fair value of derivatives that are managed in connection with designated financial assets or financial liabilities are included in net income from financial instruments designated at fair value.

As at 31 December 2015 and 2014, the Bank does not have financial assets at fair value through profit or loss.

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 loan impairment.

Financial assets 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".

As at 31 December 2015 and 31 December 2015, the Bank classifies its treasury bills issued by the Ministry of Finance and National Bank of Moldova bills as held to maturity investments.

Financial assets available for sale

All investments which were not classified as financial assets held for sale or held to maturity, or loans and receivables, shall be classified as financial assets available for sale.

Financial assets available for sale are initially recognized at fair value plus transactions costs. Subsequent to initial recognition available for sale securities are revalued at fair value, except the cases when the fair value cannot be reliably determined and are measured at cost minus any impairment losses.

The fair values are based on quoted prices or are estimated based on cash flow models and coefficients which reflect the specific circumstances of the issuer. Changes in fair value for financial instruments available for sale are recognized in other comprehensive income.

Financial liabilities

The Bank classifies its financial liabilities as other liabilities which are measured at amortised cost.

Recognition and derecognition

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 profit or loss account.

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.

Subsequent measurement

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 profit or loss 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. In these cases, gains and losses previously recognized in other comprehensive income shall be 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 profit or loss. 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.

Offsetting financial instruments

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

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 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 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.

Fee and commission income and expense

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-pro-rated basis. Other commission expenses refer to commission related to transaction activity and services, which are recognized at the moment of rendering the services.

Sale and repurchase agreements („REPO")

Securities sold subject to repurchase agreements ("repo") are classified in the financial statements as held to maturity investments (treasury bills) and the counter party liability is included in 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 is 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.

Impairment of financial assets

Assets carried at amortized cost

The Bank assesses at each reporting 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 generating 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, sales to current liabilities ratio);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings, etc.

The estimated period between a losses occurring and its identification is determined by management for each identified portfolio. In general, the period considered is 90 days depending on type of loan portfolio.

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 adjustment for impairment account, and the amount of the loss is recognized in the income statement.

The calculation of the present value of the estimated future cash flows of a financial asset pledged as collateral, reflects the cash flows that may result from it's sale, less repossession and related disposal costs, whether or not the foreclosure is probable or not.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (e.g. legal entities - Big Corporate Loans, SME < 1% of total regulatory capital, (the limit of the branch) + Individual Enterprises/Farmers and individuals – mortgage, repair, ordinary loans with collateral and consumer loans without collateral) considering asset type and past-due status. 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 assessed for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical losses 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. 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.

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, the previously recognized impairment loss is reversed by adjusting the impairment allowance account. The amount of the reversal is recognized in the profit or loss account in impairment change for credit losses.

Write off policy

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

Assets carried at fair value though other comprehensive income

The Bank assess at each reporting 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 profit or loss. Impairment losses recognized in the profit or loss on equity instruments are not reversed through the profit or loss. If, in a subsequent period, the fair value of 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.

Renegotiated loans
Where possible, the Bank restructures loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated the loan is considered overdue and held during a certain "quarantine" period. Should the period expire, the loan is no longer considered overdue and is attributed a current status. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

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 (3 to 20 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 related overheads.

Computer software development costs recognized as assets are amortised using the straight-line method over their useful lives (not exceeding 10 years).

Property and equipment
All property and equipment is stated at historical cost less amortization. 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 amortized. Amortization on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Assets type	Years
Buildings	*45*
Computers, furniture and equipment	*3-10*
Vehicles	*7*

Assets under construction are not amortized until they are brought in use.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 and equipment are determined by reference to their carrying amount. These are included in operating expenses in the profit or loss statement.

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 that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Cash and cash equivalents
In the cash flow statement, cash and cash equivalents comprise balances with less than three months initial maturity of the assets from ac-

quisition dates, including: cash, non-restricted balances with National Bank of Moldova, treasury bills, NBM certificates and amounts due from other banks. Cash is evaluated at amortized cost in the statement of financial position.

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 is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of a transfer related to any 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 in 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.

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 and the best estimate of the expenditure required to settle any financial obligation arising at the reporting 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 recognized in the income statement.

Employee Benefits

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 postretirement benefit plan. The Bank has no obligation to provide further services to current or former employees.

Income Tax

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 income tax rate for 2015 was 12% (2014 - 12%).

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible tax differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

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 profit or loss, over the period of the borrowings using the effective interest method.

Customers' deposits and current accounts
Customers' current accounts and deposits are recognized at fair value and are subsequently carried at amortized cost using the effective interest rate.

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

Non-current assets held for sale
Non-current assets held for sale include the collateral executed to non-performing loans. These were classified as assets held for sale, considering that their book value is to be recovered through a sale transaction, and the sale is highly probable. These are stated at the lower of carrying amount and fair value less costs to sell.

Inventories
Inventories include collateral executed for non-performing loans. These were not classified as assets held for sale, taking into account that are not in the condition to be sold within next 12 months.

Inventories are stated at the lower of cost and net realizable value. The value of any decrease in the net book value of inventories to the net realizable value is charged as expense in the period it is incurred.

For each subsequent period, a new valuation is made of the net realizable value. When those conditions that in the past led to a reduction in the book value of inventories below cost have ceased to exist or when there is clear evidence of an increase in the net realizable value as a result of changes in the economic circumstances, the amount representing the reduction in the book value is reversed, so that the net book value of inventory equals the lower of cost and the revised net realizable value.

When inventories are sold, book value of those inventories should be recognized as expenses in the period when the corresponding income is recognized.

Investment property
Investment property are held either in order to earn rental income or capital gains or both in order, but not for sale in the ordinary course of business, use in production or services or for administrative purposes. These investment properties were acquired through the exercise of rights on pledged collateral from non-performing loans. These are stated at cost less accumulated amortization and impairment losses, both on initial recognition and subsequent measurement being tested annually for impairment. Cost includes expenditure directly attributable to the acquisition of investment property.

Any gain or loss on disposed investment property (calculated as the difference between net proceeds and the carrying amount of output thereof) is recognized in the statement of profit or loss and other comprehensive income. At transfer of investment property to property and equipment, its cost will be the the cost of property at the date of reclassification. Investment properties are derecognised on transfer.

Contingent assets and liabilities
Contingent liabilities are not recognized in the financial statements, but they are disclosed unless there is a possibility of an outflow of resources to settle current obligations.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Related parties
Parties are considered related with the Bank when one party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly or indirectly control or significantly influence the other party in making financial and operating decisions.

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

Segment reporting
An segment of activity is component of the Bank which engages in business activities which may generate income and incur expenses, whose results are examined periodically by Bank's decision factors with the purpose of allocating resources to segments and evaluating their performance and for which separate financial information is available.

Due to the fact that the legal environment, the nature of the services, activity, decision making process, client type for products and services rendered, and also the methods used in delivering services are homogenous for all its activities, the Bank operates a single activity segment. The results are examined by the Bank only at Bank level, as a unique segment.

Subsequent events

Post-reporting date events that provide additional information about the Bank's position at the statement of financial position (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when significant.

Future amendments to Accounting Policies: standards and interpretations issued but not yet adopted or not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2015, and have not been applied in preparing these financial statements:

Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2016)

Definition of materiality was modified for clarifying its applicability on the overall financial statements and each disclosure requirement in IFRS. Furthermore, the guidance on the sequence of the notes has been amended to clarify that entities have flexibility in disclosing accounting policies in the financial statements. The Bank expects that such amendments will not have a material impact on the presentation of the financial statements.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016)

The amendments prevent the use of the revenue-based amortisation method for tangible assets and introduce restrictions on the applicability of this method for intangible assets. The Bank expects that the amendments will not have a material impact on the presentation of financial statements because they do not apply revenue-based methods of amortisation/depreciation.

Annual amendments to IFRS (2010 - 2012 and 2012 - 2014 cycles, most applicable to annual periods starting with 1 February 2015 or 1 January 2016)

The amendments introduce modifications of the standards. The amendments likely to impact the Bank's activities are presented below:

- IFRS 8 – Operating segments: the amendments introduce requirements to disclose the judgements made in disclosing aggregated operating segments;
- IFRS 13 – Fair value measurement: the amendments clarify that the short-term payables and receivables with no stated interest may be disclosed in the fair value note at their invoiced amounts if the effect of discounting is immaterial;
- IAS 16 and IAS 38 – clarify the restatement of accumulated depreciation/amortisation at the revaluation date;
- IAS 24 – extend the definition of related parties;
- IAS 40 – Investment property: the amendments clarify the criteria of separation between investment property according to IAS 40 or a business combination according to IFRS 3;
- IFRS 7 – Financial instrument disclosures: the amendments clarify continuing involvement in a transferred asset.
- IAS 27 -The amendments allow an entity to assess its subsidiaries, associates and joint ventures in the consolidated and separate financial statements using the equity method.

The Bank considers that these amendments will not have a material effect on the financial statements.

IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions)

This Standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, about classification and measurement of financial assets, except that it allows the application of hedge accounting for a portfolio of financial assets or financial liabilities of the entity either based on the requirements of IAS 39 or IFRS 9, depending on the provisions of the accounting policies applied by the entity and choice. Although the permissible measurement bases for financial assets (amortised cost, fair value through other comprehensive income and fair value through profit and loss) are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost or financial assets measured at fair value. A financial asset is measured at amortized cost if the following two conditions are met: the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Gains and losses on re-measurement of financial assets measured at fair value are recognized in the statement of profit or loss and other comprehensive income, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis.No amount recognized in OCI is ever reclassified to profit or loss at a later date. It is expected that the new Standard, when initially applied, will have a significant impact on the financial statements, since the classification and the measurement of the Bank's financial assets are expected to change. The Bank is in the process to prepare an analysis of the impact this will have on the financial statements until the date of initial application.

