BC “EuroCreditBank” SA

Financial Statements

For the year ended on 31 December 2015

prepared in accordance with International Financial Reporting Standards

These financial statements represent a translation from Romanian to English.
In case of divergence, the Romanian version has priority.

CONTENTS

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BC "EUROCREDITBANK" SA

We have audited the accompanying financial statements of BC EUROCREDITBANK S.A. ("the Bank"), which comprise the statement of financial position as at 31 December 2015, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor Considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

25 March 2016

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Series AG 000012

Qualification certificate of auditor of financial institutions
Series AIF 0026

PRESIDENTS'S REPORT

The main results of BC EuroCreditBank S.A. activity (hereinafter the Bank) for 2015 are defined by the following indicators:

- According to the results for 2015 the Bank's effective indicators comply with the limits and norms set by the NBM. The total regulatory capital as of 31.12.2015 amounted to 218,225 thousand MDL;
- (203,504 thousand MDL as of 31.12.2014) and with 3,504 thousand MDL more than the minimum norm – 200,000 thousand MDL;
- Capital adequacy as of 31.12.2015 reached 119.8% (in the system 26.2%) (NBM norm – no less than 16%);
- The Bank's current liquidity by 31.12.2015 was 56.3% (in the system 41.6%) (NBM norm – no less than 20%). This allowed the Bank to ensure the timely and necessary volume of transactions and to honour its obligations;
- The currency of the balance amounted to 514,872 thousand MDL having increased in comparison with the similar period from last year with 166,492 thousand MDL or 47.8% (a decrease in the system by 26.2%);
- Bank's loan portfolio (main amount) as of 31.12.2015 amounted to 191,325 thousand MDL having increased in comparison with the similar period from last year with 16,529 thousand MDL or 9.5% (a decrease in the system of 6,5%);
- Deposit portfolio as of 31 31 December 2015 amounted to 255,586 thousand MDL having increased by 156,000 thousand MDL or 156.65% in comparison with the similar period from last year (a decrease in the system by 24.4%).

Assets

As of 31.12.2015, the assets of the bank amounted to 514,872 thousand MDL having increased by 166,492 thousand MDL or 47.8%;
The weight of interest bearing assets as of 31.12.2015 accounted for 62.8% (in the system 80.2%).
Assets rentability was **2.8%** (per system 1.5%) having a 1.1 p.p. increase compared with last year.

Liabilities and equity

At the end of the reporting period the Total liabilities and shareholders' equity amounted to 514,872 thousand MDL, of which the shareholders' equity amounted to 250,735 thousand MDL or 49% and liabilities 264,137 thousand MDL or 51%.
Compared to 31.12.2014 there was an increase in the share capital by 5.1% (12,197 thousand MDL) and that of liabilities by 140.5% (154,296 thousand MDL). The increase of the share capital from the undistributed profit amounted to 12,197 thousand MDL.
The total balance of deposits by 31 December 2015 amounted to 255,586 thousand MDL and increased by 156,000 thousand MDL or 156.65 % compared to the same period from last year. The balance of the deposits from individuals increased by 122,172 thousand MDL or 208.61%, and the balance of deposits from legal entities increased by 33,828 thousand MDL or 82.46%.

Financial Results

For the financial year 2015 the net profit of the Bank amounted to 12,172 thousand MDL with 6 539 thousand MDL or 116% more compared to end of the previous year (per system the increase was 102%). Against an economic backdrop in the country in 2015, the Bank gained the biggest profit in 12 years, except 2008 (gaining bigger income from exchange rate fluctuations by 2-3 p.p, an increase in the interest rates on loans by 5 p.p.).
The Bank's total income for 2015 amounted to 73,230 thousand MDL including interest income - 35,898 thousand MDL (49% of total revenues) and non-interest income –37,332 thousand MDL (51%). Compared to 31.12.2014 total income have increased with 25,035 thousand MDL or 52%.
A significant share in the structure of income coming from interests pertain to the interest income from loans and debts – 26,909 thousand MDL (75%), income from operations with securities held to maturity - 8,989 thousand MDL (25%).
The structure of non-interest income was formed as it follows revenue from taxes and fees – 14,724 thousand MDL (39.4%), revenue from transactions with foreign currency - 18,429 thousand MDL (49.3%), other income – 3,675 thousand MDL (14.1%).
Total expenditures for 2015 amounted to 61,058 thousand MDL. The share of expenses pertaining to interests within the total of expenditures is about 7.2% or 4,436 thousand MDL, and non-interest expenses - 92.7% or 56,623 thousand MDL. Compared to 31.12.2014 total expenditures have increased by 18,495 thousand MDL or by 43.4%.
A significant share in the non-interest expenses are the wage expenses, including social and medical contributions 27,409 thousand MDL (48.4%), general administrative expenses – 9,398 thousand MDL (16.6%) and other expenses (including income tax) - 19,815 thousand MDL (35%).
The risk weighted capital adequacy of the Bank as of 31 December 2015 –119.8%, the norm being no less than 16% (per system 26.2%).

President's Report (continued)
Principle I of liquidity (long-term liquidity) of the Bank as of 31December 2015 – 0.5 (per system – 0.7), (the norm being no less than 1).
Principle II of liquidity (current liquidity) of the Bank as of 31 December 2015 – 56.3%, in the system 41.6% (the norm being no less than 20%, by 31.12.2014 – 39.0%, per system 21.6%). All indicators described above meet the requirements stipulated in the regulations of the National Bank of Moldova.
The BC „EuroCreditBank" S.A. policy is oriented towards achieving positive results and ensuring stability in the development of the Bank, while maintaining its clients through transparent and high level services, as well as offering a wide range of services on beneficial terms.

The activity with the customers of the bank
Particular emphasis was given to the expansion and diversification of its customer base, to the formation of long-term and mutually beneficial relationships.
The Bank promoted a sale policy of banking services oriented towards the diversification of products for individuals and legal entities, the development of closer relationships with clients through understanding their individual needs. In order to promote non-lending products were used electronic means of communication.
The year 2015, is characterized by the implementation of innovative methods of promotion. As a novelty for the bank were created promotional pages (Landing page), for several products: Deposits, Loans, Telebank Money Transfer. Likewise, a new chat feature was introduced in these pages, which facilitated the connection between client and the bank. During 2015, a meaningful impact in the promotion strategy had the placements of several TV spots, which represented a first for the Bank. In the end this strategy brought the much needed impact, as the television remains an important channel in promotion the banking products for 2016.

Throughout the 12 months of 2015, 15,221 people became clients of the Bank out of which 14,666 were individuals and 555 were legal entities which is 12,981 more clients compared with the same period from last year.
Concurrently, for the exact same period there were 19,734 new opened accounts out of which 852 by legal entities and 18,883 by individuals, which represents an increase of 15,294 new accounts compared with the same period from last year.
At the end of 2015, the Bank opened a new branch as well as an agency in Comrat.

Lending activity
As of 31.12.2015, the Bank's loan portfolio (basic amount) amounted to 191,325 thousand MDL while net loan portfolio ("Loans and advances" – FIN 1) amounted to 186,974 thousand MDL, the increase in comparison with last year being by 14,687 thousand MDL or 8.5%;
The size of the allowances for impairment losses for loans by 31.12.2015 amounted to 4,202 thousand MDL. The share of allowances for impairment losses (the base amount) in total loans was 9.4% (in the system 8.5%) (according to NBM's Regulation) and 2.2% (depreciations formed to the base amount according to the IFRS provision matrix).
Nonperforming loans decreased from 28,653 thousand MDL to 14,703 thousand MDL, their share within the total amount of loans amounting to 7.7% (average in the system 9.95%) thus being 8.7 p.p. bigger compared to the end of the previous year.
The loan portfolio is classified in risk categories as it follows: standard credits (69.4%), supervised (22,9%), substandard (0,5%), problematic (1,1%) and compromised (6,0%).
During the 12 months of 2015 were granted 539 loans amounting to 77,870 thousand MDL, which compared to the 12 months of 2014, have decreased by 10,5% or 9,143 thousand MDL.
The average rentability of the loan portfolio as of 31.12.2015 was 13.3%.
The income from the lending activity comprises one of the biggest shares within the total income of the bank – their share being 33% of the total amount of income by the end of 2015 (by 31.12.2014 – 43.9%).
The income from the lending activity for 2015 amounted to 24,220 thousand MDL. The aforementioned income, compared to the 12 months of 2014, increased by 3,060 thousand MDL.

Foreign currency activity
Another important direction within the Bank's activity consists of purchasing/ selling foreign currency, Throughout the 12 months of 2015 the bank gained income amounting to 18,429 thousand MDL, which represents 25,1% out of the total income of the Bank. For the 12 months of 2015, the income from the purchase/ sale of foreign currencyover the same period over last year recorded an increase of 81.7% or 8,288 thousand MDL.
The increase was due to the fluctuation of the exchange rates in USD, EUR, RUB as well as the margin of the purchase / sale, exchange rates about twice as higher than those from the previous 2014 year.
The year 2015 registered some excessive fluctuations of the exchange rate dynamic. This specific fact generated losses both for the reassessment and bigger income from purchasing / selling foreign currency section, the end positive result

President's Report (continued)
being achieved by means of prudent management of the Bank's currency position.
Compared to the same period from last year the turnovers increased with 13.4% or 1,235,777 thousand MDL out of interbank operations.

Activity on financial markets
During 2015, BC "EuroCreditBank" SA was active on the interbanking market, placing available funds within licensed banks in Moldova, NBM and correspondent banks from abroad.
On the interbanking-monetary market, the majority of placements were for the overnight transactions, whose main currency was the Moldovan Leu, and an insignificant part – for interbanking placements for up to one month.
The turnovers for the 12 months of 2015 –2,442,212 thousand MDL, including overnight –2,134,400 thousand MDL (or 87.3%), CBN 180,000 thousand MDL (or 7.3%), interbanking placements –0 and state securities –127,512 thousand MDL (or 5.2%).
For the 12 months of 2015 the bank gained income amounting to 11,918,7 thousand MDL (from CBN –1,078 thousand MDL, placements in banks –1,894 thousand MDL, overnight placements –1,035 thousand MDL and state securities –7,911 thousand MDL). Compared with the same period from last there, we can note a significant increase, with 10,214 thousand MDL of the aforementioned income. This is due to the increase in the main interest rate from 15.5% to 19.5% and as a result of the increase in the average rate for state securities from 19% to 26%.
As of 31.12.2015 the balance of the net investment portfolio amounted to 72,343 thousand MDL (14.1% of total assets).
The average profit rate in the Bank's investment portfolio (state securities and CBN) for 2015 amounted to 14.2%.

Risk Management
During the reported period, the Bank's main tasks were to minimize the risk of banking operations.
In order to minimize risk exposure, the Bank calculated and controlled the limits and regulations monthly, all established in accordance with the requirements approved by the NBM, the Board of Directors and the Committee of Assets and Liabilities Management (CDAP). The reports on limits and normative acts were examined monthly on CDAP meetings. Additionally, every quarter the Bank conducted liquidity stress testing, distributed under the terms (GAP stress testing), the results of which were also examined on CDAP and Board of Directors meetings.
A fair assessment of the loan risk is of major importance to the bank. To estimate the loan risk independently for each product, the Bank calculated the following key indicators: probability of default, exposure at the time of default risk and maturities.
To determine the loan risk, a detailed analysis of the business and financial condition of the debtor is carried out and subsequently, various measures are taken to minimize the loan risk.
Systematically the Bank executes the control of open currency position limits, and also sets and monitors the limits of exposure to currency risks.
In order to minimize the interest rate risk, the Bank carries out weekly analysis of the structure of assets and liabilities under the terms of payment. These reports are used by the Bank to approve decisions on the regulation of interest rate risk. During the year, both rates on term deposits as well as loans were modified.
Quarterly the Bank presents to the Management Board, the CDAP and the Board of Directors a general report that describes bank's risks and steps of minimizing those risks.

Compliance with legislation on the prevention of money laundering and terrorism financing
During the year the Bank continued the work on ensuring the bank's compliance with the requirements of the legislation on prevention and combat of money laundering and terrorism financing to the National Bank of Moldova regulations.
The "Know your customer" procedures have been modified in regards to the identification of customers, effective beneficiaries, politically exposed persons, transaction reporting, thus being brought in accordance to the changes in legislation and National Bank of Moldova requirements. These were sent for execution to the branches of the bank. For clients with a low level of transparency, it was recommended an increased attention of transaction monitoring, reporting of financial transactions in accordance with internal procedures and legal requirements. There were organized trainings according to the approved plan. The Report of the AML Group on the Bank's compliance with the legislation on preventing and combating money laundering and terrorism financing and the National Bank of Moldova's regulations on a quarterly basis the Bank's Management Board and periodically reviewed during the bank's Board of Directors meetings
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Corporate Governance
Corporate Governance Code BC "EuroCreditBank" SA has been developed based on and in accordance with the provisions of art. 17 of the Law on financial institutions, the Law on joint stock companies, the Decision of the Government of the Republic of Moldova "On the approval of the Concept of corporate governance of the enterprises within the national economy", the Decision of the National Commission for Financial Markets "On approving the Code

President's Report (continued)

of Corporate Governance". In drafting the Code there was also taken into account the provisions of the Basel Committee on Banking Supervision document from February 2006 "Enhancing corporate governance for banking institutions."
The Corporate Governance Code of BC "EuroCreditBank" is public and available on the website of the Bank. Its provisions are binding for the Bank's governing bodies, managers and employees of the Bank, including its shareholders.
The Corporate Governance Code is the basic legal document containing basic principles and concrete situations, that are tracked by the Executive Staff, the Board of Directors of the Bank, its shareholders in their activity as well being guided by the Code's best principles and practices. The Corporate Governance Code contains basic rights and obligations, how to respect them, to ensure direct and control operations of the Bank taking into account the interests of their shareholders.
In addition to the basic principles, the Code establishes specific principles considered to be important elements in the process of corporate governance.

THE BANK'S MANAGEMENT BODIES.

The leadership and effective management of the Bank's activity comes to the governing bodies of the Bank:

- The General Meeting of Shareholders - the supreme governing body of the Bank;
- The Board of Directors of the Bank;
- The Management Board of the Bank;
- The Censorship Commission.

