
Banca de Economii S.A.

Financial Statements

For the Year Ended 31 December 2010

**Prepared in Accordance with National Accounting Standards
and Regulations of the National Bank of Moldova**

CONTENTS

Independent Auditors' report	
Balance sheet	2
Income statement	3-4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7 – 56



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Independent Auditors' Report (free translation¹)

To the shareholders
of Banca de Economii S.A.

- 1 We have audited the accompanying financial statements of Banca de Economii S.A. (the „Bank”) which comprise the balance sheet as at 31 December 2010, income statement, statement of cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 The financial statements of the Bank as at and for the year ended 31 December 2009 were audited by another auditor whose audit report dated 31 March 2010 expressed an unqualified opinion on those financial statements prepared in accordance with National Accounting Standards applicable in the Republic of Moldova.
- 3 We conducted our audit in accordance with the National Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 4 As at 31 December 2010 the Bank recorded impairment provisions on assets related to loans to customers amounting to MDL 220,671 thousand. At 31 December 2010 the Bank included certain assets in superior categories of credit risk classification as compared to the categories they should have been classified in accordance with Regulation No. 224/30.08.2007 of the National Bank of Moldova with subsequent amendments (the „NBM's Regulation”). If those assets were classified as at 31 December 2010 under the NBM's Regulation, the Bank would have recorded an increase in *impairment provision* as at 31 December 2010 in amount of MDL 17,827 thousand and would have recorded an increase for the same amount in *Impairment loss on interest bearing assets* for the year 2010.
- 5 During the year 2010 the Bank accrued interest on past-due and non-accrual loans previously recorded on memorandum accounts without the receipt of any cash reimbursement from the respective borrowers. The Bank is to reverse this interest accrued on past-due non-accrual loans, as required by the National Bank Decision No. 130/15.05.1998 approving the Regulation on past-due loans, thereby reducing the amount of *Accrued interest receivable* as at 31 December 2010 in amount of MDL 10,308 thousand and, respectively, for the same amount the *Interest and fee income on loans* recorded for the year 2010.
- 6 In our opinion, except for the effects on the financial statements of the matters described in paragraphs 4 and 5, the financial statements of the Bank as of 31 December 2010 and for the year then ended, were prepared in conformity and comply, in all material respects, with the requirements of the National Accounting Standards applicable in the Republic of Moldova, and with the regulations and instructions of the National Bank of Moldova.

¹ TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

7 Without further qualifying our opinion, we draw attention to the following:

- As mentioned in Note 13 to the financial statements, as at 31 December 2010 *Other assets* include an amount of MDL 507,883 thousand representing gross receivables to be recovered from BC Investprivatbank SA, a bank under liquidation process. According to the Decision of the Board of Directors of the National Bank of Moldova dated 30 December 2010, the Bank classified this receivable in the credit risk category "substandard" and recorded a 30% provision for uncollectibility of this receivable, the net value of this receivable being recorded in amount of MDL 355,518 thousand as at 31 December 2010.
- As disclosed in Note 9 to the financial statements, during 2011 and until the date of this report, the Bank recorded provisions for the uncollectibility of the assets mentioned in paragraph 4 in amount of MDL 17,827 thousand.
- As disclosed in Note 11 to the financial statements during 2011 and until the date of this report, the Bank reversed the amount of *Accrued interest receivable* mentioned in paragraph 5 of this report in amount of MDL 10,308 thousand.

8 This report is made solely to the Bank's shareholders, as a body. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

9 The accompanying financial statements are not intended to present the financial position, results of operations and cash flows statement of the Bank in accordance with International Financial Reporting Standards. Accordingly, the accompanying financial statements are not designed for those who are not informed about Moldavian legal and statutory requirements.

21 April 2011

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Refer to the original
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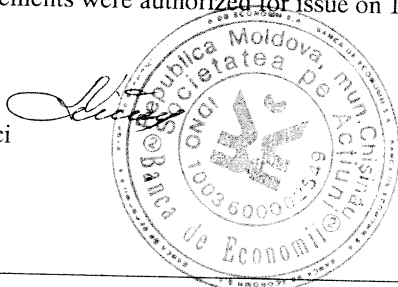
Banca de Economii SA
BALANCE SHEET
As at 31 December 2010

	Notes	31.12.2010 MDL'000	31.12.2009 MDL'000
ASSETS			
Cash on hand	4	336,219	360,205
Placements with banks	5	76,120	246,997
Balances with National Bank of Moldova	6	282,736	166,298
Overnight placements	7	344,071	260,469
Securities held for trading and available for sale	8	461	4,117
Investment securities	8	507,482	1,058,463
Loans and advances to customers	9	2,795,758	1,970,123
Property and equipment	10	284,083	272,270
Accrued interest receivable	11	30,911	20,734
Other non-current assets	12	150,477	80,672
Other assets	13	490,147	682,494
Total assets		5,298,465	5,122,842
LIABILITIES			
<i>Non-interest bearing deposits</i>			
Deposits from banks		-	-
Deposits from individuals		249,343	219,732
Deposits from legal entities		58,169	37,845
		307,512	257,577
<i>Interest bearing deposits</i>			
Deposits from banks		75,859	2,984
Deposits from individuals		2,213,543	2,016,164
Deposits from legal entities		1,149,546	845,447
	14	3,438,948	2,864,595
Other borrowings	15	631,404	1,091,187
Accrued interest payable	16	6,970	4,507
Other liabilities	17	63,582	54,876
Provision for losses on off-balance sheet commitments	27	2,820	2,286
Total liabilities		4,451,236	4,275,028
EQUITY			
Ordinary share capital	19	117,034	29,258
Preferential share capital	19	303	76
General reserves		18,752	18,752
Retained earnings		711,140	799,728
Total equity		847,229	847,814
Total liabilities and equity		5,298,465	5,122,842

The accompanying notes on pages 7 to 56 are an integral part of these financial statements.