IFRS 15 – "Revenue from contracts with customers" (with effect for periods beginning on or after 1 January 2017)

Issued standard replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. This standart is applicable to contracts with customers other than insurance contracts, financial instruments, leasing. The standard prescribes a single model for analysis of contracts with customers and two approaches of revenue recognition - at one time or on duration of the contract, depending on the time of fulfillment according to the contract. The Bank believes that this standard will not have a material effect on the financial statements as the majority of contracts with customers are subject to other standard.

Reclassifications

REPO operations with NBM

As at 31 December 2014 REPO operations with the NBM were presented under "Liabilities due to customers". However, after analyzing the content of these transactions and operations, the Bank has concluded that they should be given under "Liabilities due to banks". Accordingly, the Bank reclassified financial statements for each element of previous periods affected, as shown below:

Statement of financial position:

	Initial report	Adjustments	Modified
Liabilities due to banks	*229*	*150,000*	*150,229*
Liabilities due to customers	*9,765,686*	*(150,000)*	*9,615,686*

Statement of Cash Flows: As at 31 Dec. 2014

	Initial report	Adjustments	Modified
Liabilities due to banks	*(40,388)*	*150,000*	*109,662*
Liabilities due to customers	*(182,496)*	*(150,000)*	*(332,496)*

The referred change takes effect only as presentation on the values presented in the statement of financial position and statement of cash flows, without affecting profit or loss account and the situation of other comprehensive income and statement of changes in equity for any of the periods presented in these financial statements.

Cash and cash equivalents

At 31 December 2014 the balance of required reserves placed with NBM for attracted funds in national currency maintained by the Bank in "Nostro" account with the National Bank of Moldova was presented as cash and cash equivalents. However, after analyzing the content of these balances, the Bank concluded that they should be presented as restricted cash and cash equivalents. The Bank has restated the financial statements for each element of previous periods affected, as shown below:

SStatement of Cash Flows: as at 31 dec. 2014:

	Initial report	Adjustments	Modified
(Increase) / decrease of operational assets: Cash and balances with National Bank of Moldova	*(58,849)*	*(529,235)*	*(588,084)*

Note 3 Cash and balances with National Bank of Moldova:

	Initial report	Adjustments	Modified
Balances with the National Bank of Moldova (unrestricted amounts)			
The "Nostro" account in the National Bank of Moldova	*791,780*	*(529,235)*	*262,456*
Balances with the National Bank of Moldova (restricted amounts)			
Mandatory reserve in Moldovan Lei	*-*	*529,235*	*529,235*

The referred change takes effect only as presentation on the values presented in the two notes mentioned above and in statement of cash flows, without affecting profit or loss account and the situation of other comprehensive income, statement of financial position, and statement of changes in equity for any of the periods presented in these financial statements.

Cash and balances with the National Bank of Moldova

	31 december 2015	31 december 2014
	MDL'000	*MDL'000*
Cash on hand	*619,916*	*543,207*
Overnight placements	*-*	*300,000*
Balances with the National Bank of Moldova (unrestricted amounts)		
Nostro account in the National Bank of Moldova	*374,690*	*262,546*
Total unrestricted cash	***994,606***	***1,105,753***
Balances with the National Bank of Moldova (restricted amounts)	*705,478*	*708,351*
Mandatory reserve in foreign currency	*1,386,374*	*529,234*
Total restricted cash	***2,091,852***	***1,237,585***
Total cash and balances with National Bank of Moldova	***3,086,458***	***2,343,338***

Current account and mandatory reserve

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. Funds denominated 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 2015 the rate for calculation of the minimum mandatory reserve ratio in MDL and in non-convertible currencies was 35%, and the minimum mandatory reserve ratio in convertible currencies was 14% (31 December 2014: 14% for all currencies).

The Bank maintains its mandatory reserves in "Loro" account opened with the NBM in amount of 35% of funds attracted in Moldovan Lei and non-convertible currencies, 14% reserves on funds denominated in USD and EUR are held in a special mandatory reserve account with NBM. The mandatory reserves held in the current account at NBM are available for use in the Bank's day to day operations.

As at 31 December, 2015, the balance reserved in "Nostro" account opened with NBM was of 1,761,064 MDL'000 (31 December 2014: 791,780 MDL'000). This balance included mandatory reserves regarding the funds attracted in MDL and in non-convertible currencies. The balance of reserves in USD and EUR from the mandatory reserves accounts was of 12,306 USD'000 and 21,583 EUR'000 (31 December 2014: 13,509 USD'000 and 26,184 EUR'000, equivalent of MDL 708,351 thousand), respectively.

The interest offered by NBM for the balances of the mandatory reserve accounts varied in 2015 from 1.27% to 16.5% for the reserves in MDL and from 0.27% to 0.71% for the reserves in foreign currencies (2014: 0.5% - 1.27% for the reserves in MDL and 0.34% - 1.28% for the reserves in foreign currencies).

The mandatory reserves has to be kept at an average limit between the dates of 8 and 7 of each month. The level is established as average throughout the period of 30/31 days. During the dates of reporting to NBM (8 and 7 of each month) these can be used at any capacity needed by the Bank.

Current accounts and deposits with banks

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Deposits	114,097	84,675
Overnight placements	-	6,908
Current accounts	1,526,707	1,968,176
	1,640,804	**2,059,759**
Cash and cash equivalents (Note 19)	**1,526,707**	**1,975,084**

Current accounts and deposits with banks are neither past due nor impaired. As at 31 December 2015 and as at 31 December 2014 amounts due from other banks are not pledged as collateral.

Placements with other banks and current accounts with original maturity of less than three months, are placed with banks in OECD countries, amouting to MDL 1,511,209 thousand (2014: MDL 1,594,773 thousand). Placements in non-OECD countries amount to MDL 15,498 thousand (2014: MDL 373,403 thousand) and are placed with banks in Moldova, Russia, Ukraine and Belarus.

The interest rate for placements with banks varied in 2015 from minus 0.2% to plus 0.9% for deposits in in foreign currency (2014: from 0.1% to LIBOR+6% in foreign currency).

Debt securities – held to maturity

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Held to maturity		
State securities	818,566	1,212,948
NBM certificates used for REPO transactions	149,681	150,000
	968,247	**1,362,948**
State securities included in cash and cash equivalents (Note 19)	**115,666**	**254,556**
State securities due after three months	**702,900**	**958,392**
NBM certificates used for REPO transactions	**149,681**	**150,000**
	968,247	**1,362,948**

State securities from the Bank's portfolio as at 31 December 2015 are represented by treasury bills issued by the Ministry of Finance of the Republic of Moldova in MDL discounted and redeemed at their nominal value at maturity, with maturity between 91 and 364 days, the interest rate range between 12.25% and 26.48% (2014: 4.01% and 12.05% pa) and state bonds issued by the Ministry of Finance of the Republic of Moldova in MDL at nominal value or with premium, for a period of 730-1096 days with fixed or floating interest rate with an original maturity of 730 - 1096 days and an interest rate varying between 8.00% and 24.85% p.a. (31 December 2014: 6.00% and 9.71% p.a.).

Certificates issued by the National Bank of Moldova from the Bank's portfolio as at 31 December 2015 have an original maturity of 14 days and an interest rate of 19.50% p.a. (2014: 4.50% p.a.). As at 31 December 2015 certificates issues by NBM in nominal amount of MDL 150,00 thousand are used for REPO transactions (31 December 2014: MDL 150,000 thousand). Other debt securities are not collateralized as at 31 December 2015 and 31 December 2014.

Loans to customers, net

The credit portfolio analysis according to their destination of use is presented below:

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Legal entities		
Production and trade	*1,593,964*	*1,897,433*
Real estate	*358,704*	*554,434*
Farming and food industry	*1,009,117*	*880,343*
Consumer loans	*4,133*	*17,337*
Transport and road construction	*422,388*	*265,851*
Energy sector	*288,655*	*219,753*
Government	*132,862*	*7,157*
OTHO Other	*1,451,453*	*1,472,603*
	5,261,275	***5,314,911***
Individuals		
Consumer loans	*360,405*	*371,360*
Mortgage loans	*239,823*	*187,581*
	600,228	***558,941***
Loans	***5,861,503***	***5,873,852***
Minus: allowances for impairment losses	*(343,365)*	*(232,284)*
	5,518,138	***5,641,567***

Average interest rate in 2015 for loans granted in MDL was 12.63% (2014: 10.085%), in foreign currency 6.68% (2014: 6.59%). Debtors are entitled to repay loans in advance, on condition of paying an early repayment fee of 1.00% from the amount paid in advance.

The following table shows the movement in allowances for impairment losses for loans during the years 2015 and 2014:

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Balance as at 1 January	***232,284***	***216,915***
Charge, net	*543,751*	*33,640*
Write-offs	*(449,666)*	*(25,008)*
Effects of foreign currency movements	*16,996*	*6,737*
Balance as at 31 December	***343,365***	***232,284***
Individual impairment	*276,627*	*201,233*
Collective impairment	*66,738*	*31,051*
	343,365	***232,284***

Equity securities – available-for-sale

Mișcarea în portofoliul de investiții este prezentată mai jos:

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Balance as at 1 January	***153,687***	***122,570***
Changes in the fair value	*53,028*	*31,117*
Additions	*843*	*-*
Disposals	*(41,480)*	*-*
Balance as at December 31	***166,078***	***153,687***

The difference from revaluation of equity securities available for sale during 2015 is mainly related due to the increase of fair value on investments in shares of VISA Inc. and MasterCard Incorporated.

During 2015 the Bank sold its investment in BC Moldova-Agroindbank SA.

Available for sale securities include equity investments in local not listed companies and foreign listed companies.