THE GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting as supreme body, having exclusive competence pursuant to art. 50 of the Law on Joint Stock Companies, to enact decisions regarding the approval of the reportd of the Board of Directors, Censorship Commission, profit distribution, selecting the auditing company, etc. necessary to properly conduct the activity of the Bank within the legal existing frameworkand with the requirements of the normative acts in force at the National Bank.
The decisions of the General Shareholders' Meeting regarding these matters have been carried out in accordance with the Law on Joint Stock Companies and the Statute of the Bank, while complying with the provisions of the Code of Corporate Governance of the Bank.

THE BOARD OF DIRECTORS OF THE BANK

The Board of Directors is the body that represents the interests of shareholders between general meetings and within the limits of its powers, approved regulations of the Bank and their amendments at the request of the management board. The Board of Directors also approved amendments to the Statute due to the opening of the Comrat Branch.
The Board of Directors of the Bank, in the exercise of its attributions to approve internal regulations of the Bank is guided by the interests of the Bank and its shareholders. The Board also supervises on a permanent basis their fulfilment by the Management Board.
During the year, the Bank's Board of Directors oversees the effective functioning and performance of the Management Board, the results of the compliance policy for the risk management policy, significant positive and negative changes that have occurred.

THE MANAGEMENT BOARD OF THE BANK – executive body.

The executive body fulfills the ongoing management of the Bank, oriented towards achieving the objectives set out in the strategy and its business plan.
In their daily activity, the executive body ensured:
a) Organizing and coordinating the deployment of the Bank's financial activities approved by the license issued by the National Bank of Moldova in accordance with provisions of the existing legislation and internal regulations of the Bank;
b) Examining the financial and other specific statements of the Bank, as well as reports on the performance of the business plan and reporting to the Board of Directors of the Bank;
c) Examining the materials of controls carried out by the Internal Audit Unit of the Bank as well the external auditing company;
d) Presenting to the Board of Directors, Censorship Commission and each member of these bodies' the documents and other information necessary for the proper performance of their duties;
e) Approval of the Bank's transactions with third parties prior to their realization, within the limits established by the ECB's Regulation on Executive Board.
The activity of the Bank's Executive Body – The Management Board of the Bank is conducted in accordance with the principles and best practices established by the Code of Corporate Governance of the Bank.

President's Report (continued)

CENSORSHIP COMMISSION

The Censorship Commission supervises financial and economic activity of the Bank. During 2015 the Censorship Commission has carried out controls according with its Activity Plan and has informed the Board of Directors on its results. The Council took note of the provided information.

In the report on the control carried out by the Censorship Commission:

a) Establishes for the bank accounting policies for control under the regulations of the National Bank, oversees its compliance and controls the bank accounts and other documents of the bank;

b) Controls the compliance with the laws and regulations pertaining to the bank and submit those reports to the Board of Directors;

c) Presents opinions on matters requested by the Board of Directors and other matters it deems necessary.

d) Carries out extraordinary controls in accordance with the Decision of the General Shareholders' Meeting, at the request of the Board of Directors or on its own initiative.

The Bank's degree of compliance to the provisions of the the Code of Corporate Governance

Corporate governance refers to the relationship between investor/shareholder and manager/administrator and the problems that might arise, extending to the full range of existing relationships between those directly or indirectly involved in the activity of the bank.

By the taken actions, BC EuroCreditBank SA managed:

a) To reduce risks and as a result, their costs;

b) To put maximum effort into optimizing risk management and improving internal control systems.

c) To reduce expenses in the development of the branch network, purchase fixed assets, soft, advertising, etc. while optimizing expenses.

d) Rebooting the business following temporary stagnation caused by special conditions and restrictions imposed by the supervisor.

The Bank's Board of Directors effectively cooperated with the management of the bank and its shareholders in order to further increase the Tier I capital in order to ensure a continuous development of the bank. Within the operational activity of the Bank, the management bodies as well as the administrators of the bank have ensured a good functioning of the bank, while respecting the principles of corporate governance. The aforementioned analysis was drafted up based on the FINREP reports as well as the Bank's prudential reports presented to the National Bank of Moldova.

STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2015

	Note	31 December 2015	31 December 2014
		MDL '000	MDL '000
ASSETS			
Cash and cash equivalents	**4**	54,762	54,750
Accounts with National Bank of Moldova	**5**	95,139	41,336
Current accounts and deposits with banks	**6**	61,937	13,948
Financial investments - held to maturity	**7**	72,343	24,652
Loans to customers, net	**8**	186,948	172,287
Financial investments - available for sale	**9**	166	166
Property and equipment, net	**10**	34,422	32,985
Intangible assets, net	**11**	1,082	1,605
Other assets	**12**	8,073	6,650
Total assets		**514,872**	**348,379**
LIABILITIES			
Due to banks		1	1
Loans	**13**	6,560	7,834
Due to clients	**14**	255,586	99,585
Deferred tax liabilities	**15**	10	558
Other liabilities	**16**	1,980	1,863
Total liabilities		**264,137**	**109,841**
EQUITY			
Ordinary shares	**17**	138,000	138,000
Reserves	**17**	26,848	28,567
Revaluation reserves	**17**	15,661	15,661
Retained earnings	**17**	70,226	56,310
Total equity		**250,735**	**238,538**
Total equity and liabilities		**514,872**	**348,379**

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

These financial statements were authorized for issue on 25 March, 2016 by the Executives of the Bank:

President of Management Board	**Chief -Accountant**
Oleg Holban	**Svetlana Brîncă**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended on 31 December 2015

	Note	2015 MDL '000	2014 MDL '000
Interest income	**19**	35,899	22,099
Interest expenses	**20**	(4,439)	(944)
Interest income, net		**31,460**	**21,155**
Net losses from impairment of loans and receivables	**8, 12**	(1,753)	2,832
Net interest income decreased by the impairment of loans and receivables		29,707	23,987
Fee and commission income	**21**	14,724	12,313
Fee and commission expenses	**22**	(5,918)	(4,736)
Fee and commission income, net		**8,806**	**7,577**
Income from foreign currency operations, net	**23**	18,429	10,140
Other operating income	**24**	4,253	3,694
		61,195	**45,398**
Personnel expenses	**25**	(31,610)	(24,274)
General and administrative expenses	**26**	(14,725)	(12,447)
Amortization expenses	**10, 11**	(2,479)	(2,499)
Total operational expenses		**(48,814)**	**(39,220)**
Operating profit before tax		**12,381**	**6,178**
Income tax expense	**15**	(209)	(546)
Net profit for the financial year		**12,172**	**5,632**
Basic earnings per share (MDL)	**27**	**0.88**	**0.41**

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

These financial statements were authorized for issue on 25 March, 2016 by the Executives of the Bank:

President of Management Board — **Oleg Holban**

Chief -Accountant — **Svetlana Brîncă**

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	Share capital	Reserves		Retained earnings	Reserves from revaluation	Total
		General reserve	Prudential reserve			
	(MDL '000)	(MDL '000)	(MDL '000)	(MDL '000)	(MDL '000)	(MDL '000)
Balance as of January 1, 2014	**108,000**	**10,800**	**12,917**	**55,528**	**15,661**	**202,906**
Shares issue	30,000	-	-	-	-	30,000
Allocations to general reserve	-	-	4,849	(4,849)	-	-
Profit for the year	-	-	-	5,632	-	5,632
Revaluation of intangible assets	-	-	-		-	-
Other adjustments	-	-	-	-	-	-
Balance as of December 31, 2014 and January 1, 2015	**138,000**	**10,800**	**17,766**	**56,311**	**15,661**	**238,538**
Shares issue	-	-	-	-	-	-
Allocations to general reserve	-	282	(2,000)	1,718	-	-
Profit for the year	-	-	-	12,172	-	12,172
Revaluation of intangible assets	-	-	-	-	-	-
Other adjustments	-	-	-	25	-	25
Balance as of December 31, 2015	**138,000**	**11,082**	**15,766**	**70,226**	**15,661**	**250,735**

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

These financial statements were authorized for issue on 25 March, 2016 by the Executives of the Bank:

President of Management Board **Chief -Accountant**

Oleg Holban **Svetlana Brîncă**

STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	2015 MDL '000	2014 MDL '000
Cash flows from operating activities		
Interest and commission receipts	31,026	25,479
Interest and commission paid	(7,932)	(4,890)
Cash receipts from loans previously written-off from allowances for loan losses	(1,753)	2,832
Cash receipts from other income	42,631	23,520
Cash paid to employees	(27,410)	(23,269)
Cash paid to suppliers and contractors	(17,440)	(14,536)
	19,122	**9,135**
Increase/(decrease) of assets	(10,031)	10,089
Increase/(decrease) of deposits with NBM	(3,942)	(16,918)
Increase/(decrease) of loans granted to customers	0	(7)
Increase/(decrease) of securities	(4,304)	6,851
Increase/(decrease) of other assets	**(18,276)**	**15**
Increase/(decrease) of liabilities		
Increase/(decrease) of customer deposits	256,410	9,159
Increase/(decrease) of deposits and borrowings from banks	(984)	(13,057)
Increase/(decrease) of other liabilities	(972)	(8,628)
Income tax paid	(209)	(546)
Net cash from operating activity	**256,410**	**9,159**
Cash flows from investing activities		
Proceeds /(payments) on loans granted to customers	(10,804)	(232)
Proceeds /(payments) on investment securities	(47,686)	(5,666)
Proceeds /(payments) on property and equipment assets	984	-
Payments for intangible assets	-	-
Interest received	7,887	6,974
Net cash from investing activities	**(49,619)**	**1,077**
Net Cash flow from financing activity		
Receipts / (payments) for long-term loans	(1,288)	(2,083)
Net Flow from financial activity	**(1,288)**	**(2,083)**
Effect exchange rate fluctuations on cash and cash equivalents	(101,461)	(4,201)
Increase in cash and cash-equivalents	**102,722**	**(9,130)**
Cash and cash equivalents at the beginning of the year	104,716	113,846
Cash and cash equivalents at the end of the year	**207,438**	**104,716**

STATEMENT OF CASH FLOWS

for the year ended 31 December 2015 (continued)

Cash and Cash Equivalents

	Note	2015 MDL '000	2014 MDL '000
Cash and cash equivalents	**4**	54,762	54,750
Accounts with National Bank of Moldova	**5**	74,987	31,215
Current accounts and deposits with banks	**6**	61,937	13,948
Investment securities	**7**	16,133	4,959
Allowance for impairment loss of receivables	**12**	(381)	(156)
		207,438	**104,716**

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

These financial statements were authorized for issue on 25 March, 2016 by the Executives of the Bank:

President of Management Board	**Chief -Accountant**
Oleg Holban	**Svetlana Brîncă**

1. General Information on Bank

BC "EuroCreditBank" SA (hereinafter referred to as "the Bank") was established in the Republic of Moldova as an open joint-stock Commercial Bank “Petrolbank” in September 1992. The Bank was registered at the State Chamber of Registration as a Joint Stock commercial bank on 25 May 2001 under state identification number 1002600020056.

During the General Meeting of Stockholders held on 4 July 2002 Bank’s new name became BC “EuroCreditBank” SA.

The Bank operates as a commercial bank throughout its head office from Chisinau and throughout its 6 branches and 40 agencies (5 branches and 39 agencies as of 31 December 2014).

In present, the Bank operates under the License No. 004461 Series A MMII issued on 30 June 2008, which gives the permission of rendering a range of banking services for individuals and corporate clients, including receiving deposits, cash management, lending activities, operations related to foreign currency, etc., according to art.26 p.1) of the Law on Financial Institutions.

The Bank’s registered office:

Ismail, 33 str.
MD-2011, mun. Chişinău
Republic of Moldova

As of 31 December 2015 the Bank's staff reached 294 employees (as of 31 December 2014: 282).

The Board of Directors develops the Bank’s operational policies and supervises their implementation. The Bank's Board is composed of four members elected by the General Meeting of Shareholders.

As of 31 December 2015, the Bank's Board included the following members:

Valeriu Bulgari	Chairman of the Board
Nina Lupan	Board Member
Gheorghe Cucu	Board Member
George Gaberi	Board Member

These financial statements were authorized for issue on 25 March 2016 by the Executives of the Bank represented by the President and the Chief Accountant.

2. Accounting policies

2.1. Basic principles used in preparing the financial statements

Compliance Statement

These financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board (IASB). These financial statements are prepared in accordance with the International Financial Reporting Standards effective as of 31 December 2015, reporting date of annual financial statements. Additionally, there were applied the interpretations issued by the IFRS Interpretations Committee.
The Bank does not adopt preventive standards that have not been declared effective.
Financial year of the bank is the calendar year.
The principal accounting policies applied to these financial statements are presented below. These policies have been sequentially applied for all previous years, excepting the cases when it is mentioned otherwise.

Compliance with the national legislation
For over sighting purpose the entity is qualified as commercial Bank according to the banking license issued by the National Bank of Moldova, which gives it the authorization of rendering banking services in the Republic of Moldova, and as a result, it is regulated by the National Bank of Moldova. These financial statements have been approved by the Bank's Council of Administration.

Assessment principles
The financial statements are prepared on a historical cost basis, except for land and buildings and investments available for sale, which are recorded at fair value.

Functional currency
The accompanying financial statements are presented in Moldovan Lei („MDL"), rounded to the nearest thousand, which is the Bank's functional currency, except cases when it is mentioned otherwise.

2.2. Significant accounting estimates and judgments

The presentation of financial statements in compliance with IFRS, requires the management of the Bank to make judgments about estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and future changes in the economic conditions, business strategies, regulatory requirements, accounting rules or/and other factors could result in a change in estimates that could impact the reported financial position of Bank.

The most common significant areas involving estimates and professional judgment include:

- **Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position can not be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not possible, it takes a certain kind of judgment to determine fair values. The judgments include considerations of liquidity and model inputs for mathematical models, such as discounting cash flows and assessing default rate for financial instruments secured by assets.