The financial statements were authorized for issue on 19 April 2011 by the Executive Management of the Bank represented by:

/ President
Mr. G.Gacikevici



Chief Accountant
Mrs. I.Bargueva

Banca de Economii SA
INCOME STATEMENT
For the Year Ended 31 December 2010

	Notes	2010 MDL'000	2009 MDL'000
Interest income			
Interest income on placements with banks		2,622	5,605
Interest income on overnight placements		4,699	3,601
Interest income on investment securities		49,262	60,530
Interest and commission income on loans to customers		352,897	290,599
Total interest income		409,480	360,335
Interest expense			
Interest expense on deposits from banks		(1,562)	(1,160)
Interest expense on deposits from individuals		(107,943)	(174,472)
Interest expense on deposits from legal entities		(21,107)	(27,356)
Total interest expense on deposits		(130,612)	(202,988)
Interest expense on overnight borrowings		(7)	(202)
Interest expense on other borrowings		(15,560)	(23,088)
Total interest expense on borrowings		(15,567)	(23,290)
Total interest expense		(146,179)	(226,278)
Net interest income		263,301	134,057
Impairment loss on interest bearing assets	21	(39,806)	(58,051)
Net interest income after impairment loss on interest bearing assets		223,495	76,006
Non-interest income			
Net income on securities held for trading		483	71
Net income on investment securities		4	-
Income from foreign exchange transactions	22	82,766	98,219
Commission income	23	151,454	136,907
Other income	24	8,802	6,019
Non-interest income		243,509	241,216
Non-interest expenses			
Salary expenses		(78,243)	(80,994)
Bonus expenses		(4,591)	(6,443)
Social and medical insurance contributions		(39,771)	(39,938)
Repair and maintenance of fixed assets	25	(61,512)	(56,113)
Taxes		(1,583)	(1,792)
Audit and consulting expenses		(736)	(1,483)
Other non-interest expenses	26	(132,560)	(89,603)
Impairment loss on non-interest bearing assets	13	(140,901)	(12,227)
Impairment loss on off-balance sheet commitments	27	(534)	142
Non-interest expenses		(460,431)	(288,451)

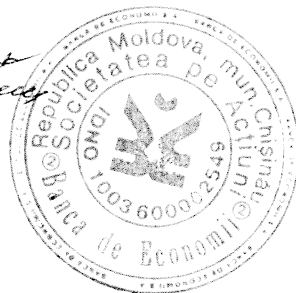
Banca de Economii SA
INCOME STATEMENT
For the Year Ended 31 December 2010

	Notes	2010 MDL'000	2009 MDL'000
Profit before income tax and extraordinary items		6,573	28,771
Income tax expense	18	-	(5,023)
Profit for the year		6,573	23,748

The accompanying notes on pages 7 to 56 are an integral part of these financial statements.

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Banca de Economii SA
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2010

	Share capital			Reserves			Total equity
	Ordinary shares	Preferential shares	Share premium	General reserve	Retained earnings	Dividends paid in advance	
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Balance at 1 January 2010							
Issue of shares	29,258	76	-	18,752	799,728	-	847,814
Dividends paid for preferred shares	87,776	227	-	-	(88,003)	-	-
Profit for the year	-	-	-	-	(7,158)	-	(7,158)
Balance at 31 December 2010	117,034	303	-	18,752	711,140	-	847,229
Balance at 1 January 2009							
Dividends paid for preferred shares	29,258	76	-	18,752	775,999	-	824,085
Profit for the year	-	-	-	-	(19)	-	(19)
Balance at 31 December 2009	29,258	76	-	18,752	799,728	-	847,814

The accompanying notes on pages 7 to 56 are an integral part of these financial statements.

By the decision of Extraordinary General Meeting of Shareholders of Banca de Economii S.A. dated 25.10.2010, the share capital was increased with the amount of MDL'000 88,003 by a bonus issue of shares incorporating retained earnings of previous years.

As at 31 December 2010 share capital consisted of MDL'000 117,337 in comparison with MDL'000 29,334 as at 31 December 2009.

Banca de Economii SA
STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2010

	Notes	2010 MDL'000	2009 MDL'000
Cash flows from operating activities			
Interest and commission receipts		399,303	361,588
Interest and commission payments		(143,715)	(223,994)
Proceeds from loans previously written off		1,267	1,018
Other income receipts		259,114	239,071
Payments related to personnel		(122,605)	(127,375)
Payments to suppliers		(109,637)	(123,290)
Cash Flow before changes in assets and liabilities		283,727	127,018
<i>Changes in assets:</i>			
Changes in placements with BNM		(116,438)	264,698
Changes in placements and loans to banks		27	(352)
Changes in loans to customers		71,701	(320,834)
Changes in securities held for trading		3,656	(3,787)
Changes in other assets		87,701	(566,097)
<i>Changes in liabilities:</i>			
Changes in deposits from customers		524,286	525,523
Changes in deposits from banks		72,875	(18,194)
Changes in other liabilities		8,685	(19,618)
Net cash from/(used in) operating activities before taxes		936,220	(11,643)
Income tax paid		-	-
Net cash from/(used in) operating activities		936,220	(11,643)
Cash flow from investing activities			
Acquisition of property and equipment		(37,836)	(91,169)
Acquisition of intangible assets		(14,043)	(14,089)
Changes in loans to customers		(1,091,692)	143,079
Proceeds /(Payments) of investment securities		260,974	(475,109)
Receipts /(Payments) of interest		27,127	(26,710)
Net cash used in investing activities		(855,470)	(463,998)
Cash flow from financing activities			
Change in other borrowings		(459,783)	1,084,251
Dividends paid		(7,158)	(19)
Net cash from/(used in) financing activities		(466,941)	1,084,232
Effect of exchange rate (Fluctuations on cash and cash equivalents held)		(15,605)	2,145
Net increase (decrease) in cash and cash equivalents		(401,796)	610,736
Cash and cash equivalents at 1 January		1,298,991	688,255
Cash and cash equivalents at 31 December	20	897,195	1,298,991

The accompanying notes on pages 7 to 56 are an integral part of these financial statements.

1. Corporate information

Banca de Economii SA ("the Bank") was established on 18 September 1996 as the successor of "Banca de Economii a Moldovei" established in 1992, following the restructuring of the Republic Bank of Moldova part of the Saving Bank of the USSR into the State Commercial Bank "Banca de Economii a Moldovei".

Currently the Government of the Republic of Moldova owns 56.13% of the ordinary shares of the Bank. The remaining shares are split between a large number of companies and individuals. In conformity with the contract signed between the Public Property Agency and the Ministry of Finance, the State share of 56.13% is managed by the Ministry of Finance through an appointed representative of the State.