The analysis of the equity investments is the following:

	Scope of business	owned share 2015	31 December 2015	owned share 2014	31 December 2014
		%	MDL'000	%	MDL'000
Visa Inc.	*Payment processing*	*0.00*	*127,464*	*0.00*	*85,466*
Moldova Agroindbank SA	*Bank services*	*-*	*-*	*3.85*	*41,000*
MasterCard Inc.	*Payment processing*	*0.00*	*34,947*	*0.00*	*24,418*
CA "ALLIANCE INSURANCE GROUP" S.A. (ex- CA Victoria Asigurari SRL)	*Insurance*	*5.22*	*1,123*	*5.22*	*1,123*
IM Biroul de Credit SRL	*Data processing*	*6.67*	*1,014*	*6.67*	*1,014*
SWIFT SCRL	*International transfers*	*0.01*	*442*	*-*	*-*
Garant Invest SRL	*Collaterals*	*9.92*	*440*	*9.92*	*440*
Bursa de Valori	*Stock exchange*	*7.69*	*439*	*5.13*	*144*
Depozitarul Național de Valori Mobiliare al Moldovei SA	*Securities*	*5.05*	*159*	*4.63*	*31*
Other			*50*		*51*
			166,078		***153,687***

All the available-for-sale investments as at 31 December 2015 (except for the investment in Visa Inc. and Mastercard Inc.) are stated at cost, as there is no market price listed on an active market for them. The Bank did not register provisions for the impairment of equity securities available for sale, as the Bank estimates that there are no objective evidence of impairment for them. As at 31 December 2015 equity securities available for sale were not pledged as collateral.

Property and equipment

	Land and Buildings	Furniture and equipment	Vehicles	Improvements of leased assets	Assets under con-struction	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Cost						
Balance as at 1 January 2015	**114,867**	**138,930**	**16,689**	**14,582**	**8,111**	**293,179**
Additions	-	-	-	-	28,481	28,481
Transfers	1,924	20,247	3,070	1,295	(26,536)	-
Disposals	-	(6,293)	(394)	(333)	(1,021)	(8,041)
Balance as at 31 December 2015	**116,791**	**152,884**	**19,365**	**15,544**	**7,600**	**312,184**
Accumulated amortisation						
Balance as at 1 January 2015	**29,400**	**94,066**	**9,691**	**8,435**	**-**	**141,592**
Amortisation	3,745	15,544	1,802	2,858	-	23,949
Disposals	-	(6,043)	(394)	(113)	-	(6,550)
Balance as at 31 December 2015	**33,145**	**103,567**	**11,099**	**11,180**	**-**	**158,991**
Net book value						
As at 31 December 2015	**83,646**	**49,317**	**8,266**	**4,364**	**7,600**	**153,193**
As at 31 December 2014	**85,467**	**44,864**	**6,998**	**6,147**	**8,111**	**151,587**

As at 31 December 2015, the costs of property equipment fully depreciated and still used by the Bank amounted to 68,581 MDL'000 (31 December 2014: 63,816 MDL'000). As at 31 December 2015 tangible assets were not pledged as collateral.

	Land and Buildings	Furniture and equipment	Vehicles	Improvements of leased assets	Assets under con-struction	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Cost						
Balance as at 1 January 2014	**113,003**	**137,550**	**14,618**	**14,610**	**15,033**	**294,814**
Additions	-	83	-	-	16,618	16,701
Transfers	1,864	18,842	2,476	221	(23,403)	-
Disposals		(17,545)	(405)	(249)	(137)	(18,336)
Balance as at 31 December 2014	**114,867**	**138,930**	**16,689**	**14,582**	**8,111**	**293,179**
Accumulated amortisation						
Balance as at 1 January 2014	25,827	97,559	8,394	4,965	-	136,745
Amortisation	3,573	13,583	1,678	3,580	-	22,414
Disposals	-	(17,076)	(381)	(110)	-	(17,567)
Balance as at 31 December 2014	**29,400**	**94,066**	**9,691**	**8,435**	**-**	**141,592**
Net book value						
As at 31 December 2014	**85,467**	**44,864**	**6,998**	**6,147**	**8,111**	**151,587**
As at 31 December 2013	**87,176**	**39,991**	**6,224**	**9,645**	**15,033**	**158,069**

As at 31 December 2014, the costs of property and equipment fully amortised and still used by the Bank amounted to MDL'000 63,816 (31 December 2013: MDL'000 66,052).

Intangible assets

	Computer software	Intangible assets in progress	Total
Cost			
Balance as at 1 January 2015	***31,168***	***40,131***	***71,299***
Additions	*-*	*21,869*	*21,869*
Transfers	*59,110*	*(59,110)*	*-*
Disposals	*(60)*	*-*	*(60)*
Balance as at 31 December 2015	***90,218***	***2,890***	***93,108***
Accumulated amortisation			
Balance as at 1 January 2015	***24,542***	*-*	***24,542***
Amortisation	*11,211*	*-*	*11,211*
Disposals	*(60)*	*-*	*(60)*
Balance as at 31 December 2015	***35,693***	*-*	***35,693***
Net book value			
As at 31 December 2015	***54,525***	***2,890***	***57,415***
As at 31 December 2014	***6,626***	***40,131***	***46,757***

As at 31 December 2015, the cost of intangible assets fully amortised but still used by the Bank is MDL'000 15,931 (31 December 2014: MDL'000 10,361). As at 31 December 2015 and 2014 intangible assets have not been pledged as collateral.

	Computer software	Intangible assets in progress	Total
Cost			
Balance as at 1 January 2014	***40,319***	***29,916***	***70,235***
Additions	*43*	*12,817*	*12,860*
Transfers	*2,602*	*(2,602)*	*-*
Disposals	*(11,795)*	*-*	*(11,795)*
Balance as at 31 December 2014	***31,168***	***40,131***	***71,299***
Accumulated amortisation			
Balance as at 1 January 2014	***30,162***	*-*	***30,162***
Amortisation	*6,164*	*-*	*6,164*
Disposals	*(11,784)*	*-*	*(11,784)*
Balance as at 31 December 2014	***24,542***	*-*	***24,542***
Net book value			
As at 31 December 2014	***6,626***	***40,131***	***46,757***
As at 31 December 2013	***10,157***	***29,916***	***40,073***

Other assets

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Financial assets		
Receivables from international payment systems	*14,125*	*8,425*
Receivables from Visa and Mastercard	*9,164*	*11,312*
Other receivables	*93,538*	*108,314*
Minus: adjustment for impairment losses on other receivables	*(33,853)*	*(38,584)*
	82,974	***89,467***
Non-financial assets		
Inventories	*99,656*	*110,415*
Prepaid expenses	*5,327*	*10,062*
Minus: adjustment for net realizable value of inventories	*(14,192)*	*(4,911)*
	90,791	***115,566***
	173,765	***205,033***

Other receivables are settlements with individuals and entities, especially on sales of assets in possession for not-repaid loans. Inventories mainly represent assets repossessed in exchange for repayment of loans, held for sale which do not qualify as held for sale under IFRS 5.

Movement in allowance for impairment of other financial assets is presented below:

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Balance as at 1 January	***38,584***	***29,476***
Impairment charge/ (release) – net (Note 24)	*(4,731)*	*9,108*
Balance as at 31 December	*33,853*	*38,584*

Movement of allowance for adjustment to the net realizable value of inventories is presented below:

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Balance as at 1 January	***4,911***	***5,071***
Charge (Note 24)	*9,281*	*2,213*
Write-offs	-	*(2,373)*
Balance as at 31 December	***14,192***	***4,911***

Assets held for sale

As at 31 December 2015, the assets held for sale include executed collateral related to some non-performing loans.

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Assets held for sale	*87,433*	*28,599*
Minus: provision for impairment losses	*(14,190)*	*(6,089)*
Balance as at 31 December	***73,243***	***22,510***

Movement in allowance for impairment of assets held for sale is presented below:

	31 december 2015	31 december 2014
	MDL'000	MDL'000
	87,433	*28,599*
Balance as at 1 January	*6,089*	*-*
Impairment charge (Note 24)	*8,101*	*6,089*
Balance as at 31 December	***14,190***	***6,089***

Investment property

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Cost		
Balance as at 1 January	***221,984***	***91,402***
Additions	*57,849*	*130,582*
Disposals	*(6,506)*	*-*
Balance as at 31 December	***273,327***	***221,984***
Accumulated depreciation		
Balance as at 1 January	***(38,266)***	*-*
Impairment carge/ (release), net (Note 24)	*626*	*(38,266)*
Balance as at 31 December	***(37,640)***	***(38,266)***
	235,687	***183,718***

If investment property were assessed at fair value, determined by the Management of the Bank based on comparative market prices of similar real estate transactions, the resulted value as at 31 December 2015 would be MDL 273,991 thousand (2014: MDL 189,633 thousand). Fair value hierarchy level for presentation purposes - Level 3 – evaluation techiques based on quoted prices on real estate market, adjusted to specific characteristics of the items evaluated (exact location, offer price versus the demand, the surface of evaluated items etc.).

Plots of land with undetermined use represent agricultural land located in Danceni village, Ialoveni district, and Tohatin village, Chisinau city, which were taken into possession for failure to execution of credit contracts and loans for which the Bank has decided to keep them for capital appreciation.

Liabilities due to banks

	31 december 2015	31 december 2014
	MDL'000	*MDL'000*
Loans from the National Bank of Moldova	-	*229*
Overnight borrowings from the National Bank of Moldova	*142,588*	-
REPO with the National Bank of Moldova	*150,000*	*150,000*
	292,588	***150,229***

All the amount are due to the National Bank of Moldova. As at 31 December 2015 the Bank received an overnight borrowing from NBM in amount of MDL 142.5 million with an annual interest rate of 22.5%.

Other borrowings

	31 december 2015	31 december 2014
	MDL'000	*MDL'000*
Loans from the Ministry of Finance	*329,195*	*326,559*
Other loans from individuals	*69,097*	*56,484*
	398,292	***383,043***

Loans from the Ministry of Finance

The loans from the Ministry of Finance of the Republic of Moldova are financed by International Fund for Agricultural Development (IFAD), International Development Association (IDA), Kreditanstalt fur Wiederaufbau (KfW) and Millenium Challenge Corporation (MCC). These loans should be directed for financiang of certain investment projects and working capital replenishment (IFAD projects – agricultural industry, RISP projects – business development in rural area, PAC projects – producing of goods for export, COMPACT projects – improving post-harvest infrastructure).