- **Impairment losses on loans and advances**

Provisioning for incurred credit losses identified contingencies involves the management of the Bank to make judgment in estimating the loss amounts. The Bank creates provision for impairment of loans and receivables where there is objective evidence that, as a result of past events, the estimated future cash-flows are lower than carrying amount. These provisions are based on Bank's historical and current experience concerning default rates, recovery rates of loans, or time needed from a loss event to loan default, as well as subjective judgments of the Bank's management about estimated future cash-flows.

2. Accounting policies (continued)
2.2. Significant accounting estimates and judgments (continued)

- **Going concern**

Bank management has evaluated the Bank's ability to continue as a going concern and has been convinced that the Bank has the necessary resources to continue its business in the foreseeable future. In addition, the management is not aware of any material uncertainty that would create significant doubt regarding the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

2.3. Changing the accounting policies

The accounting policy adopted are consistent with those of the previous year. Adoption of new standards and interpretations that are effective within the Bank from 1 January 2014 had no impact on accounting policies, financial position or performance of the Bank.

2.4. Significant accounting policies

a. Basis for assessment

These financial statements have been prepared under the historical cost method, except when IFRS requires recognition at fair value.

Fair value is best represented by quoted prices in an active market. If the market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. The goal of using a valuation technique is to establish what the transaction price would be at the valuation date within transactions, driven by normal business considerations.

Valuation techniques include using market transactions conducted in objective conditions between interested parties and knowingly (if applicable), reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and models pricing of options. If there is a valuation technique commonly used by market participants to put value of the instrument and that technique has provided consistently reliable estimates of prices obtained in actual market transactions, the Bank uses that technique.

Chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

Financial instruments measured at fair value on an ongoing basis for accounting purposes include all instruments at fair value through profit or loss and financial instruments classified as available for sale. Details of the measurement techniques applied to balance sheet positions are part of the accounting policies below.

These financial statements have been prepared on a going concern basis, which assumes that the Bank will continue its operations for the foreseeable future. In order to assess the reasonableness of these assumptions, management reviews the forecasts of future cash inflows. Based on these analyses, management believes that the Bank will continue to operate under the principle of going concern for the foreseeable future and, therefore, this principle has been applied in preparing these financial statements.

The financial year starts on January 1 and ends on December 31 and includes all operations of the Bank. All figures reflecting actual economic and financial results of the bank during the financial year are included in the financial statements of the financial year.

b. Foreign currency transactions

Foreign currency transactions are translated into the relevant functional currency according to the exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date again, are translated into the functional currency in accordance with the exchange rate at that date. Profit from foreign exchange or monetary loss articles – constitutes the difference between the amount of depreciation in the functional currency at the beginning of the period, adjusted for effective performance and payments during the period and the amount of depreciation in foreign currency translated at the exchange rate at the end period.

2. Accounting policies (continued)
2.4. Significant accounting policies (continued)
b. Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at the objective value, again are converted into the functional currency at the rate of exchange on the day when this objective value was determined.

Exchange differences arising from the re-conversion are recognized in profit or loss, except for differences arising from the re-conversion of available-for-sale financial assets are included in the objective value of the stock shares.

Transactions in foreign currencies are recorded at the exchange rate at the transaction date. At financial statement date, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate.

	2015		2014	
	USD	Euro	USD	Euro
Average period	19.6585	21.4779	14.0388	18.6321
End of the year	18.8161	20.8980	15.6152	18.9966

c. Cash and cash equivalent

For the purposes of the financial statements, the cash includes cash available in treasury and with banks and current placements and cash equivalents are short-term financial investments (up to 91 days) very liquid, that are easily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

d. Loans and receivables and provision for loan impairment

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Amounts reported as receivables from customers consist primarily of loans and advances. In addition to overnight and short - term deposits, the amounts reported as receivables from banks include current account balances.

All loans and receivables to banks, as well as loans and receivables to customers fall into the category of "loans and receivables" and are carried at amortized cost using the effective interest method. When calculating the amortized costs are taken into account all the discounts or premiums on purchase, as well as associated fees that are an integral part of the effective interest rate. Amortized premiums and discounts are recognized in terms of profit and loss in net interest income.

Provisions for loan impairment

Provisions for loan impairment are established when there is objective evidence that the Bank will not be able to collect all amounts due. The provision is the difference between the carrying amount and the recoverable amount, where the recoverable amount in the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted based on effective interest rate at inception.

Impairment of financial assets

A financial asset (or group of financial assets) is considered impaired and impairment losses occur if and only if, there is objective evidence of impairment as a result of one or more events after initial recognition of the asset ("loss event") and that loss event has an impact on the estimated future cash flows of the financial asset (or group of financial assets) that can be estimated reliably. It may not be possible to identify a single, discrete event that caused the impairment. Rather, the combined effect of several events may have caused the impairment.

2. Accounting policies (continued)
2.4. Significant accounting policies (continued)
d. Loans and receivables and provision for loan impairment (continued)

Individually assessed exposures

Loans are considered individually significant if they have a certain size. The Bank believes that all loans that exceed the level of MDL'000 1,000 (or equivalent) should be individually assessed for impairment. Such credits shall be assessed whether there is objective evidence of impairment, i.e. any factors that might influence the customer to meet contractual payment obligations to the bank:

- At the assessment date there is overdue loan payment or interest. In this case the loan will be considered impaired and the impairment test shall be performed without considering other evidence.
- The financial situation of the debtor at the time the credit assessment. Indicators that would indicate that the loan is impaired could be: a significant decrease in the turnover rate, decrease of the operating profit ration to a level insufficient to cover interest payments, negative net current assets.
- According to the information held by the Bank, becomes probable that the borrower will enter in bankruptcy or other reorganization accounts.
- Unfavourable economic conditions on borrower's market, such as: difficulties with export production due to the closure of export markets, the overall decrease in the level of income within the debtor's industry, etc..

The calculation of the present value of estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from the execution of the lien less costs for obtaining and selling the collateral.

Individually assessed loans for which no provision has resulted, are subject to collective impairment calculation by multiplying the exposure in the event of default by the probability of default (PD) and the rate of loss in case of default (LGD).

Collectively assessed exposures

For the purpose of a collective evaluation of the loan portfolio, the Bank will form groups of loans that have similar risk characteristics. Credits will be divided into groups:

- Legal entities (Group "Investițional"; Group "Creditelor de tip Retail pentru agenți ecomici").
- Individuals (Group "Casa Mea"; Group "Auto - Standard"; Group "Creditelor de tip Retail pentru personae fizice").

In these groups will enter insignificant loans as well as and significant ones, but which have no evidence of impairment.

Recovery of the impairment loss

If, in a subsequent period, the amount of loss on impairment decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the loss previously recognized impairment will be recovered by adjusting an provision account for impairment. Recovery not has as result in a carrying amount of the financial asset that exceeds the amortized cost that would have been if the impairment had not been recognized at the date the impairment is reversed. Amount of the loss is recognized in profit.

Other assets that are not loans (Receivables)

In this category are recorded amounts which are not loans, as follows:

- Nostro accounts in correspondent banks,
- Securities representing shares in the capital of other entities;
- Assets passed in possession / purchased for debt repayment;
- Amounts receivable on the balance sheet of the Bank, with unidentified character;
- Receivables related to settlements with other individuals or legal entities;
- Receivables on capital investments and intangible assets;

2. Accounting policies (continued)
2.4. Significant accounting policies (continued)
d. Loans and receivables and provision for loan impairment (continued)

- Receivables related to documentary settlements;
- Debtors with which the Bank is in dispute.

Amounts of state fees are passed directly to the charges, except for amounts that are considered significant to the Bank.

e. Financial assets available-for-sale

Financial assets available-for-sale are those financial assets that are designated as available for sale and are not classified as held-to-maturity investments or investments at fair value through profit or loss.

Financial assets available-for-sale is initially recognized at cost plus transaction costs of the acquisition.

After initial recognition, the Bank assesses the financial assets at fair value without any deduction for transaction costs that may be incurred on sale or other disposal, except for the following categories of financial assets:

i. held to maturity investments which are measured at amortized cost using the effective interest method, and

ii. investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to, and are settled by delivery of such unquoted equity instruments, which are measured at cost.

A gain or loss arising from a change in fair value of the investment is recognized as follows:

- a gain or loss of an investment classified as assessed at fair value through profit or loss is recognized in profit or loss;
- a gain or loss of an investment available-for-sale is recognized in other comprehensive income, except for losses from impairment. In that moment cumulative gain or loss recognized previously in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. However, interest calculated using the effective interest method is recognized in profit or loss. Dividends for equity instruments available-for-sale are recognized in profit or loss when the entity's right to receive payment is established.

For investments carried at amortized cost, a gain or loss is recognized in profit or loss when the investment is derecognized or impaired, and through the amortization process.

f. Securities

Securities held to maturity are financial assets with fixed or determinable payments and a fixed maturity that the Bank has the positive intent and ability to hold to maturity, other than those that the Bank designates as available-for-sale.

State securities (VMS) and the NBM’s certificates are classified as investments held to maturity.

VMS are fully reclassified as available for sale investments in case when in the reporting period there has been a for sale of significant amount from portfolio of VMS and between the sale date and the maturity date VMS sold are more than 90 days. In case of VMS reclassification as available-for-sale, the Bank will classify all VMS purchased further for the next 2 years as available for sale.

g. Property, plant and equipment

Property, plant and equipment are items of value greater than the value set by the Ministry of Finance, which are held for use in rendering services, for rental to others or for administrative purposes and are expected to be used during several periods.

All property, plant and equipment are stated at historical cost less depreciation and impairment losses scheduled. Historical cost includes expenditure that is directly attributable to the acquisition of products.

2. Accounting policies (continued)
2.4. Significant accounting policies (continued)
g. Property, plant and equipment

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the Bank and the cost will come from asset can be measured reliably. All other repairs and maintenance are past the income statement during the financial period in which they are incurred.

The depreciation method applied to an asset is reviewed at each financial year-end.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate cost to their residual values using the following useful life periods:

	Years
Buildings	45 -50 years
Office equipment	3-5 years
Equipment and installations	3 - 15 years
Vehicles	5- 7 years
Cash machines (ATM) and equipment	8- 10 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Investment property

Investment property is property, land or buildings, or part of building - or both owned by the owner or by the lessee under a finance or operating lease to earn rentals or for capital appreciation, or both.

Investment property is recognized as an asset if, and only if it is probable that future economic benefits associated with the investment property will flow to the Bank and the cost of the investment property can be measured reliably.

Bank recognizes in the carrying amount of investment property daily maintenance costs of such property. These costs are recognized in profit or loss as incurred.

Investment property is measured initially at cost. Transaction costs are included in the initial measurement. The Bank uses the cost model to track all of its investment property.

h. Lease contracts

Leases are accounted for in accordance with IAS 17 "Leases" and IFRS 4 "Insurance Contracts". Classification as a finance lease or an operating lease depends on the economic substance of the transaction rather than the legal form of the contract.

Financial leases

The agreements under which the lesser transfers to the lessee substantially all the risks and rewards of ownership of the assets but not necessarily legal title, are classified as finance leases.

Operating leases

Operating leases are all leasing contracts that do not qualify as finance leases. Leases in which a significant portion of the risks and rewards of ownership are retained by a other hand, the lesser are classified as operating leases.

In case when the Bank give in leasing part of the building, while the other is still occupied by the Bank, the leased part will be reclassified as investment property only if it is greater than 50% of the total area of the building.

2. Accounting policies (continued)
2.4. Significant accounting policies (continued)

i. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if it is separable or arises from contractual rights and either or other legal rights, regardless of whether those rights are transferable or separable from the Bank or from other rights and obligations.

An intangible asset is recognized if and only if it is probable that future economic benefits attributable to the asset will flow to the bank and the cost of the asset can be measured reliably.

The Bank assesses the probability of future economic benefits based on reasonable and supportable assessments representing the best estimate of the management team for the set of economic conditions that will exist over the useful life of the asset.

An intangible asset is measured initially at cost. Recognition of costs in the carrying amount of an intangible asset ceases when the asset is in the condition necessary to be able to operate in the manner intended by management. Therefore, costs incurred in using or redeploying an intangible asset is not included in the carrying amount of that asset.

After initial recognition, an intangible asset is recorded at its cost less any accumulated depreciation and any accumulated impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives up to 5 years.

Costs associated with maintaining computer software programs are recognised as an expense when 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 recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives over 5 years.

Licenses are capitalized on the basis of the costs incurred to acquire the specific license. These costs are amortised on the basis of the license period (5-20 years). Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

j. Impairment of non-financial assets

Assets that have an indefinite useful life are not amortized according to graphics, but are tested at the end of each reporting period for impairment.

Assets subject to amortization are reviewed for indications of 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 carrying amount of the asset is written down immediately to its recoverable amount if the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the biggest between the asset's fair value less costs to sell and value of use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

k. Other assets (inventories)

Inventories are assets of value up to the value set by the Ministry of Finance in the form of materials or supplies to be used in the production or providing services.

Inventories are valued at the lower of cost and net realizable value.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories in functioning.

2. Accounting policies (continued)
2.4. Significant accounting policies (continued)
k. Other assets (inventories) (continued)

Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. Other costs are included in cost of inventories only to the extent that they represent costs incurred in bringing the inventories to the location and condition are present.

Deposit costs and administrative overhead costs are not included in the cost of inventories and recognized as expenses in the period in which they are incurred.

The cost of inventories is determined using the FIFO method. The Bank uses the same formula to determine the cost for all inventories having similar nature and use to the Bank.

The cost of inventories may not be recoverable if those inventories are damaged, if they have been obsolete in whole or in part. Practice reduction of inventories below cost to net realizable value is consistent with the view that assets are not reflected in the balance sheet at an amount greater than the value expected to be realized from their sale or use. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period in which the reduction in value or loss.

l. Property and equipment submitted to loan reimbursement

Property and equipment submitted to loan reimbursement are classified as assets held for sale and are recognized in the balance sheet only when there is a high probability of their sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations”.

When recording in accounting the property and equipment assets submitted to loan reimbursement is reflected at the lower of debt of the borrower (loan balance, interest calculated and reflected in the balance sheet, fees, penalties and other claims related to credit and the fair value to property and equipment assets submitted to loan reimbursement less costs of sale. In case if the asset's market value is less than the loan balance - the difference is expensed immediately.