At the year-end 2010 the Bank possessed a license of series A MMII nr 004454 dated 26 June 2008 granted by the National Bank of Moldova, which allows the Bank to be engaged in the following banking activities: both corporate and retail banking operations for individuals and small, micro and medium sized legal entities. The Bank's corporate banking activities consist in deposit taking, cash management, lending, and foreign trade finance. It offers the traditional range of banking services and products associated with foreign trade transactions including payment orders, documentary collections and issuance of letters of credit and guarantees. The Bank also offers a comprehensive range of retail banking services for individuals: saving accounts, demand and time deposits, loans and domestic and international fund transfers.

The Bank operates through its head office located in Chisinau, 37 branches and 424 representatives (31 December 2009: 37 branches and 425 representatives) located in Republic of Moldova.

The registered office of the Bank is located at 115 Columna Street, Chisinau, Republic of Moldova, MD-2012.

As at 31 December 2010, the Bank had 2,462 employees (31 December 2009: 2,472 employees).

Considering that the regulatory environment, the nature of the services, the business process, the methods used to provide the services, as well as the types of customers for the products and services are homogenous for all Bank's activities, the Bank operates as a single business segment unit.

2. Basis of presentation

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

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

The financial statements are presented in Moldovan Lei, rounded to thousands Lei ("MDL'000"), the currency of the country in which the Bank operates. The financial statements have been prepared on the historical cost basis.

3. Significant accounting policies

a. Accounting policies

The financial statements are prepared in accordance with National Accounting Standards (NAS) issued by the Ministry of Finance of the Republic of Moldova, instructions and decisions set by the National Bank of Moldova.

b. Foreign currency transactions

Transactions in foreign currency are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated in Moldovan Lei at the official closing exchange rate. Foreign currency differences arising on retranslation in Moldovan Lei of assets and liabilities denominated in foreign currencies are recognized in profit and loss. Non-monetary assets and liabilities denominated in foreign currencies are translated to Moldovan Lei using the official foreign exchange rate at the date of transaction.

The year-end and average rates for the period were:

	31.12.2010		31.12.2009	
	USD	Euro	USD	Euro
Average for the period	12.3663	16.3995	11.1134	15.5248
Year end	12.1539	16.1045	12.3017	17.6252

c. Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances held with NBM, current accounts and short term placements (with maturities of less than 90 days) in other banks, investment securities and other short term investments with high liquidity and with maturities of less than 90 days.

d. Financial instruments

Financial assets originated by the Bank are loans and receivables created by the Bank providing money to a borrower other than those created with the intention of short term profit taking. Financial assets originated by the Bank comprise loans and advances to banks and customers.

Held-to-maturity financial assets are those with fixed or determined payments and fixed maturity that the Bank has the intention and ability to hold to maturity.

Assets held for trading are those that the Bank holds for the purpose of short-term profit taking. These include securities and derivative contracts that are not used in hedging relationships, and liabilities from sales of short term financial instruments.

Available-for-sale financial assets are financial assets that are not originated by the Bank, held for trading purposes or held to maturity.

3. Significant accounting policies (continued)

e. Sale and repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repo agreements) continue to be recognized in the balance sheet as securities and are measured in accordance with relevant accounting policies. The liability for amounts received under these agreements is included in due to banks and other financial institutions. The difference between sale and repurchase price is recognized as interest expense using the linear method. Assets purchased with a corresponding commitment to resell at a specified future date (resumed repo agreements) are recorded as loans and advances to other banks or customers as appropriate.

f. Securities held for trading

Securities held for trading are investments that were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are investments included in a portfolio in which a transaction model for profit making exists. After initial recognition, trading securities are remeasured at the lowest between cost and fair value based on quoted bid prices. All related realized and unrealized gains or losses are recognized in trading income. Interest income on trading securities is recognized as interest income. All purchases and sales of treasury securities that require delivery within the time frame established by regulation or market convention are recognized at settlement date.

g. Investment securities

Investment securities include state securities and equity investments in other legal entities.

State securities comprise treasury bills issued by the Ministry of Finance and certificates issued by NBM with maturities less than one year and state bonds with maturities of more than one year in national currency. Treasury bills and certificates issued by NBM purchased with discount are measured at amortized cost applying the linear method.

State bonds purchased at nominal value with coupons attached are measured at cost. Interest income is recognized in profit and loss using the linear method during the maturity period.

h. Investments in other companies

Investments in other companies consist of equity securities and are measured at cost.

Dividends received are included separately in the dividend income (other interest income).

Dividend income is recognized in profit and loss when the bank becomes entitled to the dividends.

3. Significant accounting policies (continued)

i. Financial assets, categories and rates for provisioning

The Bank classifies the financial assets, including placements with banks, loans granted to customers and other receivables, as well as credit commitments, guarantees and letters of credit issued at the date of reporting according to the NBM Regulation for assets and conditional commitments classification, allowance for assets losses and provisions for conditional commitments losses, which came into force on 30 November 2007. The following categories and provisioning rates apply to the amount of exposure:

Loan category	Rate
A Standard	2%
B Supervised	5%
C Sub-standard	30%
D Doubtful	60%
E Compromised	100%

Any asset subject to impairment recorded in the Bank's balance sheet is included in one of the five categories listed, and the amount of necessary provisioning is included in impairment provisions for assets.

The impairment loss on assets is registered as expenses in income statement.

When classifying conditional commitments, the person to become the Bank's debtor as a result of the contract related to this commitment is assessed.

Prior to the assessment of the asset or conditional commitment, its value is diminished with the guarantee amount when the guarantee consists in:

- State securities, issued by the Ministry of Finance of the Republic of Moldova;
- Securities issued by the NBM;
- Securities issued by the OECD member states;
- Guarantees issued by the Government of the Republic of Moldova or the Government of an OECD member state;
- Pledge as cash deposit.

Conditional accounts which represent a risk for the bank are also assigned to a risk category just like the balance sheet ones. In the event of conditional commitments, following the determination of value according to the above-mentioned, the credit conversion factor is applied according to the note from Report 11 "Evaluation of efficiency of risk weighted capital" from the NBM "Instruction on compilation and submission of reports regarding the financial activity by banks".

Financial assets are recorded at the outstanding amount minus the impairment losses.

According to the NBM Regulation, placements with the foreign banks rated by the 3 rating agencies Moody's/ Fitch/ IBCA/ Standard&Poor's not lower than A-/A3 if the respective banks are residents of countries with a rating not lower than A- / A3 are not subject to provisioning.