In 2015, interest rate on loans attracted varied in range of 5.00 – 7.55% for MDL, 0.80 – 2.37% for USD, 0.80 – 1.87% for EUR. Loans financed out of mentioned financing are granted up to 8 years for investment projects and up to 8 years for investment projects and up to 4 years for working capital replenishment.

As at 31 December 2015 the Bank has not complied with the financial covenants established by the loan agreements signed with International Financial Organizations (OFI): overdue credits in total credit portfolio, nonperforming loans in the total loan portfolio and shares paid in total shareholder equity.

Failure to comply with the above indicators may result in the request of anticipated repayment of loans as well as related interests with a preliminary notification received from the Credit Line Directorate (CLD) (Compact - MDL 8,557,881 and PAC – MDL 7,689,453). As at 31 December 2015 as well as till the date of issue of these Financial Statements, the Bank has not received any written notification from CLD on early repayment of loans and does not consider that CLD will request for early repayment.

Other loans from individuals

The balance of credits received from individuals on 31 December 2015 was of USD 2,4 million and EUR 1 million and did not change as compared to 31 December 2014, in original currency. The loans were concluded for the terms varying between 3-5 years, with a fixed annual interest rate 7%.

Liabilities due to customers

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Legal entities		
Current accounts	*2,160,707*	*2,006,331*
Term deposits	*519,212*	*1,120,962*
	2,679,919	***3,127,293***
Individuals		
Current accounts	*1,626,291*	*1,315,140*
Term deposits	*4,922,017*	*5,173,253*
	6,548,308	***6,488,393***
	9,228,227	***9,615,686***

The annual interest rates paid by the Bank for the deposits in MDL and other currencies of natural and legal persons vary as follows:

	2015				2014			
	MDL		Other currencies		MDL		Other currencies	
	%	%	%	%	%	%	%	%
Legal entities								
Demand deposits	*0*	*7*	*0*	*2*	*0*	*5*	*0*	*2*
Term deposits of up to 3 months	*0*	*5*	*0*	*1.5*	*0*	*4.5*	*0*	*3.5*
Term deposits >3 months< 1 year	*0*	*16*	*0*	*1.5*	*0*	*7.5*	*0*	*4.5*
Term deposits of over 1 year	*0*	*17.5*	*1*	*4.5*	*0*	*9.5*	*1*	*6*
Individuals								
Demand deposits	*0*	*14.5*	*0*	*1*	*0*	*9*	*0*	*1*
Term deposits of up to 3 months	*15*	*17*	*0.5*	*2*	*1*	*3.5*	*0.35*	*1.5*
Term deposits >3 months< 1 year	*6*	*19*	*0.5*	*6.1*	*2.5*	*9.5*	*0.5*	*6.5*
Term deposits of over 1 year	*0.5*	*18.75*	*0.2*	*7*	*7*	*10.6*	*2.5*	*7*

Income tax expenses/ (income)

Income tax expenses/ (income) consist of current tax and deferred tax are presented as follows:

	31 december 2015	31 december 2014
Current tax	*MDL'000*	*MDL'000*
Current income tax expense	-	4,064
	-	**4,064**
Deferred tax		
Deferred income tax expense/ (income)	(75,819)	17,637
	(75,819)	17,637
Total income tax expense recognized during the year	**(75,819)**	**21,700**

Income tax expenses reconciles to profit before tax as follows:

	31 december 2015	31 december 2014
Profit before tax	36,572	220,255
Income tax calculated at 12% (2014: 12%)	-	26,431
Effect of temporary differences	(75,819)	(4,730)
Income tax expense recognized in profit and loss account and in situation of other comprehensive income	**(75,819)**	21,700

Starting with May 2015 the Fiscal Code stipulates the deductibility of IFRS allowances for loan losses. Previously to May 2015, there was allowed the deductibility of the allowances calculated in accordance with the requirements of National Bank of Moldova. According to the explanatory norm from the Ministry of Finance the above mentioned changes do not have any other implications than deducting the IFRS allowances instead of previously allowed allowances calculated in accordance with the requirements of the National Bank of Moldova. Thus, the Bank reversed as at 31 December 2015 the deferred tax liability related to the differences between IFRS allowances and allowances calculated in accordance to National Bank of Moldova requirements accumulated until the above modifications came into force.

	31 december 2015	31 december 2014
Current income tax	*MDL'000*	*MDL'000*
Current tax	-	-
Deferred income tax		
Revaluation of available for sale financial assets	9,745	6,605
Total income tax recognized in other comprehensive income	**9,745**	**6,605**

An analysis of deferred income tax assets /(liabilities) presented in statement of financial position is presented below:

	31 december 2015	31 december 2014
Deferred income tax assets	4,771	9,537
Deferred income tax liabilities	(9,745)	(87,189)
Deferred tax liabilities, net	**(4,974)**	**(77,653)**

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
Deferred income tax assets/(liabilities) relates to:				
Loans and advances to customers	58,828	(58,828)	-	-
Financial instruments held for trading	6,605	-	3,140	9,745
Property and equipment	(2,934)	(236)	-	(3,170)
Other assets	21,757	(21,986)	-	(228)
Carried forward losses	(5,303)	5,303	-	-
Provision for unused vacation	(1,300)	(73)	-	(1,373)
	77,653	**(75,820)**	**3,140**	**4,974**

There are no temporary deductible differences not recognized or fiscal credits not used.

Other liabilities

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Other financial liabilities		
Amounts in transit (1)	*37,942*	*1,705*
Settlements with the brokers	*9,512*	*3,267*
Expenses calculated on contributions to the Deposit Guarantee Fund and Financial Stability Fund	*6,660*	*6,009*
Payments collected to transferred according to the destination	*5,257*	*5,976*
Settlements with the individuals and legal entities	*3,647*	*4,747*
Bank cards operations	*3,505*	*2,550*
Suspense amounts	*1,329*	*2,216*
Creditors regarding documentary transactions	*60*	*47*
Dividends payable	*7*	*122*
Other financial liabilities (2)	*15,016*	*12,946*
	82,935	***39,585***
Other non-financial liabilities		
Provision for unused vacation and bonuses, litigations (3)*	*16,025*	*11,231*
Other settlements with the state budget	*202*	*296*
Other non-financial liabilities	*1,248*	*113*
	17,475	***11,640***
	100,410	***51,225***

(1) As at 31 December 2015, the Bank included in amounts in transit the amount of MDL 35,036 thousand which represent balance on current accounts and deposits transferred from BC Bance de Economii SA in liquidation process, BC Unibank SA in liquidation process and BC Banca Sociala SA in liquidation process for which the Bank does not have all the indentification data related to those clients.

(2) Other financial liabilities include guarantee deposits submitted by commercial organizations and liabilities to third parties (point of sales) regarding the payments made by customers through card issued by VISA and MasterCard Inc.

(3) As at 31 December 2015 provisions for unused vacation of employees were MDL 11,441 thousand (31 December 2014: MDL 10,836 thousand) and provisions for bonuses were MDL 3,330 thousand (31 December 2014: nil). The remaining amount represents provision for litigations.

Ordinary shares

During the year 2015, there were no changes to the Bank's share capital amouting to MDL 250,000,910 as at 31 December 2015 and 31 December 2014, consisting of 25,000,091 ordinary nominative shares of class I, code ISIN MD14VCTB1004, with a nominal value 10 MDL, with voting right, the right to receive dividends, issued in non-material form.

As at 31 December 2015 the Bank has a total of 233 shareholders - individuals and legal entities (31 December 2014 – 242 shareholders), among which:

	31 december 2015	31 december 2014
Shareholders with a substantial share*, among which:	***10 persons***	***11 persons***
legal entities	*4*	*5*
individuals	*6*	*6*
Other shareholders, of which:	*223 persons*	*231 persons*
legal entities	*17*	*20*
individuals	*206*	*211*

	31 december 2015	31 december 2014
- Shareholders with significant share*		
INSIDOWN LTD (Cipru)	*39.20*	*38.20*
Banca Europeană pentru Reconstrucţie și Dezvoltare	*15.06*	*15.06*
ALPHA BANK ROMANIA SA	*12.50*	*12.50*
Țurcan Victor	*10.45*	*10.45*
Proidisvet Galina	*4.04*	*4.04*
Artemenco Mihail	*2.49*	*2.49*
Țurcan Valentina	*2.47*	*2.47*
Artemenco Elena	*2.45*	*2.45*
"Notabil" SRL	*2.36*	*2.36*
BC „MOLDINDCONBANK" SA	*-*	*1.50*
Bondari Iurie	*1.01*	*1.01*
- other shareholders	***7.97***	***7.47***
TOTAL	***100.00***	***100.00***

* significant share as at 31 December 2015 and 31 December 2014 represent 1% or more from the Bank's share capital, according to the regulations of National Bank of Moldova. For disclosure of financial beneficiaries of significant shares please see Note 1.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances due within three months:

	Note	31 december 2015	31 december 2014
		MDL'000	MDL'000
Cash and balances with National Bank of Moldova	3	994,606	1,105,753
Current accounts to banks	4	1,526,707	1,975,084
State Securities	5	115,666	254,556
		2,636,979	**3,335,393**

Net interest income

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Interest income		
Loans to customers	595,677	602,607
Held to maturity investments	170,899	91,733
Loans and advances to banks	110,172	17,721
	876,749	**712,061**
Interest expenses		
Deposits from individuals	(305,715)	(316,734)
Deposits from companies	(53,190)	(71,909)
Deposits and loans from banks	(345)	(1,679)
Other borrowings	(22,809)	(12,739)
	(382,059)	**(403,061)**
Net interest income	**494,690**	**309,000**

Net fee and commission income

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Fee and commission income		
Payment processing by clients	112,811	91,839
Credit cards transactions	93,035	88,798
Currency exchange operations	8,448	8,053
Commissions for securities and letters of credit	3,427	2,498
Brokerage fees	464	190
Commissions for services	43	859
Commissions for international transfers	22,036	23,329
Other commissions	13,621	13,025
	253,885	***228,591***
Fees and commissions expenses		
Commissions for debit card services	(51,380)	(44,684)
Payment transactions	(10,331)	(8,103)
Commissions upon cash withdrawal and depositing	(19,561)	(14,606)
Other commissions related to borrowings received	(10)	-
	(81,283)	***(67,393)***
Net fee and commission income	***172,602***	***161,198***

Net financial income

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Gains from foreign exchange transactions, net	269,107	138,864
Losses from the reevaluation of balances in foreign currency	(31,508)	(22,544)
Dividend income from equity securities	999	6,062
Other	324	-
	238,922	***122,382***

Other operational income

	31 december 2015	31 december 2014
	MDL'000	*MDL'000*
Other income	*5,957*	*8,952*
	5,957	***8,952***

Other revenues include revenues recognized by the Bank following the reversal of provisions recorded in previous years for any loss as a result of the decision of litigations in which the Bank was involved, other income related to various services (e.g. rent of safe-boxes and POS terminals).