At the end of each reporting period, the Bank estimates that there is evidence of impairment of such assets from internal and external sources of information. Where is identified such evidence exists, the asset's recoverable amount is estimated.

m. Deposit, borrowings and other financial liabilities

The amortized cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or failure recovery.

The effective interest method is a method of calculating the amortized cost of a financial liability (or group of financial liabilities) and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts future cash payments through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount of the financial liability. When calculating the effective interest rate is estimated cash flows considering all contractual terms of the financial instrument.

When a financial liability is recognized initially, it is measured at its fair value plus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of financial liability.

For deposits from customers, the initial value will be equal to the amount of the deposit contract.

In the case of loans from banks / financial institutions, the initial value will be equal to the contract sum of minus the loan contract costs that are directly attributable to this loan.

After initial recognition, the Bank assesses at amortized cost using the effective interest method all financial liabilities.

2. Accounting policies (continued)
2.4. Significant accounting policies (continued)
m. Deposit, borrowings and other financial liabilities (continued)

Financial liabilities carried at amortized cost, a gain or loss is recognized profit or loss when the financial liability is derecognized, and through the amortization process.

All financial liabilities are derecognized when they are extinguished - i.e. when the obligation is issued or cancelled, or when it expires.

n. Provisions, contingent liabilities and contingent assets

Provisions are recognized if there is a current legal or constructive obligation resulting from past events; it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated.

If these conditions are not met, no provision is recognized.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in settlement is determined by considering the group of obligations as a whole.

The provisions for which the output time of resources is known will be measured at the present value of costs where the flow does not occur within a year.

Contingent liabilities, which consist primarily of certain guarantees and credit commitments issued to customers, are possible obligations arising from past events. Whether they happen or not depends on uncertain future events not wholly within the control of the Bank, they are not recognized in the financial statements but disclosed off balance, unless the probability of settlement is vague.

A contingent asset is a possible asset arising from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

o. Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse to the holder for a loss which he supports because a specified debtor performs no payments due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

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

Any increase in the liability relating to these guarantees is reflected in the income statement in note operational expenses.

p. Recognition income and expense

Revenue is measured at the fair value of the consideration received or receivable.
Amount of revenue arising on a transaction is usually determined by an agreement between the Bank and the buyer or user of the asset.
Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the Bank. However, when an uncertainty arises about the collectability of an amount already included in revenue, the amount cannot be collected or the amount of which recovery has ceased to be probable is recognized as an expense rather than as an adjustment to the amount of initial revenue.

2. Accounting policies (continued)
2.4. Significant accounting policies (continued)
p. Recognition income and expense (continued)

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within "interest income" and "Interest expense" in the income statement using the effective interest method. Interest income and expenses are recognized in the income statement on an accrual basis, using the effective interest method.

Once the carrying amount of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income is recognized using the interest rate used to discount future cash flows in order to measure the impairment loss. Payments received in respect of disposal of loans are recognized in net interest income, but reserve for credit losses.

Income and expenses from fees and commissions

Income and expenses from fees and commissions are recognized on an accrual basis when the service has been rendered.

Advance fees for loans that are likely to be used, are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate of the loan.

q. Income tax

Current income tax

Current income tax is calculated based on the applicable tax laws in the jurisdiction and is recognized as an expense.

Deferred income tax

Deferred income tax is applied in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their financial statements in accordance with IFRS. Deferred tax assets and liabilities are determined using tax rates (and laws) that have been adopted substantially at the balance sheet date and are expected to apply when the deferred income tax asset is realized or the deferred income tax liability is settled.

Temporary differences mainly come from the depreciation of fixed assets and tax losses carried forward. However, the deferred income tax is not accounted for if it occurs from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither profit (before tax) for the period IFRS nor taxable profit or loss.

Current and deferred tax is recognized as income or an expense and included in profit or loss.

Current tax and deferred tax shall be recognized outside profit or loss if the tax relates to items that are recognized in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax is recognized for the elements in the same or a different period.

- other comprehensive income shall be recognized other comprehensive income
- directly in equity shall be recognized in equity.

In 2015, the income tax rate was 12%, in 2016 the income tax rate will be 12%.

r. Employee benefits

The Bank recognizes the undiscounted amount of short-term employee benefits, expected to be paid in exchange for that service as a liability after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Bank recognizes that excess as an asset and as an expense, unless permitted inclusion of the benefits in the cost of an asset.

2. Accounting policies (continued)
2.4. Significant accounting policies (continued)
r. Employee benefits (continued)

The Bank recognizes the expected cost of short-term employee benefits in the form of compensated absences.

The Bank assesses the cost of accumulating compensated absences as the additional amount that the bank plans to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

The bank makes payments during their the ordinary work, to the National Social Insurance House and the National Health Insurance Fund on behalf of the employees that hold Moldovan citizenship for pension, healthcare and unemployment benefits. All the employees of the Bank are members and are required by law to make defined contributions (included in social security contributions) to the pension fund of the Republic of Moldova (a state defined contribution plan). All relevant contributions to the pension fund of the Republic of Moldova, are reflected in the income statement as expenses as incurred. The Bank has no further obligations in this regard. The Bank does not have an individual program for payment of pensions, and therefore has no obligations to pay pensions.

s. Related parties

Counterparty is considered related to the Bank if:

i. directly or indirectly through one or more intermediaries, the party:
   - controls, is controlled by or is under common control with the Bank (it includes parents, subsidiaries and fellow subsidiaries);
   - has an interest in the Bank that gives significant influence over the Bank, or
   - has joint control over the Bank;

ii. the party is an associate of the Bank;

iii. the party is a joint venture in which the Bank is a venture;

iv. the party is a member of the key management personnel of the Bank or its parent;

v. the party is a close member of the family of individual referred to in (a) - (d);

vi. the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e), or

vii. the party is a post-employment benefit plan for employees of the Bank, or any entity that is a related party of the Bank.

Related party transactions and information on compensation and benefits to key management personnel of the Bank are presented in the financial statements, in accordance with IAS 24 "Related party disclosures".
In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

t. Subsequent events

Events after the reporting date are those events, favourable or unfavourable, that occur between the end of reporting period and the date when the financial statements are authorized for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and
- those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

u. Dividends

If dividends are declared to equity holders after the reporting period, then do not recognize those dividends as a liability at the end of the reporting period. If dividends are declared after the reporting period but before the financial statements for approval, dividends are not recognized as a liability at the end of the reporting period because no obligation exists at that time.

3. Effective and new Standards and Interpretations

(a) Standards effective in the period starting with or after 1 January 2015

- The **IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle**, which is a collection of amendments to IFRSs. The adoption of these amendments had no significant impact on the financial statements and they did not result in any changes of the Bans's accounting policies.
  - ***IFRS 3 Business Combinations:*** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
  - ***IFRS 13 Fair Value Measurement:*** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
  - ***IAS 40 Investment Properties:*** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

(b) New issued standards and interpretations, that are mandatory for the year beginning on or after 1 January 2016 , but which have not yet been adopted

- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**

The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The Bank considers that these amendments will not have a significant effect on the financial statements as they do not apply amortization based on income.

- **IFRS 9 Financial Instruments (effective date: annual periods beginning on or after 1 January 2018, with early application permitted)**

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement regarding classification and measurement of financial assets, excluding issues related to hedge accounting, in respect of which entities may choose to apply the old provisions of IAS 39 or to apply IFRS 9.

Though the standard allowed measurement methods (amortised cost, at fair value through profit and loss account and at fair value through other comprehensive income) are similar to those in IAS 39, the classification criteria in the relevant category of measurement have changed significantly.

Financial assets will be classified using one of two methods of assessment: amortized cost and fair value. A financial asset can be measured at amortized cost only if the following conditions are met: the assets are held within a business model of the Bank whose objective is managing for contractual efficiency and the contractual terms include providing cash flows at specified dates to be represented only by principal and interest. Gains or losses on subsequent value changes of assets measured at fair value are recognized in profit or loss except for investments in equity instruments that are not held for trading, for which the standard allows the recognition of initial measurement at a fair value with the recognition of subsequent changes in value to the comprehensive income.

The delayed recognition of credit lost from IAS 39 has been replaced by expected loss model, which provides that a loss event would not expected to take place until the recognition of an allowance for impairment loss. Also, the new presentation requirements are substantial.

3. Effective and new Standards and Interpretations

(b) New issued standards and interpretations, that are mandatory for the year beginning on or after 1 January 2016 , but which have not yet been adopted (continued)

The Bank expects that when initially the new standard will be applied, they will have a significant impact on the financial statements, because the Bank expects the change of the classification and measurement of financial instruments. However, the Bank is unable to prepare an analysis of the impact on the financial statements until the date of its initial application.

The Bank does not intend to apply IFRS 9 until the entry into force of the standard.

- **IFRS 15 Revenue from Contracts with Customers (effective for periods beginning on or after 1 January 2017)**

The issued standard replaces the following: IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. It is applicable to the contracts with the clients, other than insurance, financial instruments, leasing. It prescribes a single model for analysis of the client's contracts and two approaches of revenue recognition - at one time or on the duration of the contract, depending on the time of the contract provisions fulfilment. The Bank believes that this standard will not have a significant effect on the financial statements as most contracts with the customers are subject to other standards.

- **IAS 27 Amendments (Effective for periods beginning on or after 1 January 2016 with retrospective application)**

The amendments allow an entity to measure the subsidiaries, the associates and joint ventures in separate financial statements using the equity method. The amendments, when they will be applied initially, will have a significant impact on the financial statements because measuring the investments of the Bank in subsidiaries and associated entities will change from the measurement at cost minus impairment losses calculated in accordance with IAS 39 to equity method equivalence. The Bank believes that the application of the amendment will have no significant impact on the financial statements.

- **Amendment in IFRS 10 and IAS 28 Sale or contribution of assets between an investor and his associate or interests in joint ventures (applicable for periods beginning 1 January 2016 with prospective application)**

The amendments clarify that a transaction involving an associate or interest in the joint venture, the recognition of profit and losses depend on whether the sold or contributed assets represent a business. Therefore, a total loss or profit can be recognized whether a sale or contribution of assets between an investor and partner or interests in joint ventures constitutes a business and a profit / loss partial will be recognized when such a transfer would not be a business, even if the assets will be placed in a subsidiary. The Bank does not consider that these amendments will have a significant effect on the financial statements.

- **IAS 1 Amendments (effective for the periods beginning on or after 1 January 2016**

The definition of materiality has been modified to clarify its applicability on the financial statements as a whole and on each disclosure requirement within a standard. Also, certain changes have been made in the financial statements and the notes in order to clarify the fact that entities have flexibility concerning the disclosure of accounting policies in the explicative notes. The Bank does not consider that these amendments will have a significant effect on the financial statements.

- The **IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The management of the Bank believes that its application will have no significant impact on the financial statements of the Bank.

    - ***IFRS 2 Share-based Payment:*** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition');
    - ***IFRS 3 Business combinations:*** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.

3. Effective and new Standards and Interpretations

(b) New issued standards and interpretations, that are mandatory for the year beginning on or after 1 January1 2016 , but which have not yet been adopted (continued)

- ***IFRS 8 Operating Segments:*** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- ***IFRS 13 Fair Value Measurement:*** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- ***IAS 16 Property Plant & Equipment:*** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- ***IAS 24 Related Party Disclosures:*** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- ***IAS 38 Intangible Assets:*** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- The **IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle,** which is a collection of amendments to IFRSs. The management of the Bank believes that its application will have no significant impact on the financial statements of the Bank.

  - ***IFRS 5 Non-current Assets Held for Sale and Discontinued Operations***: The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
  - ***IFRS 7 Financial Instruments***: ***Disclosures***: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
  - ***IAS 19 Employee Benefits***: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
  - ***IAS 34 Interim Financial Reporting:*** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

- **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (‘lessee’) and the supplier (‘lessor’). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The Bank does not consider that these amendments will have any effect on the financial statements.

- **IAS 12 Income taxes (Amendments): Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. The objective of these amendments is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. For example, the amendments clarify the accounting for deferred tax assets when an entity is not allowed to deduct unrealised losses for tax purposes or when it has the ability and intention to hold the debt instruments until the unrealised loss reverses. The Bank does not consider that these amendments will have any effect on the financial statements.

3. Effective and new Standards and Interpretations

(b) New issued standards and interpretations, that are mandatory for the year beginning on or after 1 January 2016 , but which have not yet been adopted (continued)

- **IAS 7 Statement of Cash Flows (Amendments): Disclosure Initiative**

The amendments are effective for annual periods beginning on or after 1 January 2017, with earlier application permitted. The objective of these amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes The Bank does not consider that these amendments will have any effect on the financial statements.

4. Cash and cash equivalents

	2015	2014
	MDL '000	MDL '000
Cash on hand	51,326	51,184
Cash in ATM's	2,763	2,870
Commemorative coins	673	696
	54,762	**54,750**

5. Accounts with National Bank of Moldova

	2015	2014
	MDL'000	MDL'000
Current account	44,933	8,204
Overnight placements	30,054	23,011
Mandatory reserves	20,152	10,121
	95,139	**41,336**

The National Bank of Moldova (NBM) requires commercial banks to maintain for liquidity purposes mandatory reserves calculated at a certain rate of the average funds borrowed by banks during the previous month (period between date 8 of the previous month and date 7 of the current month) including all customer deposits.

According to the NBM Decision no.295 as of 12.29.2014 "On the National Bank interest rates and required reserves", the required reserves ratio from funds attracted in MDL and non-convertible currency ranged between 14% at 01.01.2015 and 35% at 31.12.2015 (2014: 14%). Required reserves attracted in freely convertible currency was fixed in amount of 14% of the calculation basis (2014: 14%).

On 31 December 2015 the mandatory reserve in the account that has been opened at the National Bank was of MDL'000 20,152 (31 December 2014: MDL'000 10,121) and it included the compulsory reserve on funds attracted in MDL and non-convertible currency. The balance of the accounts booked in reserves in USD and EUR was USD'000 454 and respectively EUR'000 523 (31 December 2014: USD'000 303 and EUR'000 284).