3. Significant accounting policies (continued)

i. Financial assets, categories and rates for provisioning (continued)

For the foreign banks with a lower rating, or which are registered in countries with lower rating, the following rules apply:

Rating attributed by Moody's/ Fitch/IBCA / Standard&Poor's	Category	Rating
AAA/Aaa – A-/A3	Standard	2%
BBB+/Baa1 – BBB- / Baa3	Supervised	5%
BB+/Ba1 – BB- / Ba3	Substandard	30%
B+/B1 – CCC-/Caa3 / C	Doubtful	60%
CC/Ca/DDD – R/C/D	Compromised	100%

Impairment loss on assets and provisions for impairment loss on conditional commitments

When it is determined that an asset cannot be recovered and all necessary legal procedures have been exhausted, the value of the unpaid asset is deducted from the total of the provision for impairment loss on assets constituted for the overdue assets and from the total value of assets.

The allowance for impairment loss on assets is determined for each asset subject to provisioning according to the method established by the National Bank of Moldova. The procedure for classification of assets takes into account the history of the debt service for the interest and principal, as well as the financial situation and financial performance of the debtor and guarantees presented regarding the payment of the credit. The impairment loss on assets is recorded as expense in the profit and loss statement.

Assets deposited as pledge in the bank for guaranteeing the reimbursement of loans granted to customers are measured at the market value at the date of signing the collateral arrangement. For property and land the market value is determined by independent evaluators, for other goods by the evaluator specialists within the bank. A periodic monitoring and inspection of the pledge is carried out by bank specialists. Their periodicity is established by the internal regulations of the Bank.

According to the National Bank's Board of Administration decision nr. 275 as at 30 December 2010, the Bank has classified the "Investprivatbank in course of liquidation SA" receivable, in the "substandard" category and has recorded a provision for the possible losses related to this receivable at the rate of 30% of the receivable amount as at 31 December 2010. As a result the net value of this receivable at 31 December 2010 stands at the amount of MDL' 000 355,518.

3. Significant accounting policies (continued)

j. Loans and advances granted to customers

Loans granted by the Bank represent loans in which funds are granted directly to the debtor and are recognized in the balance sheet when the funds are made available to debtors. Such loans are recognized initially at cost, represented by the fair value of the funds granted at the credit initiation.

According to the NBM regulations regarding the lending process, loans granted by the bank are classified as follows:

- performing loans - loans without debts (up to 60 days) registered for the principal of the loan and/ or accrued interest
- non-performing loans - loans with debts registered for the principal of the loan and/or accrued interest for more than 60 days and loans classified as „substandard”, „doubtful” and „compromised”.

Loans granted to clients that did not make payments for a period of 60 days and more are treated as non-cumulative loans, i.e. income earned on interest is not reflected in the financial statements. Interest accrued but not received is reversed out of income and is reflected in the off-balance sheet until the full collection of all amounts due and unpaid, and the re-classification of the credit contract as the cumulative interest loan.

k. Property and equipment

Fixed assets are measured at cost minus accumulated depreciation. Expenditures related to the purchase and the costs of creation are capitalized to the extent to which these increase future economic benefits of the corresponding assets.

Expenditures for current repairs and maintenance are registered as exploitation expenditures when they are incurred.

For land the depreciation is not calculated. For assets under construction depreciation is not calculated, depreciation must be calculated from the moment the fixed assets are put in use.

Each asset with a purchase cost of over 3,000 Moldovan Lei and with an estimated useful life over one year is included in the category of fixed assets. The assets with a purchase cost lower than 3,000 Lei, regardless of the period of exploitation, or assets with an operation period lower than one year are presented as low value assets.

The expected useful life of an asset or group of homogenous assets is determined by the bank independently at the moment of purchasing, taking into account the experience or work with such assets, the real condition of the object in the current period. The useful life of fixed assets is determined by the period during which these can be useful for the bank.

The proceeds and losses from the sale of fixed assets are determined by reference to the book value and are registered as income or loss.

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

Asset type	Years
Buildings	40 - 45
ATMs	10
Furniture and equipment	5-15
Computers	3
Vehicles	5-8

3. Significant accounting policies (continued)

l. Intangible assets

Intangible assets, which are acquired by the Bank, are stated at cost less accumulated amortization. Subsequent expenditures on intangible assets are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed as incurred.

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of assets, as stated below:

Asset type	Years
Software	3-5
Licenses	5-20

Expenditures on development of new applications are capitalized if the product or process is technically and commercially feasible and the Bank has sufficient resources to complete development. The capitalized expenditures include direct labor and an appropriate proportion of overheads. Other development expenditures are recognized in the income statement as expenses when incurred.

m. Repossessed collateral

The collateral taken over from borrowers according to the minutes of meeting of voluntary repossession and enforced by court decision is carried at lower of principal value of loan outstanding and fair value. According to the NBM regulations the Bank has to write-off the repossessed collateral when it fails to sell it within 18 months from the date of repossession or after the prolongation approved by NBM for a period of maximum 1 year.

n. Deposits and other amounts owed to banks and customers

Deposits and other amounts owed to banks and customers are accounted for at their nominal value, i.e. at the amount to be repaid.

o. Employee benefits

Short term service benefits

The Bank's short term employment benefits includes wages, bonuses, holiday pay and social security contributions, which are recognized as an expense as incurred.

3. Significant accounting policies (continued)

o. Employee benefits (continued)

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

The Bank, in the normal course of business makes payments to the National Social Insurance House and to the National Medical Insurance House on behalf of its Moldovan employees for pension, health care and unemployment benefits. All employees of the Bank are members and are legally obliged to make defined contributions (included in the social security contributions) to the Moldovan State pension plan (a State defined contribution plan). All relevant contributions to the Moldovan State pension plan are recognized as an expense in the income statement as incurred. The Bank does not have any further obligations.

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

p. Offsetting financial assets and liabilities

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

q. Net interest income

Interest income and expense are recognized in the income statement as they accrue, taking into account the nominal interest rate. Interest income includes coupons earned on fixed income investment and trading securities and accrued discounts and premiums on treasury bills and other discounted instruments. The accrual of interest income is suspended when loans are classified as doubtful or compromised in accordance with the NBM regulation on loan classification and provisioning or receipts of loans are overdue more than 60 days. This type of interest is excluded from interest income until the moment of payment. Interest on non-performing loans is removed from the balance sheet and transferred to off-balance sheet items until the moment of payment.

r. Net fee and commission income

Fee and commission income and expense are recognized when the corresponding service is provided or received.

s. Taxation

The income tax rate in 2010 was 0 % (2009 – 0%).

t. Related parties

Related parties are considered to be legal or physical persons (bank administrators, members of credit committees and commissions, shareholders holding or controlling directly 5% or more of the bank's share capital) that exercise the control over the bank and have a significant influence in taking financial and economic decisions.