Impairment charge on assets

	31 december 2015	31 december 2014
	MDL'000	*MDL'000*
Net expenses / (release) of impairment:		
*-loans and advances to customers (Note 6)**	*525,143*	*17,984*
-investment property (Note 12)	*(626)*	*38,266*
-other assets (Note 10)	*9,281*	*2,214*
-other receivables (Note 10)	*(4,731)*	*9,108*
-assets held for sale (Note 11)	*8,101*	*6,088*
	537,168	***73,660***

The amount of impairment on loans and advances to customers, as at 31 December 2015, differs from the amount presented in Note 6 because it contains recoveries of loans in the amount of MDL'000 18,608 which were presented as a reduction of impairment charges (2014: MDL'000 15,656).

Personnel expenses

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Salaries and incentives	*128,661*	*112,503*
Social security	*29,841*	*26,846*
Medical insurance	*5,672*	*4,534*
Provision for vacancies not taken and bonuses	*3,905*	*2,674*
	168,079	***146,556***

General and administrative expenses

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Utilities and rents	*49,104*	*43,815*
Repairs and maintenance	*13,440*	*12,306*
Advertising and charity	*8,041*	*7,939*
Asset protection and security costs	*11,655*	*11,488*
Post and telephony	*6,526*	*5,467*
Office supplies and suppliers	*3,376*	*2,990*
Contribution to the Fund for Guaranteeing Deposits	*4,250*	*4,226*
Professional services	*5,625*	*4,346*
Taxes and penalties	*1,216*	*1,869*
Training	*442*	*292*
Travels	*397*	*393*
Transport	*91*	*245*
Losses from disposals of property equipment and other assets	*2,343*	*4,106*
Expenses for maintaining intangible assets	*15,857*	*12,106*
Others	*12,830*	*20,892*
	135,193	***132,480***

Other expenses include expenses related to the insurance of Bank's property and other non-deductible expenses.

Amortization

	31 december 2015	31 december 2014
	MDL'000	MDL'000
- *Amortization of intangible assets (Note 9)*	*11,211*	*6,164*
- *Depreciation of tangible assets (Note 8)*	*23,948*	*22,414*
	35,159	***28,578***

Guarantees and other financial commitments

The cumulated amounts of guarantees in balance and other off balance sheet elements as at 31 December 2015 and 2014:

	31 december 2015	31 december 2014
	MDL'000	MDL'000
Guarantees	*163,247*	*131,628*
Commitments to issue guarantees and pledges	*11,375*	-
Loan commitments and other	*348,533*	*558,140*
	523,155	***689,768***

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.

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

Operational lease commitments

The Bank rents under operational leases the locations for a number of representative offices and agencies. These contracts are usually for 1 year, with an option to renew the contract after that period. The lease payments are regularly increased to reflect the market rents.

All these operational lease contracts can be cancelled by a written notice issued at least one month ahead.

Contingent liabilities and litigation

As at 31 December 2015 and 2014 the Bank is defendant in a number of trials arisen in the normal course of business. In the opinion of the management and legal department of the Bank, the probability of loss is low.

Subsequent to the reporting date, the Bank received a notification regarding the blocking of an amount of USD 13,174,015 on its correspondent account held at Bank of New York Mellon. The blocking of cash was based on some transactions made during 2012 by a client of the Bank and on the initiation of a litigation for those transactions. Following consultation with external legal advisors and with legal department, management believes that this situation will be solved in the favor of the Bank and that it has no impact on these financial statements because the legal documents that formed the basis of the account blocking were not enforceable on the territory of Republic of Moldova.

Basic earnings per share

	Ordinary shares issued	Profit for the year	Earnings per share
		MDL'000	*MDL'000*
As at 31 December 2015	*25,000,091*	*112,391*	*4,50*
As at 31 December 2014	*25,000,091*	*198,555*	*7,94*

The basic earnings per share is calculated by dividing the net profit for the year attributable to the holders of ordinary equity by the average weighted number of ordinary shares issued during the year. The calculation of the basic result per share as at 31 December 2015 and 31 December 2014 was based on the weighted average number of shares in circulation during the period, retrospectively adjusted to the increase in the number of ordinary shares in circulation as a result of the capitalization made in 2012. As at 31 December 2015 and 2014 there were no diluted equity instruments issued by the Bank.

Fair value of the financial instruments

Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Where available, fair value is based on quoted market prices. However, no readily available market prices exist for a significant portion of the Bank's financial instruments. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing techniques as appropriate. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. Therefore, the calculated fair market estimates cannot be realized in a current sale of the financial instrument.

Determination of fair value and its hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments according to the valuation method:

Level 1: quoted prices (unadjusted) on active markets for similar assets and liabilities;

Level 2: other methods of assessment for which all inputs which have a significant effect on the recognized fair value are observable, either directly or indirectly (observable inputs);

Level 3: methods of assessment using input data with a significant effect on the recognized fair value that are not based on observable market data (unobservable inputs).

The following table presents the financial instruments registered and / or presented at fair value by hierarchical level, **31 december 2015:**

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	MDL'000	*MDL'000*	*MDL'000*	*MDL'000*	*MDL'000*
Financial assets					
Loans and advances to banks	*1,640,804*			*1,640,804*	*1,640,804*
Equity securities available for sale	*162,411*	*162,411*	*-*	*-*	*162,411*
Securities held to maturity	*968,247*			*963,273*	*963,273*
Loans to customers, net	*5,518,138*			*5,686,932*	*5,686,932*
Financial liabilities					
Liabilities due to banks	*292,588*			*292,588*	*292,588*
Other borrowings	*398,292*			*398,292*	*398,292*
Liabilitied due to customers	*9,228,227*			*9,305,153*	*9,305,153*

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, due to the short term for which they are granted. 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.

Equity securities available for sale represent investments in Visa and MasterCard shares that are quoted on active markets for similar instruments. Fair value for other equity – available for sale cannot be determined because there is no active market for similar instruments and they are measured at cost.

Debt securities – held to maturity

Due to the fact that debt securities are mainly short-term, the management believes that estimated fair value of fixed interest-bearing debt securities approximates their carrying amount as at the reporting date.

Loans to customers

The fair value of loans to customers is estimated using the analysis of discounted cash flows at NBM rates as at 31 December 2015 for loans having the similar maturity, currency and type of borrower.

Borrowings, including due to other banks and due to customers

The estimated fair value of deposits and other borrowings is based on discounted cash flows using the NBM rates as at 31 December 2015 for deposits having the same maturity, currency and account holder.

31 december 2014:

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	MDL'000	*MDL'000*	*MDL'000*	*MDL'000*	*MDL'000*
Financial assets					
Loans and advances to banks	*2,059,759*			*1,949,875*	*1,949,875*
Equity securities available for sale	*109,884*	*109,884*	*-*	*-*	*109,884*
Securities held to maturity	*1,362,948*			*1,362,948*	*1,362,948*
Loans to customers, net	*5,641,567*			*5,828,719*	*5,828,719*
Financial liabilities					
Liabilities due to banks	*150,229*			*150,229*	*150,229*
Other loans	*383,043*			*383,043*	*383,043*
Liabilities due to customers	*9,615,686*			*9,658,704*	*9,658,704*

Presentation of financial instruments by measurement category

For assessment purposes, IAS 39 Financial Instruments: Recognition and Measurement, the Bank classifies its financial assets in the following categories: (a) loans and receivables; (b) available for sale financial assets; (c) investments held to maturity. The following table presents a reconciliation of financial assets under categories of evaluation at

31 December 2015 and 31 December 2014.

	31 december 2015			31 december 2014		
	Loans andre-ceivables	Available for sale financial assets	Invest-ments held to maturity	Loans and re-ceivables	Available for sale financial assets	Investments held to matu-rity
Active						
Cash and balances with NBM	*3,086,458*	-	-	*2,343,338*	-	-
Securities available for sale Debt securities - held to maturity	-	-	*968,247*	-	-	*1,362,948*
Equity securities - available for sale	-	*166,078*	-	-	*153,687*	-
Loans and advances to banks	*1,640,804*	-	-	*2,059,759*	-	-
Loans and advances to customers	*5,518,138*	-	-	*5,641,567*	-	-
Other financial assets	*82,974*	-	-	*89,467*	-	-
Total financial assets	***10,328,374***	***166,078***	***968,247***	***10,134,131***	***153,687***	***1,362,948***

All financial liabilities are classified in Other liabilities at 31 December 2015 and 2014.

Related parties

The main shareholders of the Bank, holding individually more than 5% of the share capital, are disclosed in Note 18.

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.

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 parties	
	2015	2014	2015	2014
	MDL'000	*MDL'000*	*MDL'000*	*MDL'000*
Balances				
Loans	*9,038*	*14,385*	*4,175*	*21,104*
Deposits and borrowings received	*27,799*	*39,597*	*60,584*	*64,066*
Revenue and expenses				
Interest income	*1,506*	*1,028*	*1,141*	*1,364*
Fee and commission income	*78*	*84*	*733*	*450*
Interest expense	*2,949*	*4,217*	*5,554*	*5,327*
Rent expenses	*-*	*13*	*-*	*11*
Financing commitments, financial guarantees and other commitments	*1,850*	*3,602*	*473*	*984*

Terms and conditions of related party transactions

The exposures mentioned above arose from the ordinary course of business. The interest charged to and by related parties is at standard 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 liabilities. For the year ended 31 December 2015 the Bank did not have doubtful receivables from related parties (2014: nil).