The interest paid by NBM for the accounts of required reserves during 2015 varied from 0,27% to 0,48% per year for reserves in foreign currency and between 7,46% to 16,5% for reserves in MDL (during year 2014: 0,41% to 0,71% per year for reserves in foreign currency and 0,5% to 3,69% for reserves in MDL). The required reserves in MDL held on current accounts with National Bank of Moldova can be used by the Bank during its daily transactions.

6. Current accounts and deposits with banks

	2015 MDL'000	2014 MDL'000
Current accounts	61,911	13,948
Deposits	26	-
	61,937	**13,948**

On the 31 December 2015 the current account balances in BC Moldindconbank SA and BC Moldova Agroindbank SA amounted to MDL'000 55,507.
The interest rate on funds in foreign currency placed in the "Nostro" accounts ranged from -0.3% to 2% (2014: 0.1% to 0.7%).

7. Financial investments - held to maturity

	2015 MDL'000	2014 MDL'000
State securities	72,343	24,652
	72,343	**24,652**

Included in cash and equivalents (Note 18)	16,133	4,959
Securities with maturities greater than 90 days	56,210	19,693
	72,343	**24,652**

On the 31 December 2015 the state securities represent treasury bills and state bonds in MDL with maturity from 91-730 days (2014: 91 to 700 days), issued by the Ministry of Finance of Moldova with an interest rate ranging between 13.5% and 26.5% annually (2014: 4.55% and 8.01%). They are traded in active market.

8. Loans to customers, net

	2015 MDL'000	2014 MDL'000
Loans, gross	191,150	174,778
Allowance for losses	(4,202)	(2,491)
Credits. net	**186,948**	**172,287**

On the 31 December 2015 the interest rate for impaired loans accounted MDL'000 387. On 31 December 2014 - MDL'000 311.

8. Loans to customers, net (continued)

Analysis of the portfolio of customer types is presented below:

Loans and receivables as at 31 December 2015	Not impaired assets	Impaired assets [gross carrying amount]	Total loans [amortised cost]	Allowances for individually assessed assets	Allowances for collectively assessed assets	Carrying amount
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Non-banking financial institutions	19,433	2,479	21,912	(149)	-	21,763
Non-financial corporations. Corporate	9,679	-	9,679	-	-	9,679
Non-financial corporations. Retail	71,228	9,375	80,603	(3,004)	-	77,599
Households. Corporate	4,178	-	4,178	-	-	4,178
Households. Retail	73,025	1,753	74,778	(528)	(521)	73,729
	177,543	**13,607**	**191,150**	**(3,681)**	**(521)**	**186,948**

Loans and receivables as at 31 December 2014	Not impaired assets	Impaired assets [gross carrying amount]	Total loans [amortised cost]	Allowances for individually assessed assets	Allowances for collectively assessed assets	Carrying amount
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Non-banking financial institutions	16,210	-	16,210	-	-	16,210
Non-financial corporations. Corporate	9,349	-	9,349	-	-	9,349
Non-financial corporations. Retail	74,565	8,161	82,726	(1,261)	(97)	81,368
Households. Corporate	1,735	-	1,735	-	-	1,735
Households. Retail	924	63,834	64,758	(634)	(498)	63,625
	102,783	**71,995**	**174,778**	**(1,895)**	**(595)**	**172,287**

8. Loans to customers, net (continued)

The concentration of credits granted to customers depending on the economic sector (gross carrying amount):

	2015	2014
	MDL'000	MDL'000
Agriculture	5,657	6,727
Constructions/ real estate and land improvements	52,087	36,524
Consumer credits	33,073	36,550
Trade and industry	58,925	57,449
Roadway construction	3,366	5,054
Non-banking financial environment	21,912	16,210
Loans of rendering services' field	1,221	1,184
Loans to individuals who practice activity	4,178	1,735
Other	10,731	13,344
	191,150	**174,778**

The average interest rate during the year for the loans granted in MDL varied from 10% to 23% (2014: from 6.15 % to 17%) and for loans granted in foreign currency from 5.55% to 8.5% (2014: from 6.15% to 10%).

Ageing analysis by past due days as at 31 December 2015

Branch	No debts	From 1 to 30 days	From 30 to 61 days	From 61 to 90 days	More than 90 days	Total loans
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Agriculture	3,257	-	2,400	-	-	5,657
Constructions/ real estate and land improvements	51,612	-	299	-	177	52,087
Consumer credits	29,894	77	869	20	2,212	33,073
Trade and industry	49,096	-	2,711	-	7,117	58,925
Roadway construction	2,064	-	-	-	1,302	3,366
Non-banking financial environment	19,433	-	-	-	2,479	21,912
Loans of rendering services' field	896	-	324	-	-	1,221
Loans to individuals who practice activity	3,889	-	-	-	289	4,178
Other	10,620	-	-	-	111	10,731
	170,762	**77**	**6,604**	**20**	**13,687**	**191,150**

8. Loans to customers, net (continued)

Ageing analysis by past due days as at 31 December 2014

Branch	No debts	From 1 to 30 days	From 30 to 61 days	From 61 to 90 days	More than 90 days	Total loans
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Agriculture	4,150	2,578	-	-	-	6,727
Constructions/ real estate and land improvements	35,132	190	-	373	830	36,524
Consumer credits	31,038	1,367	-	425	3,720	36,550
Trade and industry	50,200	121	-	65	7,062	57,449
Roadway construction	4,028	-	-	1,026	-	5,054
Non-banking financial environment	13,395	-	-	-	2,815	16,210
Loans of rendering services' field	1,184	-	-	-	-	1,184
Loans to individuals who practice activity	1,447	-	-	-	288	1,735
Other	12,505	-	-	695	144	13,344
	153,079	**4,256**	**-**	**2,583**	**14,859**	**174,778**

Geographical concentration and business segments

The geographical concentration of the Bank's assets and liabilities is presented below:

Name of the country	At 31 December 2015		At 31 December 2014	
	Total assets	Total bonds	Total assets	Total bonds
	(MDL'000)	(MDL'000)	(MDL'000)	(MDL'000)
Moldova	503,325	244,975	341,200	99,177
EUM Countries	6,599	3,549	125	1,617
Other countries EU members	103	1,197	52	152
USA	767	83	10	70
off-shore	-	-	-	1
Other Countries	4,078	14,333	6,991	8,824
	514,872	**264,137**	**348,378**	**109,841**

8. Loans to customers, net (continued)

Allowance for loan losses

The movements of allowance for loss on loans during the years 2015 and 2014 are presented below

	2015	2014
	MDL'000	**MDL'000**
Balance at 1 January	**2,491**	**6,326**
Additions	4,432	6,136
Write-off of loans	-	(1,815)
Recoveries	(2,721)	(8,540)
Adjustments	-	384
	4,202	**2,491**

Exposures to affiliated persons

	2015	2014
	MDL'000	**MDL'000**
The total amount of exposures to affiliated persons	18,067	5,995
Interest rate (min / max.)	10.0%-18%	10.0%-15%
Total Regulatory Equity	218,225	203,505
The ratio of the total amount of affiliated persons exposures to regulatory equity	**8.28%**	**2.95%**

The total loan debt of the affiliated persons and / or a group acting together with affiliated persons is respected and does not exceed 10% of the total regulatory capital of the Bank.

The total amount of debt on loans to affiliated persons and / or groups of persons that act together with the affiliated persons shall not exceed 20% of the first degree capital value of the Bank.

Provisions for impairment

The Bank establishes provisions for impairment losses that represents its estimation on losses within its loan portfolio. The main components of these provisions are specific components of losses that refer to the individual significant exposures, and a provision for collective losses for credits fixed for groups of homogenous assets on losses that have been incurred but not identified in respect of loans for which individual assessment has been carried out in order to determine the impairment.

Write-off Policy

The Bank writes-off the loan balance (and any related provision for impairment losses) when the Bank determines that the loans can not be collected. This conclusion is reached after the examination of such information as the occurrence of significant changes in the financial position of the borrower so that the borrower can honour the payment obligations, or that revenues from the guarantees will not be enough to cover all bank exposures.

9. Financial investments - available for sale

	2015 MDL’000	2014 MDL’000
The credit bureau SRL	52	52
National Securities Depository of Moldova	13	13
MoldMediaCard SRL	91	91
Moldova Stock Exchange	10	10
	166	**166**

All the investments available for sale as of 31 December 2015 and 2014 are reflected at its cost, as there is no quoted market price in an active market for them and their fair value can not be determined with certainty. The management has reviewed and did not find any indicators of impairment of these investments.

10. Property and equipment, net

	Assets under construction	Land and buildings	Furniture and equipment	Transportation means	Improvement of leased assets	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Cost or revaluation						
As of 1 January 2015	**1,928**	**45,981**	**13,767**	**2,199**	**104**	**63,979**
Additions	915	105	1,668	516	47	3,251
Transfers	(2,363)	2,104	-	259	-	-
Disposals	-	-	(295)	(408)	-	(703)
As of 31 December 2015	**480**	**48,190**	**15,140**	**2,566**	**151**	**66,527**
Accumulated depreciation						
As of 1 January 2015	**-**	**16,557**	**12,307**	**2,050**	**80**	**30,994**
Additions	-	944	737	101	27	1,809
Disposals	-	-	(290)	(408)	-	(698)
As of 31 December 2015	**-**	**17,501**	**12,754**	**1,743**	**107**	**32,105**
Net carrying amount						
As of 31 December 2015	**1,928**	**29,424**	**1,460**	**149**	**24**	**32,985**
As of 1 January 2015	**480**	**30,689**	**2,386**	**823**	**44**	**34,422**

At 31 December 2015, the cost of fixed assets used in full, but still used by the Bank amounted to MDL'000 12,122.

10. Property and equipment assets, net (continued)

	Assets under construction	Land and buildings	Furniture and equipment	Transportation means	Improvement of leased assets	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Cost or revaluation						
As of 1 January 2014	1,784	45,975	13,706	2,199	104	63,767
Additions	206	6	183	41	-	436
Transfers	-	-	-	-	-	-
Disposals	62	-	121	41	-	224
As of 31 December 2014	**1,928**	**45,981**	**13,767**	**2,199**	**104**	**63,979**
Accumulated depreciation						
As of 1 January 2014	-	15,646	11,646	1,896	49	29,237
Additions	-	911	782	154	31	1,879
Adjusmtemnts	-	-	-	-	-	-
Disposals	-	-	121	-	-	121
As of 31 December 2014	**-**	**16,557**	**12,307**	**2,050**	**80**	**30,994**
Net carrying amount						
As of 31 December 2014	**1784**	**30,329**	**2,060**	**303**	**55**	**34,530**
As of 1 January 2014	**1,928**	**29,424**	**1,461**	**149**	**23**	**32,985**

At 31 December 2014, the cost of fixed assets used in full, but still used by the Bank amounted to MDL'000 11,951.

11. Intangible assets

	2015	2014
	MDL'000	MDL'000
Cost		
Balance as of 1 January	**9,165**	**8,411**
Additions (Disposals), net	147	754
Balance as of 31 December	**9,312**	**9,165**
Amortization		
Balance as of 1 January	**7,560**	**6,948**
Additions (Disposals), net	670	612
Balance as of 31 December	**8,230**	**7,560**
Carrying amount		
As of 1 January 2015	**1,605**	**1,463**
As of 31 December 2015	**1,082**	**1,605**

Intangible assets represent computer software and licenses.

At 31 December 2015 fully amortized cost of intangible assets amounted to MDL'000 5,716 (31 December 2014: MDL'000 5,387).

12. Other assets

	2015 MDL'000	2014 MDL'000
Clearing and transit amounts	9,510	7,297
Receivables	288	410
Settlements with Bank's employees	25	35
Advances and deferred expenses	695	703
Inventories	940	1,434
Current income tax receivables	339	420
Other assets	905	274
	12,702	**10,573**
Allowances for other assets losses	(4,629)	(3,923)
	8,073	**6,650**

13. Loans

	2015 MDL'000	2014 MDL'000
Rural Investment and Services Project (RISP)	6,137	7,070
Kreditanstalt für Wiederaufbau (KfW)	58	171
International Fund for Agricultural Development (IFAD)	365	408
National Programme for Economic Empowerment of Youth (PNAET)	-	185
	6,560	**7,834**

Name of the Project	Nr. and the date of the Loan Agreement	Interest rate applied in 2015 (%)	Currency Loan	2015 MDL’000	2014 MDL’000
RISP I - refinancing	No. RISP1-R13 as of 08.08.2011	4.00 - 7.00	MDL	1,790	1,834
RISP II - refinancing	No. 10/1 - r RISP2 as of 08.08.2011	4.00 - 7.00	MDL	1,374	1,733
		2.15 - 1.55	EUR	2,397	2,653
		2.15 - 1.55	USD	576	851
FIDA III PDAR - refinancing	No. 11r as of 08.08.2011	4.00 - 7.00	MDL	365	407
KfW MEC	No. 5 as of 08.08.2011	4.00 - 7.00	MDL	58	171
DLC MF PNAET	No.288/12 TF as of 02.10.2012	5.00 - 7.00	MDL	-	185
				6,560	**7,834**

14. Due to clients

	2015	2014
	MDL'000	**MDL'000**
Non-interest bearing deposits		
Deposits of individuals		
in Moldovan lei	12,051	4,572
in foreign currencies	58,947	46,393
	70,998	**50,965**
Deposits of legal entities		
in Moldovan lei	24,511	20,541
in foreign currencies	37,808	17,800
	62,319	**38,341**
Total non-interest bearing deposits	**133,317**	**89,306**
Interest bearing deposits		
Deposits of individuals		
in Moldovan lei	61,252	7,122
in foreign currencies	48,486	477
	109,738	**7,599**
Deposits of legal entities		
in Moldovan lei	4,289	2,283
in foreign currencies	8,242	397
	12,531	**2,680**
Total interest bearing deposits	**122,269**	**10,279**
Total deposits	**255,586**	**99,586**

The annual interest rates granted by the Bank for term deposits of individuals and legal entities in MDL varied from 0,5% to 19% (in 2014 from 0.5% to 10%) and in foreign currency varied from 2% to 7% (in 2014 from 0.5% to 6,5%).