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

3. Significant accounting policies (continued).

u. Operating leases – the Bank as a lessee

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

v. Use of estimates

The preparation of financial statements in accordance with National Accounting Standards requires management to make estimates and assumptions that impact the amounts and balances reported in the financial statements and accompanying notes. These estimates are based on information available as of the date of the financial statements. Actual results, therefore, could differ from those estimates. The estimates are periodically reviewed and the changes are recorded when they become known.

w. Subsequent events

Subsequent events are reflected in the financial statements in case they provide additional information about the Bank's position at the balance sheet date (adjusting events) or those that indicate that the going concern assumption is not appropriate. Subsequent events that are not adjusting events are disclosed in the notes in case they are material.

Banca de Economii SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

4. Cash on hand

	Notes	31.12.2010 MDL'000	31.12.2009 MDL'000
Cash		335,984	359,959
Travellers' cheques		196	206
Other		39	40
20		336,219	360,205

5. Placements with banks

	Notes	31.12.2010 MDL'000	31.12.2009 MDL'000
Current accounts with local banks		1,923	1,562
Current accounts in banks from OECD countries		71,237	242,225
Current accounts in banks from other countries		3,744	4,530
20		76,904	248,317
Less: Provision for impairment		(784)	(1,320)
		76,120	246,997

In accordance with the stipulations of the NBM Regulation on classification of assets and off-balance sheet commitments and the establishment of provisions for losses on assets and off-balance sheet commitments, the Bank calculated as at 31 December 2010 a provision for losses on current accounts and due to banks in the amount of MDL'000 784.

The provision was calculated for amounts held by the Bank in countries with ratings lower than A-/A3 (assigned by classification agencies).

The movement in the provision for impairment loss on current accounts and deposits with banks during the years 2010 and 2009 are presented below:

	Notes	2010 MDL'000	2009 MDL'000
Balance as at 1 January		1,320	1,295
Write-offs		-	-
Recoveries		-	-
Impairment expense / (income) for the year	21	(536)	25
Balance as at 31 December		784	1,320

6. Balances with National Bank of Moldova

	31.12.2010	31.12.2009
	MDL'000	MDL'000
Current account, including MDL obligatory reserves	168,690	57,180
Obligatory reserves in freely convertible currency	114,046	109,118
	282,736	166,298

Current account and obligatory reserves

The National Bank of Moldova (NBM) requires commercial banks to maintain for liquidity purposes minimum reserves calculated at a certain rate of the average funds borrowed by banks during the previous 15 days including all customer deposits. Based on the decision Nr 85 by the Administrative Council of NBM dated 15 April 2004, the method for calculation and maintaining the compulsory reserves was changed. Funds attracted in Moldovan Lei (MDL) and in non-convertible currencies are reserved in MDL. Funds attracted in US Dollars (USD) and other freely convertible currencies are reserved in USD, funds attracted in EURO (EUR) are reserved in EUR. As at 31 December 2010 the rate for the calculation of minimum obligatory reserves in all currencies was 8.0% (31 December 2009: 8.0%).

The interest paid by NBM on obligatory reserves during 2010 varied between 0.18% and 0.39% per annum for reserves in foreign currency and 2% - 4% for reserves in MDL (2009: 2% in MDL and 0.22% - 1.04% in foreign currencies per annum).

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

7. Overnight placements

Notes	31.12.2010	31.12.2009
	MDL'000	MDL'000
Overnight in NBM	150,000	120,000
Overnight placements in banks	194,071	140,469
20	344,071	260,469

Overnight placements include placements in Bank of New York Mellon, (New York), in amount of USD'000 703 with an interest rate of 0.025%, in Citibank (New York) in amount of USD'000 689 with an interest rate of 0.03%, in Commerzbank (Frankfurt), in amount of EUR'000 11,000 with an interest rate of 0.30% (2009: Bank of New York Mellon (New York) USD'000 9,139 with an interest rate of 0.025% and Citibank (New York) in amount of USD'000 2,279 with an interest rate of 0.05%).

8. Securities

Securities held for trading and available for sale

Movements during the year:

	2010	2009
	MDL'000	MDL'000
Balance as at 1 January	4,117	329
Additions	461	4,117
Disposals	(4,117)	(329)
Balance as at 31 December	461	4,117

As at 31 December 2009 securities held for trading and securities available for sale included treasury bills issued by the Ministry of Finance of the Republic of Moldova with an interest rate of 7.93% (2009: 11.77%).

Investment securities:

	Notes	31.12.2010	31.12.2009
		MDL'000	MDL'000
Certificates issued by the NBM	20	140,000	430,000
State bonds		80,632	315,771
Treasury bills, nominal value		195,250	311,963
Less: discount on treasury bills and NBM certificates		(6,256)	(7,649)
		188,994	304,314
Investments in unrelated parties		8,990	8,977
Pledged investment securities		89,473	-
Total gross investment securities	31	508,089	1,059,062
Less: Provision for impairment		(607)	(599)
		507,482	1,058,463

Treasury bills and certificates issued by the NBM

Securities issued by the NBM as at 31 December 2010 represent certificates with a maturity up to one month in MDL with an interest rate of 7% (2009: 5%-5.38%).

State bonds as at 31 December 2009 represent MDL treasury bills of 25 - 437 days maturity, issued by the Ministry of Finance of the Republic of Moldova and bear a coupon between 7.60 % - 8.51% (2009: 5.40%-13.92%).

Treasury bills represent MDL securities of 11 and 364 maturity days issued by the Ministry of Finance of the Republic of Moldova with an interest rate between 5.37% and 9.50% (2009: 11.91% and 25.54%)

The determination of provision for impairment loss on investment securities was made based on economic and financial analysis of companies where Banca de Economii S.A. holds securities (shares) and participations.