Remuneration of directors

The total amount of remuneration expenses for executive management constituted MDL'000 26,115 for the year 2015 (2014: MDL'000 24,258). The amount of expenses for the remuneration of the Bank Council is nil for the year 2015 (2014: MDL'000 1,516).

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 under policies approved by the Board of Directors. 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 internal 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 sensitive risks.

Credit Risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge 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 department and reported to the Board of Administration regularly.

Victoriabank 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. In order to determine the limits to risk exposure the evaluations and the rating of agency Moody's are used. 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 corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

Credit quality by class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The sytem of internal credit ratings adopted by the Bank is based on the National Bank of Moldova regulations and is presented bellow:

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.

31 december 2015

	Note	Neither past due nor impaired	Past due but not impaired	Individually impaired	Collectively impaired	Total
		MDL'000	*MDL'000*	*MDL'000*	*MDL'000*	*MDL'000*
Cash and balances with the National Bank of Moldova	*3*	*3,086,458*	*-*	*-*	*-*	*3,086,458*
Current accounts and deposits with banks	*4*	*1,640,804*	*-*	*-*	*-*	*1,640,804*
Debt securities – held to maturity	*5*	*968,247*	*-*	*-*	*-*	*968,247*
Equity securities – available-for-sale	*7*	*166,078*	*-*	*-*	*-*	*166,078*
Loans to customers, gross	*6*	*2,952,282*	*529,092*	*2,283,149*	*96,980*	*5,861,503*
Other financial assets	*10*	*82,974*	*-*	*-*	*-*	*82,974*
		8,896,843	***529,092***	***2,283,149***	***96,980***	***11,806,064***

31 december 2014

	Note	Neither past due nor impaired	Past due but not impaired	Individually impaired	Collectively impaired	Total
		MDL'000	*MDL'000*	*MDL'000*	*MDL'000*	*MDL'000*
Cash and balances with the National Bank of Moldova	*3*	*2,343,338*	*-*	*-*	*-*	*2,343,338*
Current accounts and deposits with banks	*4*	*2,059,759*	*-*	*-*	*-*	*2,059,759*
Debt securities – held to maturity	*5*	*1,362,948*	*-*	*-*	*-*	*1,362,948*
Equity securities – available-for-sale	*7*	*153,687*	*-*	*-*	*-*	*153,687*
Loans to customers, gross	*6*	*3,436,114*	*553,693*	*1,625,000*	*259,045*	*5,873,852*
Other financial assets	*10*	*89,467*	*-*	*-*	*-*	*89,467*
		9,445,313	***553,693***	***1,625,000***	***259,045***	***11,883,050***

For the purpose of the financial statements disclosure, financial assets that have been impaired, either individually or collectively are defined as assets for which an objective evidence of impairment exists as at 31 December 2015 and 2014, and as such individual or collective impairment provision is recognized with respect to such assets.

The financial assets disclosed above as "neither past due nor impaired" are those assets for which no objective evidence of impairment has been identified as of 31 December 2015 and 2014.

The financial assets disclosed above as "past due but not impaired" are those financial assets for which the payments of principal and the payments of interest have exceeded the term by less than 90 days and there are no other indicators for an objective evidence of impairment.

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 guarantees received:

	Note	31 december 2015	31 december 2014
		MDL'000	*MDL'000*
Bank balances with National Bank of Moldova	*3*	*2,466,542*	*1,800,131*
Current accounts and deposits with banks	*4*	*1,640,804*	*2,059,759*
Debt securities – held to maturity	*5*	*968,247*	*1,362,948*
Loans to customers, net	*6*	*5,518,138*	*5,641,567*
Other financial assets	*10*	*82,974*	*89,467*
		10,676,705	***10,953,872***
Off balance sheet elements	*28*	*523,155*	*689,768*
Total credit risk exposure		***11,199,860***	***11,643,640***

Tabelele de mai sus prezintă un scenariu negativ al The tables above present a negative scenario of credit risk exposure of the Bank as at 31 December 2015and 2014, without considering any collateral held or other supplementary guarantees attached. For balance sheet assets, the exposures disclosed above are based on the net amounts as reported in statement of financial position.

As presented above, 52% of the maximum total exposure is derived from loans and advances granted to clients (2014: 52%); 23% represent investments in debt securities (2014: 16 %) and

15% represent current accounts and deposits with banks (2014: 19%).

All the debt securities in the balance as at 31 December 2015 and 31 December 2014 were issued either by the Ministry of Finance of the Republic of Moldova, or by the National Bank of Moldova. As at 31 December 2015 and 31 December 2014, Republic of Moldova was assigned a B3 rating with negative perspective by Moody's agency.

Credit quality of loans to customers, current accounts and deposits at banks is managed by the Bank using internal credit rating system and the rating granted by at least one of the agencies: Moody's, Standard Poor's and Fitch- IBCA. The description of the internal rating grid is as follows:

Standard – asset shall be considered standard, if it is on term, are complied with all terms of the contract and there is no reason to consider that the Bank presently or in the future will be subject to risk of loss.

Watch – potential uncertainties exist with regard to the counterparty's financial position and also with regard to collateral, the payments are in delay from 31 to 90 days, cash-flows are irregular and difficult to control, although their creditworthiness is not deteriorated.

Substandard – there is a greater than normal loss risk due to one of the following factors:

a) Counterparty's financial position is unfavorable or is deteriorating;

b) Collateral (if any) is insufficient or is deteriorating;

c) Other adverse factors rising concern regarding the counterparty's ability to meet the Bank's claims in compliance with the existing terms;

d) The payments are in delay from 91 to 180 days;

e) the bank has not received updated enough information regarding the financial situation of the counterparty (at least quarterly), regarding the person who is a personal guarantee (fidejussion), the sources of debt repayment, justification of the use credit within the scope set out in the loan agreement and other documents related with counterparty activity;

f) asset is used for purposes other than those specified in the contract;

g) Cash flows of the counterparty are estimated to be insufficient to cover its obligations.

Doubtful – there are elements that make full payment of Bank's current/future claims regarding the asset questionable and less probable based upon the existent circumstances and conditions, as well as the market value of collateral, if any. The possibility of loss occurrence is extremely high, but there are certain important, specific and well-grounded factors that will soon be realized and may contribute to partial or full re-payment of the Bank's current/future claims. Classification of this asset as loss shall be deferred until the status of the asset is more precisely determined. The payments are in delay from 181 to 360 days.

Loss – at the time of asset classification the Bank's current/future claims regarding the respective asset may not be met. The payments are in delay for more than 360 days.

As at 31 December 2015 and 31 December 2014, the credit quality of the current accounts and deposits at banks can be assessed by reference to the internal credit rating system adopted by the Bank as follows:

	31 december 2015	31 december 2014
	MDL'000	*MDL'000*
Standard	*1,625,306*	*2,042,437*
Watch	-	*10,244*
Substandard	*15,498*	*7,078*
Doubtful	-	-
Loss	-	-
	1,640,804	***2,059,759***

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

Risk concentrations of the maximum exposure to credit risk

"The large" exposure represents the net exposure to a group of inter-related persons, which forms 10% or more from total regulatory capital of the Bank, calculated in accordance with prudential regulations of the National Bank of Moldova. As at 31 December 2015 it is nil, representing 0.00% from gross portfolio of Bank's loans (as at 31 December 2014: MDL'000 745,589 or 12.5%).

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 2015 was nil (as at 31 December 2014: MDL'000 233,841) before taking account of collateral or other guarantees.

These are analyzed per industries as follows:

	31 december 2015	31 december 2014
	MDL'000	*MDL'000*
Trade	-	*139,904*
Real estate	-	*129,570*
Food industry	-	-
Services	-	*233,841*
Non-food industry	-	*125,317*
Air transportation	-	*116,958*
	-	***745,589***

Loans to clients

Loans to clients are summarized as follows:

	31 december 2015		31 december 2014	
	Legal entities	Individuals	Legal entities	Individuals
	MDL'000	*MDL'000*	*MDL'000*	*MDL'000*
Neither past due nor impaired	*2,468,479*	*483,803*	*2,935,248*	*500,866*
Past due but not impaired	*464,094*	*64,998*	*508,774*	*44,919*
Individually impaired	*2,238,019*	*45,130*	*1,624,989*	*11*
Collectively impaired	*85,963*	*11,018*	*243,014*	*16,030*
Gross	***5,256,555***	***604,949***	***5,312,026***	***561,826***
Less: allowances for impairment losses	*(332,830)*	*(10,536)*	*(227,255)*	*(5,029)*
Net	***4,923,725***	***594,413***	***5,084,770***	***556,797***

The Bank holds collateral pledged by clients for the loans received, under the form of mortgage rights over property, inventories of materials and equipment, as well as bank guarantees and deposits in cash.

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.

The structure of collateral is similar for the entire loan portfolio.

Loans neither past due nor impaired

The loans disclosed in “neither past due nor impaired” are those loans for which no objective evidence of impairment has been identified as at 31 December 2015 and 31 December 2014, respectively.

Loans past due but not impaired

As at 31 December 2015, the loans and advances granted to clients shorter than 90 days are not considered impaired, if there is other information that indicates the contrary.

The gross amount of loans and advances per classes of clients past due, but not impaired were the following:

	31 december 2015		31 december 2014	
	Legal entities	Individuals	Legal entities	Individuals
	MDL'000	*MDL'000*	*MDL'000*	*MDL'000*
Less than 30 days	*344,786*	*38,838*	*325,890*	*28,971*
From 31 to 60 days	*76,696*	*12,840*	*64,790*	*9,013*
More than 61 days	*42,612*	*13,320*	*118,042*	*6,987*
	464,094	***64,998***	***508,722***	***44,971***

Loans individually impaired

The individually impaired loans, before considering the cash flows from the collateral held were in amount of MDL'000 2,283,019 (2014: MDL'000 1,624,989). The fair value of the collateral held by the Bank in respect of the individual impaired loans as at 31 December 2015 amounted to MDL'000 2,286,053 (2014: MDL'000 2,394,897). The collateral comprises cash, letters of guarantee, mortgage rights over property, inventories and equipment.