15. Taxation

The main components of tax expenses and reconciliations of theoretical tax spendings based on the effective tax rate of 12% (2014: 12%) and tax expenses reported in the profit or loss are presented below:

	2015 MDL'000	2014 MDL'000
Profit before tax	12,381	6,179
Income tax rate in the Republic of Moldova	12%	12%
Theoretical income tax	1,485	741
The impact of differences between IFRS and tax law provisions	(1,276)	(195)
Impact of tax rate change	-	-
Actual expenses on income tax	**209**	**546**
Income tax expense includes:		
Current tax expenses	757	200
Deferred tax expense:		
- Relating to origins and reversal of temporary differences	(548)	346
Income tax expense	**209**	**546**

	2015 MDL'000	2014 MDL'000
Current tax liabilities	5	4
Deferred tax liabilities	10	558
	15	**562**

16. Other liabilities

	2015 MDL'000	2014 MDL'000
Settlements with other individuals and legal entities	41	38
Clearing amounts	740	623
Provisions with Bank employee benefits	1,039	1,005
Other liabilities	160	197
	1,980	**1,863**

Clearing amounts represent cash transfers not settled, received in favour of Bank's customers, not yet paid or waiting for customers' instructions.

17. Share capital

As of December 31, 2015 the Bank's share capital constituted 13 800 000 of authorized shares issued in circulation at the nominal value of MDL 10 per share (2014: 13 800 000 shares).

	Number of shares	Total value MDL' 000
As of January 1, 2014	**13,800,000**	**138,000**
Placed shares	-	-
As of December 31, 2015	**13,800,000**	**138,000**

The shareholders whose equity share exceeds 5% are presented below:

	31 December 2015			31 December 2014		
	Equity share %	Share Numbers	Value MDL'000	Equity share %	Share Numbers	Value MDL'000
Zissi Mariana, Greece	46.45	6,410,459	64,105	46.45	6,410,459	64,105
Mahmood M.S.M.	41.22	5,688,135	56,881	41.19	5,683,995	56,840
Other shareholders (equity interest less than 5%)	12.33	1,701,406	17,014	12.36	1,705,546	17,055
	100	**13,800,000**	**138,000**	**100**	**13,800,000**	**138,000**

As of December 31, 2015 the Bank’s stock of 1,02% was held by legal entities and of 98,98% by individuals.

The total number of shareholders is 112 (31 December 2014: 114 shareholders) out of which 105 shareholders are individuals and 7 legal entities (31 December 2014: 107 individuals and 7 companies).

According to the requirements of p.9 of Regulation on risk-weighted capital adequacy, approved by Decision of the Council of Administration of the National Bank of Moldova no.269 of October 17, 2001 (with further amendments and completions), starting with December 31, 2012, the Bank should have the amount of the Minimum Required Capital in sum of **MDL'000 200,000**, as of December 31, 2014 the Bank fulfilled the requirement.

17. Share capital (continued)

Reserves

	2015	2014
	MDL'000	**MDL'000**
Reserve capital	11,081	10,800
Retained earnings and other	70,226	56,310
General reserves for banking risks	15,767	17,767
	97,074	**84,877**

In compliance with the Law on Joint-Stock Companies no. 1134-XIII of April 2, 1997, 5% of the net profit of the Bank is to be allocated to the reserve capital until this reserve reaches the size of 10% of the share capital of the Bank. As of December 31, 2015 these requirements are fulfilled. The reserve capital cannot be subject of distribution to the shareholders.

General reserves for banking risks include amounts resulting from the differences between the amount of impairment of assets under IFRS and the amount calculated but unformed, of allowances for losses on assets and conditional commitments according to the prudential regulations (NBM).

Revaluation reserves include amounts from revaluation of fixed assets. These reserves cannot be distributed to shareholders.

Differences from revaluation of tangible assets

As of December 31, 2015 the amount concerning the re-evaluation of tangible assets constituted MDL'000 15,661 (2014: MDL'000 15,661)

18. Cash and cash equivalents

	Note	2015	2014
		MDL'000	MDL'000
Cash on hand	4	54,762	54,750
Accounts with National Bank of Moldova	5	74,987	31,215
Current accounts and deposits with banks	6	61,937	13,948
Financial investments - held to maturity	7	16,133	4,959
Allowances for impairment losses on receivables	12	(381)	(156)
		207,438	**104,716**

19. Interest income

	2015	2014
	MDL'000	MDL'000
Cash and investments at the Central Bank	2,670	1,106
Loans and advances to banks	260	198
Loans and advances to clients	23,980	19,856
Investments held-to-maturity	8,989	939
	35,899	**22,099**

20. Interest expense

	2015	2014
	MDL'000	MDL'000
Deposits and loans from banks	223	230
Borrowings from financial institutions	285	61
Deposits from customers	3,931	653
	4,439	**944**

16. Fee and Commission Income

	2015	2014
	MDL'000	MDL'000
Commissions from rendering of services for loans	240	314
Commissions on clients' accounts servicing	3,340	2,422
International transfers through international payment systems	6,803	5,784
Transactions with debit cards	2,866	2,438
Cash withdrawals	1,447	1,334
Other commissions	28	21
	14,724	**12,313**

22. Fee and Commission expense

	2015 MDL'000	2014 MDL'000
Expenses on cards operations	3,203	2,593
Commissions on interbank transfers	452	384
Cash transactions with foreign currency	925	826
Expenses for servicing Loro accounts	536	291
Other	802	640
	5,918	**4,736**

23. Income from Foreign Currency Operations

	2015 MDL'000	2014 MDL'000
Income arising from sale, net	34,065	16,053
Losses from currency revaluation	(15,636)	(5,913)
	18,429	**10,140**

24. Other Operating Income

	2015 MDL'000	2014 MDL'000
Income arising from rent	1,465	1,610
Fines and penalties	1,628	1,250
Other operating income	1,160	834
	4,253	**3,694**

25. Personnel Expenses

	2015 MDL'000	2014 MDL'000
Salaries	20,610	18,320
Premiums and bonuses	4,870	-
Social insurance contributions	4,923	4,192
Medical insurance	931	730
Other expenditure on salaries and wages	243	27
Provision for employees benefits	33	1,005
	31,610	**24,274**

26. General and administrative expenses

	2015 MDL'000	2016 MDL'000
Rent Expenses	2,952	2,654
Expenditure on telecommunications, post and telegraph	1,868	1,578
Utilities (electricity, heating and water supply)	1,638	1,594
Repair and maintenance of vehicles	1,241	1,118
Advertising expenses	1,200	431
Repair and maintenance of furniture and equipment	1,062	898
Expenses with security services	827	702
Office expenses, printing	494	377
Expenses related to amortization of assets of small value and short-term	368	329
Consulting and auditing services	283	426
Repair and maintenance of buildings	204	195
Payments and contributions to deposit guarantee fund	126	105
Other expenses	2,462	2,040
	14,725	**12,447**

27. Earnings per share (MDL)

	2015 MDL'000	2014 MDL'000
Net profit attributable to shareholders, MDL'000	12,172	5,632
Weighted average of ordinary shares, thousand shares	13,800	13,800
Earnings per share basic MDL / shares	**0.88**	**0.41**

28. Commitments on Loans, Other Assets and Contingent Liabilities

Commitments on loans include liabilities on credits, guarantees and letters of credit.
The risk related to letters of guarantees issued is similar to the risk arising from credit granting.
The value of guarantees, commitments and of other off-balance items as of December 31, 2015 and 2014 is presented as follows:

	2015 MDL'000	2014 MDL'000
Commitments on credit granting, including	9,138	15,271
Issued guarantees	3,031	3,095
	12,169	**18,336**

Commitments for capital investments

As of 31 December 2015 and 2014, the Bank had no commitments for capital investments.

28. Commitments on Loans and Other Assets and Contingent Liabilities (continued)

Operational lease commitments
Future minimum payments under operating rent contracts on buildings and vehicles are the following:

	2015	2014
	MDL'000	MDL'000
Up to 1 year	613	1,733
From 1 to 5 years	1,690	2,106
Over 5 years	-	197
	2,303	**4,036**

29. Contingent liabilities

On 31 December 2015 and 2014, the Bank is involved as a complainant in several lawsuits arising from the ordinary corporate activity. In the opinion of Management and the Bank's legal department the probability of losses is low.

30. Related parties

When examining each possible related party relationship, special attention is drawn to the substance of the relationship and not merely the legal form. Details of transactions between the Bank and other related parties are disclosed below:

	Key management personnel of the entity or its parent company		Other related parties	
	2015	**2014**	**2015**	**2014**
(MDL'000)				
Interest income	69	69	2,495	630
Revenue from fees and commissions	2	1	249	48
Interest expense	107	10	265	35
Remuneration expenses	3,653	2,625	3,833	2605

The following amounts which arose due to transactions with related parties are included in the income statement for the years ended 31 December 2015 and 2014:

	Key management personnel of the entity or its parent company		Other related parties	
	2015	**2014**	**2015**	**2014**
(MDL'000)				
Assets				
Loans and advances	531	595	17,597	10,800
Liabilities				
Deposits	2,127	666	17,876	5,753
Financing commitments, financial guarantees and other commitments [notional amount]				
Given	15	-	38	6,330
Received	-	-	-	-

31. Fair value of the financial instruments

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

	2015					2014				
(MDL'000)	**Total carrying amount**	**Level 1**	**Level2**	**Level 3**	**Fair value**	**Total carrying amount**	**Level 1**	**Level2**	**Level 3**	**Fair value**
Financial assets										
Cash and accounts with the NBM	149,901	-	149,901	-	**149,901**	96,086	-	96,086	-	**96,086**
Loans and advances to banks	61,937	-	61,937	-	**61,937**	13,948	-	13,948	-	**13,948**
Investment securities held to maturity	72,343	-	72,343	-	**72,343**	24,652	-	24,652	-	**24,652**
Loans and advances to customers	186,948	-	-	188,136	**188,136**	172,287	-	-	181,932	**181,932**
Financial liabilities										
Due to banks	1	-	1	-	**1**	1	-	1	-	**1**
Loans	6,560	-	-	6,560	**6,560**	7,834	-	-	7,834	**7,834**
Due to clients	255,586	-	-	255,869	**255,869**	99,585	-	-	99,585	**99,585**

31. Fair value of the financial instruments (continued)

(i) Investment securities held to maturity
The fair value of held to maturity securities approximates the balance sheet value. These investments are mainly State Securities and certificates issued by Bank.

(ii) Loans and advances to customers
Loans and advances to customers are presented at their net value of provision for impairment of loans. The estimated fair value of loans to customers represents the present value of estimated future cash flows. Future cash flows are updated according to the market rates, in order to determine the fair value of credit and advances to customers.

(iii) Financial liabilities, including due to other banks, due to customers and other borrowed funds
The fair value of floating rate borrowings are equal to their balance sheet value. The estimated fair value of fixed rate deposits and other borrowings, for which no market prices are determined based on discounted future cash flows using interest rates for new instruments with similar remaining maturity.

32. Risk management

Risk management policy

The Bank is subjects to the following risks as a result of use of financial instruments:

- Credit risk;
- Currency risk;
- Liquidity risk;
- Interest rate risk;
- Market risk;
- Operating risk.

This note presents information regarding the fact that the Bank is exposed to all above-mentioned risks depending on Bank's objectives, policies on evaluation and management of risks, as well as bank management of capital.

The Bank pays particular attention to prudent management of risks connected to the activities performed. Risk management policy is a part of the bank's development strategy. It establishes programs and procedures designed to generate maximum possible profit and reduce losses or additional expenses incurred by the Bank as a result of potential risk exposure.

The policy determines the principles and stages of risk management, sets out the competences and credentials of Bank's governing bodies and subdivisions in the process of risk management and internal control procedures.

The management of risks includes all policies, procedures, systems and actions which the bank apply to ensure a reasonable management of all risks related to transactions concluded and executed and to ensure that all transactions are concluded in accordance with the bank's preference and tolerance for risk.

Risk management policy is performed by means of the following instruments:

- The system of limits;
- The system of powers and decisions-making;
- The system of risk management;
- The policy of communication (including informational system);
- The system of measures for crisis situations;
- The system of controls.

The risk management system is based on the following principles related to the organization of internal controls – diversification of internal controls, carrying out of control procedures within all organizational structures and subdivisions of the Bank at different levels.

The system of risk control represents the principal element in the internal control system of the Bank. The risk control system assumes several levels of control, namely:

- First level (lower): is controlled by the managers of the Bank's branches,
- Second level – Risk Management Department, the CDAP, Committee of loans;
- Third level (superior) - Bank's Management,
- Exceptional level – Bank's Board.

32. Risk management (continued)

(a) Credit risk

Credit risk is triggered by the probability of Bank's borrowers to fail to honour their commitments. As a rule, it is manifested through failure of complete or partial reimbursement of the loan basic amount and of related interest within the period set forth in the contract.

Fair assessment of loan risk is very important for the Bank. In order to assess independently the credit risk for each product, the Bank calculates the following main ratios: the probability of default, exposure to risk at the moment of default and maturity period. The calculation of the probability of default and the loss given default is made based on the internal systems of credit rating.

In order to determine the credit risk, a detailed analysis of business and financial situation of the debtor is performed. In order to reduce the credit risk, the Bank creates and maintains the allowances for assets losses. The classification of assets is made taking into account the valuation of customers' financial results and their ability to repay the debt at maturity.

The bank in its activity has two principles of loans' evaluation, depending on the individual and/ or group of entities acting in common, for whom the total Bank's exposure:

- is higher than MDL '000 1,000, and are considered to be impaired – the Bank will apply the individual principle;
- all remaining loans, including individually assessed loans, which have no evidence of impairment – are collectively evaluated.

Collectively evaluated loans

The impairment is collectively evaluated based on type of loan products and on the number of days past due where objective impairment indicators exists.

The level of allowances (provision matrix) for impairment of collectively evaluated loans is determined on basis of loss history (according to the bank' statistics) by the Credit Risks Division based on information transmitted by Bank's branches. The provision matrix can be modified at the beginning of every year depending on the statistical data from the previous year. At the end of every month, this matrix is applied to the collectively evaluated loans and large loans with no days past due.