Banca de Economii SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

8. Securities (continued)

Investment in shares

Movement within the year was the following:

	2010	2009
	MDL'000	MDL'000
Balance as at 1 January	8,977	8,059
Additions	13	918
Disposals	-	-
Balance as at 31 December	8,990	8,977

As at 31 December 2010 and 2009, the Bank investment securities comprise:

	Area of activity	Ownership	31.12.2010	31.12.2009
		2010, %	MDL'000	MDL'000
Stock Exchange Market of Moldova	Financial investments	2.56	7	7
SRL Garantinvest	Insurance	9.92	440	440
ASPA SA	Metals processing	7.30	824	824
Moldasig SRL	Insurance	10.20	6,120	6,120
Depozitarul Național	Securities	4.69	19	6
Magistrala SA	Road construction	2.27	473	473
Autobank SA, Moscow	Banking Transactions	0.01	49	49
MoldmediaCard SRL	processing	0.44	40	40
S.R.L. "Biroul de credit"	Data processing	9.27	1,018	1,018
			8,990	8,977

All investments as at 31 December 2010 are carried at cost.

The Bank assessed the following impairment provision for its investments in securities in 2010:

	Cost	Provision	Net Value
	MDL'000	MDL'000	MDL'000
Stock Exchange Market of Moldova	7	-	7
SRL Garantinvest	440	(22)	418
ASPA SA	824	(247)	577
Moldasig SRL	6,120	(122)	5,998
Depozitarul Național	19	(12)	7
Magistrala SA	473	(142)	331
Autobank SA, Moscow	49	(30)	19
MoldmediaCard SRL	40	(12)	28
S.R.L. "Biroul de credit"	1,018	(20)	998
	8,990	(607)	8,383

8. Securities (continued)

In accordance with the stipulations of the NBM Regulation on classification of assets and off-balance sheet commitments and the establishment of provisions for losses on assets and off-balance sheet commitments, the Bank calculated a provision for losses on investment securities in the amount of MDL'000 607.

The movement in provision for impairment loss on investment securities during the years 2010 and 2009 are presented below:

	Notes	2010 MDL'000	2009 MDL'000
Balance as at 1 January		599	581
Write-offs		-	-
Recoveries		-	-
Impairment expense for the year	21	8	18
Balance as at 31 December		607	599

9. Loans and advances to customers, net

	31.12.2010 MDL'000	31.12.2009 MDL'000
Loans	3,015,931	2,146,957
Financial leasing	498	2,236
Total gross loans	3,016,429	2,149,193
Less: impairment provision		
Loans	(220,671)	(179,070)
	2,795,758	1,970,123

As at 31 December 2010 gross loans portfolio includes overdue installments with arrears up to 60 days in amount of MDL'000 14,977 (2009: MDL'000 64,477).

As at 31 December 2010 the Bank has loans with the maturity more than 6 months amounted at MDL'000 2,453,450 (31 December 2009: MDL'000 1,230,224).

	31.12.2010 MDL'000	31.12.2009 MDL'000
Up to 1 year	125,917	287,496
1-5 years	2,688,717	1,803,746
Over 5 years	201,795	57,951
	3,016,429	2,149,193

9. Loans and advances to customers, net (continued)

As at 31 December 2009 the gross book value of loans on which normal interest is not being accrued, or is suspended, amounted to MDL'000 223,870 (2009: MDL'000 361,917). Unrecognized interest relating to such loans amounted to MDL'000 36,044 (2009: MDL'000 42,012)

Analysis of the loan portfolio by industry is presented below:

	31.12.2010	31.12.2009
	MDL'000	MDL'000
Agricultural and food industry	305,151	212,312
Manufacturing and commerce	1,687,667	940,225
Energy and fuel industry	213,264	225,550
Consumption	69,587	123,494
Government	2,486	8,240
Transportation and road construction	184,641	107,985
Construction	393,550	303,922
Real estate purchases	123,439	120,355
Other	36,644	107,110
	3,016,429	2,149,193

The Bank has granted loans to related parties in amount of MDL'000 1,178 (2009: MDL'000 21,253).

The movements in the provision for impairment loss on loans during the years 2010 and 2009 are presented below:

	Notes	2010	2009
		MDL'000	MDL'000
Balance as at 1 January		179,070	121,245
Write-offs		-	(1,201)
Recoveries		1,267	1,018
Impairment expense / (income) for the year	21	40,334	58,008
Balance as at 31 December		220,671	179,070

The Bank's lending activities are conducted in Moldova. The ability of borrowers to repay their debts depends on a number of factors including the overall financial health of individual borrowers and the Moldovan economy. In general, loans have been secured by collateral (inventory, equipment, cars, real estate, etc.)

During January 2011 the Bank has registered additional provisions for uncollectible assets related to a number of loans existing as at 31 December 2010 in the amount of MDL'000 17,827.

As at 31 December 2010, top ten net exposures (including off-balance sheet credit exposures) have a total outstanding balance of MDL'000 968,513 (2009: MDL'000 867,477).

9. Loans and advances to customers, net (continued)

Below is presented the classification of the loans by the risk category:

	31.12.2010	%	31.12.2009	%
Standard	842,989	28%	1,207,145	56%
Supervised	1,888,366	62%	566,529	26%
Sub-standard	203,427	7%	320,799	15%
Doubtful	81,647	3%	54,719	3%
Compromised	-	0%	-	0%
	3,016,429	100	2,149,192	100

Interest rates on loans and advances to customers vary between 7% and 28.8% p.a. for loans and advances in Moldovan Lei (2009: 9.5% and 28.8%), and from 9% and 14.0% p.a. for loans and advances in foreign currency (2009: 10% and 15%).

10. Property and equipment

	Land and Buildings	Furniture and equipment	Motor vehicles	Improvements of leasehold assets	Assets under construction	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Cost						
Balance 1 January 2010	177,239	146,441	17,917	7,348	25,496	374,441
Additions	546	3,097	-	-	34,820	38,463
Transfers	39,142	11,676	562	11	(51,391)	-
Disposals	(131)	(4,901)	(1,182)	(102)	(298)	(6,614)
Balance 31 December 2010	216,796	156,313	17,297	7,257	8,627	406,290
Accumulated depreciation						
Balance January 2010	18,655	72,299	9,778	1,439	-	102,171
Charge for the year	4,565	17,943	1,952	1,562	-	26,022
Disposals	(67)	(4,635)	(1,182)	(102)	-	(5,986)
Balance 31 December 2010	23,153	85,607	10,548	2,899	-	122,207
Net book value						
At 31 December 2010	193,643	70,706	6,749	4,358	8,627	284,083
At 31 December 2009	158,584	74,142	8,139	5,909	25,496	272,270