Upon initial recognition of loans, 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.

Loans collectively impaired

All individually significant loans found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. In assessing collective impairment the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling.

Renegotiated loans

The restructuring activity includes extending payment commitments, external plans approved by the management, changing and prolongation of the payments. As at 31 December 2015, once the terms of a loan have been renegotiated, the loan continues to be considered past due for a “quarantine” period. If the period expires, the loan is automatically considered no longer past due and it is assigned the effective status.

Individually assessed loans renegotiated in the past twelve months that would otherwise be past due or impaired as of 31 December 2015, amounted to MDL'000 1,206,190 (31 December 2014: MDL'000 50,223). Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

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 money 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 management of market risks arising from trading and non-trading activities are concentrated in Bank's Assets and Liabilities Committee. 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.

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 2015, 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 2015 and as at 31 December 2014, for statement of financial position 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 2015	Increase in foreign exchange rates, %	Effect on profit MDL'000	Decrease in foreign exchange rates, %	Effect on profit MDL'000
EUR	*+20%*	*(25,390)*	*-20%*	*25,390*
USD	*+20%*	*(4,328)*	*-20%*	*4,328*

31 december 2014	Increase in foreign exchange rates, %	Effect on profit MDL'000	Decrease in foreign exchange rates, %	Effect on profit MDL'000
EUR	*+5%*	*(1,811)*	*-5%*	*1,811*
USD	*+5%*	*(4,968)*	*-5%*	*4,968*

The tables below summarize the Bank's exposure to foreign currency exchange rate risk at 31 December 2015 and 31 December 2014. Included in the table, there are the Bank's assets and liabilities at carrying amounts, categorized by currency.

	Total	MDL	USD	EUR	Other
	MDL'000	*MDL'000*	*MDL'000*	*MDL'000*	*MDL'000*
ACTIVE					
Cash and balances with the National Bank of Moldova	*3,086,458*	*2,169,307*	*322,526*	*571,733*	*22,892*
Current accounts and bank deposits	*1,640,804*	*-*	*739,332*	*880,805*	*20,667*
Debt securities – held to maturity	*968,247*	*968,247*	*-*	*-*	*-*
Equity securities – available-for-sale	*166,078*	*165,636*	*-*	*442*	*-*
Loans to customers, net	*5,518,138*	*2,958,452*	*797,597*	*1,762,089*	*-*
Other assets	*82,974*	*31,164*	*14,412*	*33,883*	*3,515*
Total assets	***11,462,699***	***6,292,806***	***1,873,867***	***3,248,952***	***47,074***

	Total	MDL	USD	EUR	Other
	MDL'000	*MDL'000*	*MDL'000*	*MDL'000*	*MDL'000*
LIABILITIES					
Liabilities due to banks	*292,588*	*292,588*	*-*	*-*	*-*
Other borrowings	*398,292*	*101,402*	*188,744*	*108,146*	*-*
Liabilitie due to customers	*9,228,227*	*4,251,735*	*1,692,203*	*3,254,629*	*29,660*
Other liabilities	*82,935*	*55,125*	*14,560*	*13,127*	*123*
Total liabilities	***10,002,042***	***4,700,850***	***1,895,507***	***3,375,902***	***29,783***
Foreign exchange position	***1,460,657***	***1,591,956***	***(21,640)***	***(126,950)***	***17,291***

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

	Total	MDL	USD	EUR	Other
	MDL'000	*MDL'000*	*MDL'000*	*MDL'000*	*MDL'000*
ASSETS					
Cash and balances with the National Bank of Moldova	*2,343,338*	*1,349,165*	*313,503*	*660,433*	*20,238*
Current accounts and bank deposits	*2,059,759*	*29*	*765,258*	*1,274,291*	*20,181*
Debt securities – held to maturity	*1,362,948*	*1,362,948*	*-*	*-*	*-*
Equity securities – available-for-sale	*153,687*	*153,687*	*-*	*-*	*-*
Loans to customers, net	*5,641,567*	*2,972,930*	*1,158,982*	*1,509,655*	*-*
Other assets	*205,033*	*130,724*	*16,696*	*56,032*	*1,582*
Total assets	***11,766,333***	***5,969,482***	***2,254,439***	***3,500,411***	***42,001***

	Total	MDL	USD	EUR	Other
	MDL'000	*MDL'000*	*MDL'000*	*MDL'000*	*MDL'000*
LIABILITIES					
Liabilities due to banks	*150,229*	*150,229*	*-*	*-*	*-*
Other borrowings	*383,043*	*97,980*	*186,962*	*98,100*	*-*
Liabilities due to customers	*9,615,686*	*4,008,978*	*2,158,799*	*3,429,494*	*18,415*
Other liabilities	*51,225*	*34,017*	*8,045*	*9,037*	*126*
Total liabilities	***10,200,183***	***4,291,204***	***2,353,806***	***3,536,631***	***18,541***
Foreign exchange position	***1,566,149***	***1,678,278***	***(99,367)***	***(36,220)***	***23,489***

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. 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 +/- 10% and +/- 5%:

	Increase in %	Sensitivity of Net Interest Income MDL'000	Decrease in %	Sensitivity of Net Interest Income MDL'000
2015	*10*	*41,208*	*(10)*	*(41,208)*
	5	*20,604*	*(5)*	*(10,604)*
2014	*10*	*33,788*	*(10)*	*(33,788)*
	5	*16,894*	*(5)*	*(16,894)*

The tables below summarize the Bank's exposure to interest rate risks at 31 December 2015 and 31 December 2014. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

31 december 2015	Total	Within 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest bearing
ASSETS							
Cash and balances with the National Bank of Moldova	*3,086,458*	*1,641,842*	*-*	*-*	*-*	*-*	*1,444,616*
Current accounts and bank deposits	*1,640,804*	*77,169*	*-*	*-*	*10,417*	*-*	*1,553,218*
Debt securities – held to maturity	*968,247*	*283,357*	*241,157*	*428,954*	*14,779*		*-*
Equity securities – available-for-sale	*166,078*	*-*	*-*	*-*	*-*	*-*	*166,078*
Loans to customers, net	*5,518,138*	*5,166,256*	*5,020*	*20,919*	*52,101*	*1,506*	*272,336*
Other assets	*82,974*	*-*	*-*	*-*	*-*	*-*	*82,974*
Total assets	***11,462,699***	***7,168,624***	***246,177***	***449,873***	***77,297***	***1,506***	***3,519,222***
LIABILITIES							
Liabilities due to banks	*292,588*	*292,500*	*-*	*-*	*-*	*-*	*88*
Other borrowings	*398,292*	*326,415*	*19,659*	*-*	*49,000*	*-*	*3,218*
Liabilities due to customers	*9,228,227*	*4,034,997*	*1,435,123*	*1,345,224*	*28,481*	*-*	*2,384,402*
Other liabilities	*82,935*	*-*	*-*	*-*	*-*	*-*	*82,935*
Total liabilities	***10,002,042***	***4,653,912***	***1,454,782***	***1,345,224***	***77,481***	***-***	***2,470,643***
Reprising gap	*1,460,657*	*2,514,712*	*(1,208,605)*	*(895,351)*	*(184)*	*1,506*	*1,048,579*
Reprising gap aggregated		*2,514,712*	*1,306,107*	*410,756*	*410,572*	*412,078*	*1,460,657*

Loans are granted at a rate which can be unilaterally changed by the Bank and they were included in the category „up to one month". Loans at fixed interest rates which cannot be modified unilaterally by the Bank represent only 2% of the loan portfolio. The table above presents the loan portfolio categorized by the earlier of contractual reprising or maturity dates without taking into consideration the possibility of unilateral modification of the interest rate by the Bank.

31 december 2014	Total	Within 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest bearing
ASSETS							
Cash and balances with the National Bank	*2,343,338*	*1,095,590*	*-*	*-*	*-*	*-*	*1,247,748*
Current accounts and bank deposits	*2,059,759*	*958,756*	*-*	*-*	*-*	*-*	*1,101,003*
Debt securities – held to maturity	*1,362,948*	*298,040*	*356,422*	*708,486*	*-*		*-*
Equity securities – available-for-sale	*153,687*	*-*	*-*	*-*	*-*	*-*	*153,687*
Loans to customers, net	*5,641,567*	*4,970,484*	*1,596*	*20,989*	*71,864*	*2,484*	*586,275*
Other assets	*89,467*	*-*	*-*	*-*	*-*	*-*	*89.467*
Total assets	***11,662,891***	***7,322,870***	***358,018***	***729,475***	***71,864***	***2,484***	***3,178,180***
LIABILITIES							
Liabilities due to banks	*150,229*	*150,229*	*-*	*-*	*-*	*-*	*-*
Other borrowings	*383,043*	*323,187*	*-*	*-*	*56,473*	*-*	*3,382*
Liabilities due to customers	*9,615,686*	*5,217,596*	*1,000,849*	*1,208,121*	*167,024*	*11,227*	*2,010,869*
Other liabilities	*39,585*	*-*	*-*	*-*	*-*	*-*	*39,585*
Total liabilities		***5,691,013***	***1,000,849***	***1,208,121***	***223,497***	***11,227***	***2,053,836***
Reprising gap	*1,474,348*	*1,631,857*	*(642,831)*	*(478,646)*	*(151,633)*	*(8,743)*	*1,124,344*
Reprising gap aggregated		*1,631,857*	*989,026*	*510,380*	*358,747*	*350,004*	*1,474,348*

Liquidity risk

Liquidity risk is the risk of losses that may occur as a result of insufficient liquidity the should be recovered at excessive cost.

Analysis of liquidity positions on maturity bands and daily monitoring of indicators of the current and long-term liquidity are part of the Bank's process of liquidity management. The management establishes internal limits for liquidity risk indicators in order to identify earlier the increase of risk level. The crisis simulations (stress tests) are an important instrument integrated in the liquidity risk management.