The provision matrix will be utilized for separate groups of loans that are grouped together according to credit risks:

- Legal entities, grouped as follows: "Investitional", "Credite de tip Retail";
- Individuals, grouped as follow: "Casa Mea", "Auto - Standard", "Credite de tip Retail".

Individually evaluated loans

Firstly, for individually evaluated loans the Bank will determine the presence of impairment factors. In case of days past due for interest and principal payment, automatically the loan will be considered as impaired. For impairment evaluation, the monthly-expected cash flows of loan performance shall be drawn, including cash flows from selling of collateral. The cash flows are discounted using the effective interest rate.

Individual significant loans (with outstanding higher than MDL'000 1,000 at evaluation date) are individually analysed and the capacity and willingness of the Debtor to perform its obligations towards the bank is assessed. Individual impairment takes into consideration the total Debtor's exposure, including other credit product such as credit lines, overdrafts, etc.

32. Risk management (continued)
(a) Credit risk (continued)

The main criteria for individual evaluation of significant loans are:

- viability of client's business model, its capacity to generate sufficient cash flows to perform its obligations and personal needs;
- company capacity to adapt to the changes in the business environment;
- one or more Debtor's loan registered days past due, more than 30 days;
- extension of other creditors' commitments with greater rank and probability that other creditors will continue to sustain the Debtor;
- any other event of loss which the Debtor has dealt with and was recognized as having an impact over the expected future cash flows of the Debtor.

In case when the loan has not suffered impairment this will be included in the insignificant loan portfolio and will be respectively evaluated together with the collective portfolio.

Maturity analysis of past due loans at the end of the reporting period but not impaired, as well an analysis of loans impaired individually described as collateral held by the bank as insurance rates are set forth below:

Credit quality of financial assets according to the class

In the table below is indicated according to class of credit quality of assets for all financial assets exposed to credit risk, based on internal classification system of the Bank. The amounts shown include reserves for impairment.

		2015			
	Note	**Neither past due nor impaired**	**Past due but not impaired**	**Individually impaired**	**Total**
		(MDL'000)	**(MDL'000)**	**(MDL'000)**	**(MDL'000)**
Accounts with National Bank of Moldova	**5**	95,139	-	-	**95,139**
Current accounts and deposits with banks	**6**	61,937	-	-	**61,937**
Financial investments - held to maturity	**7**	72,343	-	-	**72,343**
Loans, net	**8**	138,585	4,463	43,901	**186,948**
Other assets	**9**	166	-	-	**166**
		368,170	**4,463**	**43,901**	**416,533**

32. Risk management (continued)
(a) Credit risk (continued)

	Note	2014 Neither past due nor impaired (MDL'000)	Past due but not impaired (MDL'000)	Individually impaired (MDL'000)	Total (MDL'000)
Accounts with National Bank of Moldova	**5**	41,336	-	-	41,336
Current accounts and deposits with banks	**6**	13,948	-	-	13,948
Financial investments - held to maturity	**7**	24,652	-	-	24,652
Loans, net	**8**	152,170	7,745	12,372	172,287
Other assets	**9**	166	-	-	166
		232,272	**7,745**	**12,372**	**252,389**

Loans and advances

Loans and advances are group as follows:

	2015		2014	
	Legal entities MDL’000	Individuals MDL’000	Legal entities MDL’000	Individuals MDL’000
Neither past due nor impaired	63,770	74,874	93,846	58,376
Past due but not impaired	3,036	1,889	5,428	2,861
Individually impaired	45,389	2,192	9,011	5,256
Brut	**112,195**	**78,955**	**108,285**	**66,493**
Less: Allowance for impairment	(3,153)	(1,049)	(1,358)	(1,131)
Net	**109,042**	**77,906**	**106,927**	**65,360**

32. Risk management (continued)
(a) Credit risk (continued)

(i) Loans and advances neither past due nor impaired

Quality portfolio of loans and advances which are neither past due nor impaired can be assessed with reference to the internal classification system adopted by the Bank.

	2015		2014	
	Legal entities	Individuals	Legal entities	Individuals
	MDL'000	MDL'000	MDL'000	MDL'000
Standard	60,365	70,610	64,424	54,298
Overseen	3,405	3,063	17,161	2,928
Substandard	-	685	12,261	1,114
Doubtful	-	516	-	36
Compromise	-	-	-	-
	63,770	**74,874**	**93,846**	**58,376**

(ii) Loans and advances past due but not impaired

Loans and advances that are past due but not impaired are not significantly impaired, unless contrary information is available. The gross amount of loans and advances past due but not impaired by type of customer is as follows:

	2015		2014	
	Legal entities	Individuals	Legal entities	Individuals
	MDL'000	MDL'000	MDL'000	MDL'000
Overdue up to 30 days	-	77	2,699	1,556
Overdue 31-60 days	3,036	1,168	-	-
Overdue 61-90 days	-	20	1,863	721
More than 90 days	-	624	866	584
	3,036	**1,889**	**5,428**	**2,861**

32. Risk management (continued)
(a) Credit risk (continued)

The maximum exposure to credit risk without any guarantees held or improvement of the credit rating

	Note	2015 MDL'000	2014 MDL'000
Accounts with National Bank of Moldova	**5**	95,139	41,336
Current accounts and deposits with banks	**6**	61,937	13,948
Financial investments - held to maturity	**7**	72,343	24,652
Loans, net	**8**	186,948	172,287
Other assets	**9**	166	166
		416,533	**252,389**
Off-balance (conditional commitments)	**28**	12,169	18,336
Maximum exposure to credit risk		**1,817,884**	**1,781,210**

The concentration of maximum exposure to credit risk
The concentration risk of the Bank is managed at client / counterparty level and industry sector. The maximum exposure to credit risk for any client or contracting party on 31 December 2015 was MDL'000 10,093 (31 December 2014: MDL'000 12,459) without taking into consideration the collateral or any guaranties held.

Loans to the top 10 major customers (Groups) of the Bank on 31 December 2015 amounted to MDL'000 54,019 which represents 31% of the gross loan portfolio of the Bank (31 December 2014: MDL'000 53 321 or 32% of gross portfolio).
The share of collectively assessed loans in total loan portfolio at the end of the reporting period amounted 77% (2014 93%).
There are no renegotiated loans. Impairment of other financial assets is insignificant.

(b) Currency risk

The Bank is exposed to currency risk on transactions in foreign currencies in exchange against MDL. Report on risk financial situation reflects the difference between the net monetary assets and liabilities in foreign currency will be higher in value when converted into MDL, due to fluctuations in exchange rates.

The main foreign currencies the Bank operates with are EURO and USA dollar. The Bank manages the exposure to foreign currency fluctuation by combining its assets and liabilities.

Open foreign exchange positions are a source of currency risk. In order to avoid losses as a result of different foreign currency fluctuation, the Bank follows at present the policy of maintenance of integral long foreign exchange position but within certain limits.

The Bank's exposure to risks related to the transactions causes gains or losses from currency exchange recognized in profit or loss. These exposures to risk include monetary assets and liabilities of the Bank that are not denominated at the evaluation of the Bank's currencies.

Bank considers foreign exchange risk based ratio between net monetary assets and liabilities in foreign currency to total regulatory capital, which must not exceed the limits set by BNM, at + 20% and -20% for long currency positions short respectively.

Risk minimization activities include analysis and monitoring in real-time, the currency exchange operations and foreign currency positions generated, ensuring operational adjustments necessary for complying with the limits of risk.

32. Risk management (continued)

(b) Currency risk

The information below presents the Bank's exposure to the currency risk as of December 31, 2015. In this table, the assets and liabilities of the Bank are included at their carrying amount and are classified per currency.

	As of 31 December 2015				
	Total	**MDL**	**EUR**	**USD**	**Other foreign currencies**
	(MDL'000)	**(MDL'000)**	**(MDL'000)**	**(MDL'000)**	**(MDL'000)**
ASSETS					
Cash and cash equivalents	**54,762**	28,848	9,387	14,459	2,068
Accounts with National Bank of Moldova	**95,139**	74,987	8,920	11,232	-
Current accounts and deposits with banks	**61,937**	90	31,666	28,791	1,390
Financial investments - held to maturity	**72,343**	72,343	-	-	-
Loans to customers, net	**186,948**	164,435	5,103	17,410	-
Other assets	**10,527**	10,527	-	-	-
Total assets	**481,656**	**351,230**	**55,076**	**71,892**	**3,458**
LIABILITIES					
Due to other banks	**1**	1	-	-	-
Borrowing	**6,560**	3,587	576	2,397	-
Due to clients	**255,586**	102,104	66,501	85,435	1,546
Other financial liabilities	**784**	784	-	-	-
Total Liabilities	**262,931**	**106,476**	**67,077**	**87,832**	**1,546**
Discrepancies	**218,725**	**244,754**	**(12,001)**	**(15,940)**	**1,912**

32. Risk management (continued)

(b) Currency risk

	As of 31 December 2014				
	Total	**MDL**	**EUR**	**USD**	**Other foreign currencies**
	(MDL'000)	**(MDL'000)**	**(MDL'000)**	**(MDL'000)**	**(MDL'000)**
ASSETS					
Cash and cash equivalents	**54,750**	32,458	7,393	13,168	1,731
Accounts with National Bank of Moldova	**41,336**	31,215	4,724	5,397	-
Current accounts and deposits with banks	**13,948**	2	8,572	3,610	1,764
Financial investments - held to maturity	**24,652**	24,652	-	-	-
Loans to customers, net	**172,287**	159,894	5,092	7,301	-
Other assets	**8,129**	8,129	-	-	-
Total assets	**315,102**	**256,350**	**25,781**	**29,476**	**3,495**
LIABILITIES					
Due to other banks	**1**	1	-	-	-
Borrowing	**7,834**	4,330	851	2,653	-
Due to clients	**99,585**	34,512	30,656	34,210	207
Other financial liabilities	**660**	660	-	-	-
Total Liabilities	**108,080**	**39,503**	**31,507**	**36,863**	**207**
Discrepancies	**207,022**	**216,847**	**(5,726)**	**(7,387)**	**3,288**

The ratio for open foreign exchange position as percentage ratio between the value of the open foreign exchange position and the value of the total regulatory capital of the bank was recognized as of December 31, 2015. The limit of 20% established by the National Bank of Moldova have been observed, thus the ratio of long open foreign exchange position of the Bank constituted 1,46% (2014: 2,25%), but ratio of the short open foreign exchange position constituted – 11,44% (2014: - 7,45%).

32. Risk management (continued)

(b) Currency risk

The table below shows the impact of changes in foreign exchange rates to local currency on the Bank's profit, if other market variables remain constant:

31 December 2015	**Possible rate increase %**	**Income/loss effect MDL'000**	**Possible rate decrease %**	**Income/loss effect MDL'000**
EUR	10%	(1,594)	-10%	1,594
USD	10%	(1,200)	-10%	1,200

31 December 2014	**Possible rate increase %**	**Income/loss effect MDL'000**	**Possible rate decrease %**	**Income/loss effect MDL'000**
EUR	10%	(739)	-10%	739
USD	10%	(573)	-10%	573

32. Risk management (continued)

(c) Liquidity risk

The Bank's policy in reference to liquidity resides in the fact that the Bank shall insure sufficient liquidity, as much as possible, so that upon fulfilment of commitments both in normal and difficult conditions, the Bank shall not incur inadmissible losses and Bank's reputation shall not be affected.

The Bank holds different assets portfolios of high liquidity in order to ensure the necessary solvability (state securities, short-term placements on the interbank market, etc.), which can be exchanged quickly in cash with minimum expenses in order to be used when necessary.

The Bank analyses daily the cash flow (inflows and outflows) in national and foreign currency and follows the structure of Bank's assets and liabilities depending on maturity.

Another method of decrease in liquidity risk of the Bank is the maintenance of a range of deposit portfolio based on maturity, currency, deposit type and other criteria designed for decrease in risk of sudden withdrawal of deposits prior to maturity.

31 December 2015	Total MDL'000	less than 1 month MDL'000	1-2 months MDL'000	2 - 3 months MDL'000	3 - 6 months MDL'000	6 - 9 months MDL'000	9 - 12 months MDL'000	1 – 5 years MDL'000	More than 5 years MDL'000
ASSETS									
Cash and cash equivalents	54,762	54,762	-	-	-	-	-	-	-
Accounts with National Bank of Moldova	95,139	95,139	-	-	-	-	-	-	-
Current accounts and deposits with banks	61,937	61,937	-	-	-	-	-	-	-
Financial investments - held to maturity	77,502	26,433	2,000	2,500	25,321	10,800	10,111	337	-
Loans to customers, net	260,352	5,203	5,203	5,203	18,206	18,553	15,869	156,255	35,860
Financial investments - available for sale	165	-	-	-	-	-	-	-	165
Other financial assets	10,527	10,527	-	-	-	-	-	-	-
Total financial assets	**560,384**	**254,001**	**7,203**	**7,703**	**43,527**	**29,353**	**25,980**	**156,592**	**36,025**
LIABILITIES									
Due to other banks	1	1	-	-	-	-	-	-	-
Borrowing	6,560	81	-	-	629	-	-	4,500	1,350
Due to clients	262,310	152,363	9,367	9,367	35,379	9,164	14,210	31,970	490
Other financial liabilities	784	784	-	-	-	-	-	-	-
Total liabilities	**269,655**	**153,229**	**9,367**	**9,367**	**36,008**	**9,164**	**14,210**	**36,470**	**1,840**
Discrepancies of interest	**455,720**	**100,771**	**(2,164)**	**(1,664)**	**7,519**	**20,189**	**11,770**	**120,122**	**199,177**

32. Risk management (continued)
(c) Liquidity risk (continued)

December 31, 2015	Total	less than 1 month	1-2 months	2 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 – 5 years	More than 5 years
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS									
Cash and cash equivalents	54,750	54,750	-	-	-	-	-	-	-
Accounts with National Bank of Moldova	41,336	41,336	-	-	-	-	-	-	-
Current accounts and deposits with banks	13,948	13,948	-	-	-	-	-	-	-
Financial investments - held to maturity	25,959	4,959	-	-	10,000	-	11,000	-	-
Loans to customers, net	174,777	3,341	1,484	868	1,976	22,371	2,090	104,323	38,324
Financial investments - available for sale	165	-	-	-	-	-	-	-	165
Other financial assets	8,129	8,129	-	-	-	-	-	-	-
Total financial assets	**319,064**	**126,463**	**1,484**	**868**	**11,976**	**22,371**	**13,090**	**104,323**	**38,489**
LIABILITIES									
Due to other banks	1	1	-	-	-	-	-	-	-
Borrowing	7,834	66	-	-	-	-	185	7,583	-
Due to clients	99,586	95,368	1,033	-	2,615	332	86	114	38
Other financial liabilities	660	660	-	-	-	-	-	-	-
Total liabilities	**108,081**	**96,095**	**1,033**	**-**	**2,615**	**332**	**271**	**7,697**	**38**
Discrepancies of interest	**210,983**	**30,368**	**451**	**868**	**9,361**	**22,039**	**12,819**	**96,626**	**38,451**

32. Risk management (continued)

(c) Liquidity risk

The tables below show the expiration contracts after maturity of contingent liabilities and commitments:

31 December 2015	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More thank 5 years	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Commitments and guarantees	453	1,915	9,633	168	12,169
	453	**1,915**	**9,633**	**168**	**12,169**

31 December 2014	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More thank 5 years	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Commitments and guarantees	3,200	7,502	7,459	205	18,366
	3,200	**7,502**	**7,459**	**205**	**18,366**

(d) Interest Rate Risk

Interest rate risk is the risk of losses arisen from fluctuation of future cash flows or fair value of financial instruments due to changes of the interest rates on the market. The interest rate risk is managed basically through monitoring of the imbalance of the interest rate, as well as through previous availability of limits approved for revaluation of domains. The control over correspondence to these limits is executed by CDAP in cooperation with Direction of Risk Management under its activities of daily monitoring.