Banca de Economii SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

10. Property and equipment (continued)

	Land and Buildings	Furniture and equipment	Motor vehicles	Improve- ments of leasehold assets	Assets under construc- tion	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Cost						
Balance 1 January 2009	131,541	121,236	14,571	4,873	17,839	290,060
Additions	4,471	5,331	-	3,255	79,102	92,159
Transfers	41,250	26,172	3,346	7	(70,775)	-
Disposals	(23)	(6,298)	-	(787)	(670)	(7,778)
Balance 31 December 2009	177,239	146,441	17,917	7,348	25,496	374,441
Accumulated depreciation						
Balance January 2009	15,217	63,317	7,989	789	-	87,312
Charge for the year	3,454	15,078	1,789	1,325	-	21,646
Disposals	(16)	(6,096)	-	(675)	-	(6,787)
Balance 31 December 2009	18,655	72,299	9,778	1,439	-	102,171
Net book value						
At 31 December 2009	158,584	74,142	8,139	5,909	25,496	272,270
At 31 December 2008	116,324	57,919	6,582	4,084	17,839	202,748

11. Accrued interest receivable

	31.12.2010 MDL'000	31.12.2009 MDL'000
Investment securities	1,755	4,781
Loans and advances to customers	21,592	9,761
Current accounts and deposits with banks	17	17
Other	7,547	6,175
	30,911	20,734

During 2011 the Bank has reversed the value of the interest accrued to be received in counterpart with the income related to the interest and fees pertaining to past due and non-cumulative loans in amount of MDL'000 10,308.

12. Other non-current assets

As at 31 December 2010 the Bank's repossessed assets and real estate properties include real estate retained as collateral for overdue loans:

Party	Type of asset	31.12.2010 MDL'000	31.12.2009 MDL'000
Agromag SRL	Real estate	280	-
Autolex-Con SRL	Real estate	128	-
Real estate in possession of SRL Zighitorul Nord	Real estate	8,266	-
Real estate in possession of Sc Vegetal Prim SRL	Real estate	333	-
Bramius SRL	Real estate	21,059	-
Fabrica De Vin Cojusna SA	Real estate	21,075	-
G.T. Buzamurga Vasile	Real estate	42	-
Collateral of SRL Rom-Product-Service	Real estate	456	-
Collateral of SRL Roza-Sor	Real estate	454	454
Gt Russ Alexei Grigorii	Real estate	80	-
I.I. Petcov Gheorghe	Real estate	605	-
Iasan Vasile Gt-Imobil	Real estate	293	293
II Cebanenco Alexei	Real estate	7	-
II Fulga	Real estate	959	-
II Profir Morari	Real estate	237	-
IM T. Schmidt Landbau	Real estate	1,500	-
Maiac-Agro C.A.P.	Real estate	1,017	-
Moldresurse IS	Real estate	66,452	-
Nectar SRL	Real estate	400	-
Patrimony repossessed by II Evghenia Babina	Real estate	37	-
Patrimony repossessed by Zighitorul Nord	Real estate	12,270	-
S.C.Funduk Co S.R.L.	Real estate	218	-
SA Minjir Agro-C1	Real estate	1,254	-
SA Minjir Agro-C2	Real estate	143	-
SRL (Pavel Godoroga) Construction (heating system) and land	Real estate	489	-
Oferta-Plus SRL	Real estate	254	-
SRL Cardena-Com	Real estate	315	-
SRL Davilant/ Anastasov Valeri	Real estate	1,921	-
SRL Feliseta	Real estate	3,300	3,300
SRL Iehan Petrol	Real estate	1,107	-
SRL Mavicom-Nord SC	Real estate	2,461	-
SRL Midela	Real estate	269	-
SRL Spilcuta Agro(C026)	Real estate	227	-
SRL Spilcuta Agro(C136)	Real estate	320	-
SRL Spilcuta Agro(C176)	Real estate	500	-
Valentgrup SRL	Real estate	220	-
IM Acorex Wine Holding SA	Real estate	-	45,500
SRL Serulung	Real estate	-	85

Banca de Economii SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

12. Other non-current assets (continued)

Party	Type of asset	31.12.2010 MDL'000	31.12.2009 MDL'000
SA Margaritar	Real estate	-	3,285
IM Ziatovin SRL	Real estate	-	2,483
Gagauz Petrol	Real estate	-	9,356
II Vartic	Real estate	-	5,375
Va ban Est	Real estate	-	7,469
CA CIFCI	Real estate	-	486
II Lisnica Ala	Real estate	-	218
Edinji Alianța	Real estate	-	249
Rom Product service	Real estate	-	456
Vectar SRL	Real estate	-	444
BTA-27 Glodeni	Real estate	-	141
Camoros Com SRL	Real estate	-	118
I I Mogorean	Real estate	-	381
Individuals	Real estate	1,529	579
		150,477	80,672

13. Other assets

	31.12.2010 MDL'000	31.12.2009 MDL'000
Receivables related to payment system Western Union, net	5,170	8,269
Intangible assets	37,727	28,009
Low value inventory and materials in stock	4,445	5,635
Receivables from budget	21	11
Prepaid expenses (1)	14,522	25,925
Amounts of uncertain nature	5,597	5,664
Other receivables (2)	515,978	603,854
Other assets (3)	59,668	17,228
	643,128	694,595
Less: Provision for impairment	(152,981)	(12,101)
	490,147	682,494

13. Other assets (continued)

(1) Prepaid expenses represent mostly the advances paid for the rent of premises (Columna str. 104/1, local offices 01/165 and 01/086) in the amount of MDL'000 11,984.

(2) In other receivables is included the receivable of BC "Investprivatbank in the process of liquidation" SA in the amount of MDL'000 507,883 which is to be reimbursed according to the agreement of intention concluded as at 30 June 2009 between the Bank and "Investprivatbank in the process of liquidation" SA. According to this agreement the Bank, at the request of the liquidator of "Investprivatbank in the process of liquidation" SA, has transferred the amount of MDL'000 589,898 during 2009 as payment for individuals deposits placed at "Investprivatbank in the process of liquidation" SA. In 2010 the Bank has cashed the amount of MDL'000 82,015 from the assets recoveries made by the liquidator of "Investprivatbank in the process of liquidation" SA, as payment for the debt due by "Investprivatbank in the process liquidation" SA. According to the decision of the National Bank's Board of Administration nr. 275 from 30 December 2010, the Bank has classified the receivable due by "Investprivatbank in the process liquidation" SA, in the "sub-standard" risk category and has recorded the provision for the possible losses in the amount of 30% of the receivable value of MDL'000 507,883 as at 31 December 2010. As a result, the net value of this receivable at 31 December 2010 is reflected at MDL'000 355,518.