The tables bellow analyses the Bank's assets and liabilities into relevant maturity grouping based on the remaining period at reporting date to the contractual maturity date.

31 december 2015	Till 12 months	Over 12 months	Total
ASSETS	*MDL'000*	*MDL'000*	*MDL'000*
Cash and balances with the National Bank of Moldova	*3,086,458*	*-*	*3,086,458*
Current accounts and deposits with banks	*1,539,395*	*101,409*	*1,640,804*
Debt securities – held to maturity	*938,898*	*29,349*	*968,247*
Loans to customers, net	*2,277,015*	*3,241,123*	*5,518,138*
Equity securities – available-for-sale	*-*	*166,078*	*166,078*
Other assets	*82,974*	*-*	*82,974*
Total assets	***7,924,740***	***3,537,959***	***11,462,699***
LIABILITIES			
Liabilities due to banks	*292,588*	*-*	*292,588*
Other borrowings	*116,440*	*281,852*	*398,292*
Liabilities due to customers	*8,450,731*	*777,496*	*9,228,227*
Other liabilities	*82,935*	*-*	*82,935*
Total liabilities	***8,942,694***	***1,059,348***	***10,002,042***
Liquidity gap	*(1,017,954)*	*2,478,612*	*1,460,657*

31 december 2014	Till 12 months	Over 12 months	Total
ASSETS			
Cash and balances with the National Bank of Moldova	*3,086,458*	*-*	*3,086,458*
Current accounts and deposits with banks	*1,539,395*	*101,409*	*1,640,804*
Debt securities – held to maturity	*938,898*	*29,349*	*968,247*
Loans to customers, net	*2,277,015*	*3,241,123*	*5,518,138*
Equity securities – available-for-sale	*-*	*166,078*	*166,078*
Other assets	*82,974*	*-*	*82,974*
Total assets	***7,924,740***	***3,537,959***	***11,462,699***
LIABILITIES			
Liabilities due to banks	*292,588*	*-*	*292,588*
Other borrowings	*116,440*	*281,852*	*398,292*
Liabilities due to customers	*8,450,731*	*777,496*	*9,228,227*
Other liabilities	*82,935*	*-*	*82,935*
Total liabilities	***8,942,694***	***1,059,348***	***10,002,042***
Liquidity gap	*(1,017,954)*	*2,478,612*	*1,460,657*

The table below presents the contractual maturity of the contingent liabilities and obligations of the Bank:

31 december 2015	Till 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
	MDL'000	*MDL'000*	*MDL'000*	*MDL'000*	*MDL'000*
Obligations and guarantees	*389,175*	*20,225*	*113,755*	-	*523,155*
	389,175	***20,225***	***113,755***	**-**	***523,155***

31 december 2014	Till 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
	MDL'000	*MDL'000*	*MDL'000*	*MDL'000*	*MDL'000*
Obligations and guarantees	*578,346*	*35,888*	*75,534*	-	*689,768*
	578,346	***35,888***	***75,534***	**-**	***689,768***

Capital Management

Capital Management – compliance with requirements on capital

The minimum requirements on capital are imposed and monitored by the National Bank of Moldova. During the reporting period, all requirements on capital were accomplished, the Bank maintaining capital adequacy at the level of 25.33% as at 31 December 2015 (2014: 19.83%), as compared to the regulatory capital being 16%.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk such those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

Taxation risk

The Bank is committed to ensure sustainable performance of tax risk management by building and maintaining an efficient, effective and transparent tax function within the Bank. The Bank strictly complies with the legal norms regarding taxes and duties.

Effective from 1 January 2012, IFRS implementation has been consideration for the revision of tax legislation in order to introduce particular rules for the treatment of adjustments resulted at the implementation stage and afterwards.

In this context, a thorough analysis was performed in identification of differences in accounting treatment, having tax impact, both in terms of current tax and deferred tax.

It is expected that also in the future the tax framework will be subject to further amendments. Given the precedents, they may have retroactive application. Tax liabilities of the Bank are opened to a general tax inspection for a period of four years.

Business environment

2015 was marked by significant challenges for Republic of Moldova from an economic point of view, being affected internal factors, but also by regional and international context. The recession in Russia deepened and the future evolution is not optimist considering the collapse in the oil prices. Also, there are certain risks occurring from the continuous security crisis in Ukraine, which led to the depreciation of the national currency and affected the commercial relationships with Republic of Moldova.

According to the data published by National Bank of Moldova for the third quarter of 2015 year, GDP decreased by 3.7% as compared to the same period of 2014 year and the economic dynamics was significantly lower compared to the path at the beginning of 2015 year. The decreasing trend in evolution of GDP was mainly determined by the decrease of the domestic demand in the conditions of stagnation of the personal disposable income and increase of the political and economic uncertainty, as well by a pronounced decrease of agricultural crop in 2015. Thus, in the third quarter of 2015, household consumption decreased by 5.2 percent, while the gross fixed capital formation recorded a decrease of 4.8 percent. Government consumption was by 1.6 percent lower to that recorded in the third quarter of 2014. In the third quarter of 2015, gross value added in agriculture was lower by 17.4 percent compared to the same period of 2014, as a result of dry weather conditions in the summer of 2015. The negative impact of the decrease in domestic demand and agriculture was slightly mitigated by the depreciation of the national currency, which had an incentive effect on exports of domestic products on the one hand, but led to slowdown in imports on the other hand. Thus, in the third quarter of 2015, the volume of exports of goods and services was only by 0.2 percent lower compared to the same period of 2014, while the imports recorded a decrease of 4.4 percent, due to the embargoes on certain categories of goods from the Russian Federation and an increased regional uncertainty. At the same time, the decline in GDP was also mitigated by the positive contribution from the components “Financial intermediation and insurance” and “Extractive industry; manufacturing”, which recorded increases of 17.8 and 3.6 percent, respectively. Information and communications sector recorded an increase of 0.9 percent, while constructions a decrease of 1.8 percent.

In the fourth quarter of 2015, according to data published by the National Bank on Moldova, the latter decided to maintain the base rate applied on main short-term monetary policy operations at the level of 19.5 percent annually and the required reserves ratio attracted in MDL and non-convertible currency at the level of 35.0 percent of the base (level established on 26 August 2015).

During reporting period, the average annual interest rate on loans in national currency increased by 0.86 percentage points, while the average annual interest rate on loans in foreign currency decreased by 0.09 percentage points compared to the third quarter of 2015, recording values of 13.28 percent in national currency and 6.81 percent in foreign currency. The average interest rate on deposits in MDL accounted for 13.70 percent, increasing by 1.86 percentage points compared to the third quarter of 2015, while the interest rate on placements in foreign currency constituted on average 2.28 percent, decreasing by 0.28 percentage points compared to the third quarter of 2015.

The banking sector suffered significant changes during 2015, the three banks under special administration of National Bank of Moldova at the end of 2014 year entering the liquidation process in September 2015. This led to changes in the most important indicators of activity of the banking sector. Therefore, according to data published by the National Bank of Moldova, the capital adequacy ratio was 26.16% as at 31 December 2015, compared to 13.92% as at 31 December 2014. In the same time, total assets of the banking sector were MDL 69,095,552 thousand as at the end of 2015, compared to MDL 93,909,150 thousand as at 31 December 2014. Following the exclusion of the three banks under liquidation from the statistics regarding the banking system, the rate of non-performing loans in total loans decreased from 11.73% as at 31 December 2014 to 9.95% as at 31 December 2015.

After entering the special administration process and, subsequently, the liquidation of the above three mentioned banks, for ensuring the stability of the banking system, the National Bank of Moldova granted emergency loans to the three bank which had a balance of MDL 13,689,217 as at 31 December 2015. These emergency loans were granted under State Guarantees issued by the Ministry of Finance of Republic of Moldova, provided their subsequent substitution with state securities issued by the Ministry of Finance. This will put an additional pressure on the state bugdet for subsequent periods.

Starting June 2015, the three largest banks were placed under special supervision by the National Bank of Moldova, their evolution being monitored by International Financial Institutions, including International Monetary Fund ("IMF"). Although, the Government of the Republic of Moldova does not have an agreements signed with IMF, the last one undertook several work visits in Moldova during 2015, the main discussions being around the stability of the banking system, corporate governance and transparency of the banks' shareholders.

The above mentioned factors indicate on significant uncertainties regarding Bank's and its debtors operating environment, which may also be affected by the lower liquidity and solvency situations which could in turn impact their ability to repay their outstanding loans. Deteriorating operating conditions for customers may also have an impact on the management cash flow forecasts and assessment of the impairment of financial and non-financial assets.

Management is unable to predict all developments which could have an impact on the Moldovan financial institutions sector and consequently what effect, if any, they could have on these financial statements.

Management believes it is taking all the necessary measures to support the sustainability and growth of the Bank's business in the current circumstances by:

- constantly monitoring its liquidity position and over-dependence on specific funds;
- forecasting on short-term basis its net liquidity position;
- obtaining commitment from the shareholders regarding the latter's continuous support of the Bank's operations in Moldova;
- examining terms and conditions of financing agreements and considering the implications of obligations imposed and risks identified such as approaching maturity dates or the implications of any terms or covenants that may have been breached or which may be breached in the foreseeable future.

Given the fact that the market conditions and uncertainties are likely to continue to exist in 2016 and perhaps later, other effects may be felt beyond the dates of these financial statements.

Subsequent events

After the reporting date there were significant changes on base and interest rates regarding the regulation instruments of the National Bank of Moldova:

- The rate on overnight deposits was 16.5% as at 30 December 2015 and 16% as at 26 February 2016.
- The base rate applied to the short-term monetary policy operations 19.50% as at 30 December 2015 and 19.00% as at 26 February 2016.
- The rate on overnight loans was 22.50% as at 30 December 2015 and 22.00% as at 26 February 2016.
- Depreciation of Moldovan Leu against the Euro from 31 December 2015 to 26 February 2016 was 2.96%.

See also Note 30.

There were no other significant subsequent events.