The Bank does not calculate any interest rates for financial assets and liabilities at fair value through profit or loss, and the Bank does not establish derivatives (swap on interest rate) as instrument of risk coverage in order to guarantee the model of accounting for fair value. Due to this, the modification of interest rate as of the date of preparation of financial statements shall not influence on the profit or loss.

The level of interest rate as of December 31, 2015 and December 31, 2014 is presented as follows:

	December 31, 2015	December 31, 2014
Financial assets		
Deposits due from banks	-0,3%-2%	0.1%-.0.7%
Loans and advances to customers	5.55%-26.0%	6.15%-17.0%
Investment securities held to maturity	13.5%-26.5%	4.55%-8.01%
Financial liabilities		
Borrowings	1.55%-7%	0.5%-10.0%
Client's deposits	0.2%-19%	0.5%-10.0%

Information below presents data on degree of Bank's exposure to the interest rate risk. Bank's assets and liabilities are classified according to nearest date between contractual date of change of interest rate or the maturity date.

32. Risk management (continued)
(d) Interest Rate Risk

31 December 2015	Total	less than 1 month	1-2 months	2 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 – 5 years	More than 5 years	Non-interest bearing
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS										
Cash and cash equivalents	**54,762**	-	-	-	-	-	-	-	-	54,762
Accounts with National Bank of Moldova	**95,139**	42,716	-	-	-	-	-	-	-	52,423
Current accounts and deposits with banks	**61,937**	7,419	-	-	-	-	-	-	-	54,518
Financial investments - held to maturity	**72,343**	10,223	1,948	18,554	23,378	9,689	8,247	304	-	-
Loans to customers, net	**186,948**	3,538	43	458	6,253	9,260	2,795	121,280	43,321	-
Financial investments - available for sale	**165**	-	-	-	-	-	-	-	-	165
Cash and cash equivalents	**10,527**	10,527	-	-	-	-	-	-	-	-
Total financial assets	**481,821**	**74,423**	**1,991**	**19,012**	**29,631**	**18,949**	**11,042**	**121,584**	**43,321**	**161,868**
LIABILITIES										
Due to other banks	**1**	-	-	-	-	-	-	-	-	1
Borrowing	**6,560**	81	-	-	629	-	-	4,500	1,350	-
Due to clients	**255,586**	17,458	5,287	13,899	32,609	10,503	12,812	29,832	678	132,508
Other financial liabilities	**784**	-	-	-	-	-	-	-	-	784
Total liabilities	**262,931**	**17,539**	**5,287**	**13,899**	**33,238**	**10,503**	**12,812**	**34,332**	**2,028**	**133,293**
Discrepancies of interest	**218,890**	**56,884**	**(3,296)**	**5,113**	**(3,607)**	**8,446**	**(1,770)**	**87,252**	**41,293**	**28,575**
Discrepancies of interest, cumulative			**53,588**	**58,701**	**55,094**	**63,540**	**61,770**	**149,022**	**190,315**	**218,890**

32. Risk management (continued)
(d) Interest Rate Risk

31 December 2014	**Total**	**less than 1 month**	**1-2 months**	**2 - 3 months**	**3 - 6 months**	**6 - 9 months**	**9 - 12 months**	**1 – 5 years**	**More than 5 years**	**Non-interest bearing**
	MDL’000	**MDL’000**	**MDL’000**	**MDL’000**	**MDL’000**	**MDL’000**	**MDL’000**	**MDL’000**	**MDL’000**	**MDL’000**
ASSETS										
Cash and cash equivalents	**54,750**	0	-	-	-	-	-	-	-	54,750
Accounts with National Bank of Moldova	**41,336**	29,638	-	-	-	-	-	-	-	11,698
Current accounts and deposits with banks	**13,948**	0	-	-	-	-	-	-	-	13,948
Financial investments - held to maturity	**24,652**	4,959	-	-	9,607	-	10,086	-	-	-
Loans to customers, net	**172,287**	2,770	1,421	868	1,970	22,118	2,080	103,073	37,987	-
Financial investments - available for sale	**165**	-	-	-	-	-	-	-	-	165
Cash and cash equivalents	**8,129**	-	-	-	-	-	-	-	-	8,129
Total financial assets	**315,267**	**37,368**	**1,421**	**868**	**11,577**	**22,118**	**12,166**	**103,073**	**37,987**	**88,690**
LIABILITIES										
Due to other banks	**1**	-	-	-	-	-	-	-	-	1
Borrowing	**7,834**	66	-	-	-	-	185	7,583	-	-
Due to clients	**99,585**	8,653	1,033	-	2,615	332	86	114	38	86,714
Other financial liabilities	**660**	-	-	-	-	-	-	-	-	660
Total liabilities	**108,080**	**8,719**	**1,033**	**-**	**2,615**	**332**	**271**	**7,697**	**38**	**87,375**
Discrepancies of interest	**207,187**	**28,649**	**388**	**868**	**8,962**	**21,786**	**11,895**	**95,376**	**37,949**	**1,315**
Discrepancies of interest, cumulative			**29,038**	**29,906**	**38,868**	**60,655**	**72,550**	**167,926**	**205,874**	**207,189**

32. Risk management (continued)
(d) Interest Rate Risk

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

	Increase in basis points	Sensitivity of net interest income MDL'000	Increase in basis points Increase in basis points	Sensitivity of net interest income, MDL'000
2015	100	1,903	-100	(1,903)
	50	952	-50	(952)
2014	100	2,059	-100	(2,059)
	50	1,029	-50	(1,029)

In order to determine the Bank's vulnerability to interest rate changes on assets and interest rate on liabilities for which interest is paid, there was assumed a situation of decreasing the interest rate on interest-bearing assets from 12,9% (the actual situation as of December 31, 2015) up to 9,0%. The effect on bank profits and capital is as it follows:

- *Net income* will decrease from MDL'000 12,172 to 5,205, losses of MDL'000 6,966;
- *The regulatory capital* would decrease from MDL'000 218,225 to MDL'000 211,258 (the minimum required, according to the limits established by regulations of the NBM is MDL'000 200 000);
- Risk weighted capital adequacy will decrease from la 119.84% to 116.02% (the minimum required - 16%).

Moreover we assumed the situation *of increasing the interest rate on interest bearing liabilities from 6.74%* (actual value as of December 31, 2015) to *10%.* As a result, we obtain the following results:

- *Net income* would decrease from MDL'000 12,172 to MDL'000 10,022, losses of MDL'000 2,149;
- *The regulatory capital* would reduce from MDL'000 218,225 to MDL'000 216,076, (the minimum required, according to the limits established by regulations of the NBM is MDL'000 200 000);
- *Risk weighted capital adequacy* will decrease from 119.84% to 118.66% (the minimum required - 16%).

(e) Market Risk

The market risk is the risk that the fair value and the future cash flows of a financial instrument shall fluctuate depending upon changes in market prices.

The economy of the Republic of Moldova continues to be characterized by an instable market. The segment of financial services in the Republic of Moldova is vulnerable to adverse currency fluctuations and economic conditions.

The economic forecast in respect of stability in the Republic of Moldova depends to a large extent on the efficiency of economic measures assumed by the Government, together with the changes in the legal and regulatory framework.

The purpose for market risk management is managing and control over the market risks within admissible limits, enhancing at the same time the risk efficiency.

32. Risk management (continued)

(e) Market Risk

The market risk includes three types of risks: currency risk, interest rate risk and other risks related to the price.

The market risk occurs as a result of open positions of interest rate, currency and equity items, all being exposed to general or specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit variety, foreign exchange rates and securities quotations.

The Bank delimitates the exposure to market risk into portfolio for trading and other than those for trading.

(f) Operational Risk

The operational risk is the risk of direct and indirect losses as a result of different cases arisen from Bank's processes, staff, technologies and infrastructure and, also, due to certain external factors, except for risk of credit, market and liquidity that results from legal and regulating requirements and from generally accepted behaviour standards.

Operational risks are the result of all banking transactions and all commercial and industrial enterprises face them.

The Bank's purpose is to manage the operational risk so that to balance the avoidance of some financial losses and injury of Bank's reputation with the overall financial performance.

The main responsibility for development and execution of control over the operating risk is born by the company's management within each of its subsidiaries.

This responsibility is supported by implementation of the banking standards in order to manage the operating risks in the following areas:

- Appropriate segregation of tasks, including independent approval of the transactions;
- Coordinating and monitoring of transactions;
- Correspondence to legal and other regulating requirements;
- Documenting control means and procedures;
- Periodic assessing of operating risks the Bank is exposed to, as well as the degree of conformity of control means and procedures to the access of identified risks;
- Reporting the losses of exploitation and the suggested measures for recovery;
- Developing plans for additional unforeseen situations;
- Professional training and development (standards on ethics and business);
- Assuming necessary measures in order to manage efficiently and use of software and equipment means belonging to the SAPI – Interbank Automatic Payment System, guarantee of business continuity in urgent situations, as well as the security of software components and of the equipment used at the working place with the aim of interaction with SAPI- Interbank Automatic Payment System.
- Restricting the access to information both at technical level and of software;
- Developing within Bank’s employees of a operating culture which shall include a range of individual and corporate values, relations, knowledge and a conduct based on work-specific obligations and responsibilities ;
- Decreasing risks through different methods of protection (army security, video control system, alarm button and others).

33. Risk-weighted capital adequacy

Risk-weighted Assets are the bank's assets and certain conditional accounts (representing a risk for the bank), that are classified in categories with specific risk weights. The risk weight assigned to a particular asset determines the percentage of that asset which is added with all other risk-weighted asset to determine the bank's total Risk-Weighted Assets. The bank calculates the rate of Risk-weighted capital adequacy, pursuant to Regulation on risk-weighted capital adequacy, approved by Decision of the Council of Administration of the National Bank of Moldova no.269 of October 17, 2001 (with further amendments and completions).

Four categories are used for weighting at risk (0%, 20%, 50% and 100%). For example, cash and money market instruments are weighted with zero rate, which means there is no need for risk capital to maintain these assets. By mortgages and unsecured loans without interest, property and equipment apply a risk weight of 100%. Other asset categories have intermediate weight.

For liabilities reported as off-balance sheet credit items and forward and derivatives apply different categories of risk conversion factors, designed to translate these elements in balance equivalent. The equivalent loans items are then weighted to credit risk using the same coefficients as for the balance sheet assets.

The bank's position concerning the regulatory capital and risk-weighted capital adequacy as of December 31, 2015 and as of December 31, 2014 is presented below:

	2015	**2014**
	MDL'000	**MDL'000**
Tier I capital		
Ordinary Shares	138,000	138,000
Non-cumulative preferred shares, issued with unlimited term	-	-
Capital surplus	-	-
Undistributed profit and reserves	97,074	84,877
The calculated amount but unreserved of the allowances for impairment losses on assets and conditional commitments	(15,767)	(17,767)
Total sum of the net intangible assets	(1,082)	(1,605)
Total Tier I capital	**218,225**	**203,505**
Tier II capital	-	-
Total Tier II capital	**-**	**-**
Total Tier I capital and total Tier II capital	**218,225**	**203,505**
Participation shares in the bank's capital	-	-
Total regulatory capital	**218,225**	**203,505**
Total risk weighted Assets	182,091	170,228
Capital Adequacy	**119.84%**	**119.55%**

Pursuant to Regulation on risk-weighted capital adequacy, approved by Decision of the Council of Administration of the National Bank of Moldova no.269 of October17, 2001, the Bank shall have and maintain the risk weighted adequacy ratio at a level at least of 16%. The Bank fulfilled the NBM's requirements concerning the risk-weighted capital adequacy during the reporting period. As of December 31, 2015 the risk weighted adequacy ratio constituted 199.84% (December 31, 2014: 119.55%).

The amount of the Minimum Required Capital for Tier I Capital as of December 31, 2015 constituted MDL'000 200 000 (2014: MDL'000 200 000). As of December 31, 2015 the Bank conformed to the requirements of the Regulation on risk-weighted capital adequacy, by having the Tier I Capital in sum of MDL'000 218,225. Therewith financial risks, at which the Bank is exposed, do not exceed allowable limits and are followed-up by the risk management system of the Bank.

34. Subsequent events

On 8 April, 2016 Dr. Mahmood Mohammed Shakir Mahmood has increased his participation quota in the share capital of the Bank by 0.06%, by purchasing 1,590 shares, thereby increasing his participation in the share capital to 41.23%.