(3) Other assets include the equipment taken into possession in the amount of MDL'000 9,000 from the Cojusna wine factory and the equipment, including securities, taken into possession in the amount of MDL'000 22,548 from state legal entity „Moldresurse”.

In accordance with the stipulations of the NBM Regulation on classification of assets and off-balance sheet commitments and the establishment of provisions for losses on assets and off-balance sheet commitments, the Bank calculated a provision for impairment loss on other assets and other off-balance sheet commitments in the amount of MDL'000 152,981.

The movement in provision for impairment loss on other assets during the years 2010 and 2009 are presented below:

	2010	2009
	MDL'000	MDL'000
Balance as at 1 January	12,101	370
Write-offs	(21)	(500)
Recoveries	-	4
Annual expenses	140,901	12,227
Balance as at 31 December	152,981	12,101

Banca de Economii SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

13. Other assets (continued)

Intangible assets

Intangible assets used by the bank consist software assuring the operation of the Bank's information system with the residual value of MDL'000 14,112, licenses entitling the Bank to use products from the domain of information technologies with the residual value of MDL'000 9,898, trademarks by which the Bank's image is identified with the residual value amounting to MDL'000 20 etc.

Movements in intangible assets during the year ended 31 December 2010 and 2009 are presented in the table below:

Cost	Intangible assets in		Total
	Intangible assets	progress	
	MDL'000	MDL'000	MDL'000
Balance as at 1 January 2010	31,769	6,938	38,707
Additions	7,353	13,056	20,409
Disposals	(17)	(6,365)	(6,382)
Balance as at 31 December 2010	39,105	13,629	52,734
Accumulated depreciation			
Balance as at 1 January 2010	10,698	-	10,698
Charge for the year	4,326	-	4,326
Disposals	(17)	-	(17)
Balance as at 31 December 2010	15,007	-	15,007
Net book value			
At 31 December 2010	24,098	13,629	37,727
At 31 December 2009	21,071	6,938	28,009

Cost	Intangible assets		Total
	Intangible assets	in progress	
	MDL'000	MDL'000	MDL'000
Balance as at 1 January 2009	21,398	3,239	24,637
Additions	10,389	14,052	24,441
Disposals	(18)	(10,353)	(10,371)
Balance as at 31 December 2009	31,769	6,938	38,707
Accumulated depreciation			
Balance as at 1 January 2009	8,027	-	8,027
Charge for the year	2,689	-	2,689
Disposals	(18)	-	(18)
Balance as at 31 December 2009	10,698	-	10,698
Net book value			
At 31 December 2009	21,071	6,938	28,009
At 31 December 2008	13,371	3,239	16,610

14. Interest bearing deposits

	31.12.2010	31.12.2009
	MDL'000	MDL'000
<i>Deposits of banks</i>		
Bank's Loro accounts	859	2,984
Short-term placements	75,000	-
Total deposits of banks	75,859	2,984
<i>Deposits of individuals</i>		
Current accounts	500,589	406,808
Term deposits	1,712,954	1,609,356
Total deposits of individuals	2,213,543	2,016,164
<i>Deposits of legal entities</i>		
Current accounts	1,043,897	690,677
Term deposits	105,649	154,770
Total deposits of legal entities	1,149,546	845,447
Total deposits	3,438,948	2,864,595

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

	31.12.2010		31.12.2009	
	MDL	FCY	MDL	FCY
	%	%	%	%
Corporate				
Demand deposits	0.00 - 8.00	0.00 - 3.00	0.00 - 25.00	0.00 - 7.00
Term deposits up to 3 months	0.00 - 3.00	-	-	-
Term deposits >3 months< 1 year	0.00 - 7.00	0.00 - 4.00	0.00 - 12.00	0.00 - 7.50
Term deposits over 1 year	0.00 - 13.00	0.00 - 9.00	0.00 - 13.00	3.50 - 9.00
	31.12.2010		31.12.2009	
	MDL	FCY	MDL	FCY
	%	%	%	%
Individuals				
Demand deposits	0.00 - 9.00	0.00 - 0.15	0.00 - 9.00	0.00 - 0.15
Term deposits up to 3 months	3.00 - 6.00	1.00 - 3.00	3.00 - 4.00	1.00 - 1.50
Term deposits >3 months< 1 year	4.50 - 12.00	3.00 - 5.50	4.50 - 13.50	3.50 - 5.00
Term deposits over 1 year	9.00 - 16.5	3.50 - 6.00	10.00 - 16.50	2.70 - 6.00

Banca de Economii SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

15. Other borrowings

	Interest rate, %	31.12.2010 MDL'000	31.12.2009 MDL'000
<i>Borrowings from other banks</i>			
NBM	0.01 - 7.5	606,937	1,075,489
		606,937	1,075,489
<i>Borrowings from other international financial institutions</i>			
Credit Directorate Line	3.7 - 7.54	-	11,073
Credit Directorate Line	5.96- 7.54	-	4,624
Credit Directorate Line	7.7 - 9.68	24,466	-
		24,466	15,697
<i>Issued securities</i>			
Bank's certificates		1	1
		1	1
		631,404	1,091,187

Creditor	Final Maturity	Original currency	Contract Amount in original currency ('000)	Interest rate %	Amount (MDL'000)
NBM, contr.nr.8 on 26.05.2009	26.05.2011	MDL	100,000	7.5	12,007
NBM, contr.nr.17 on 30.06.2009	30.06.2012	MDL	650,000	0.01	507,883
NBM, contr.nr.20 on 20.07.2009	20.07.2011	MDL	100,000	7.5	87,047
TOTAL	x	x	850,000	x	606,937

As at 30 June 2009 the Bank has signed a loan agreement nr. 17 with the National Bank of Moldova in the amount of MDL' 000 650,000 for a period of 3 years, having the maturity at 30 June 2012, payable in equal quarterly installments. The loan interest rate is established at 0.01% annually. The loan was granted for the purpose of ensuring the servicing of the liabilities to the individual depositors at "Investprivatbank in the process of liquidation" S.A.

The table below presents the loans from the Ministry of Finance received through the Credit Directorate Line (DLC) representative at the Ministry of Finance of the Republic of Moldova (resources World Bank, IFAD), International Fund for Agricultural Development IFAD (UCIP-IFAD) at the Ministry of Finance of the Republic of Moldova (resources IFAD).

15. Other borrowings (continued)

Creditor	Final maturity	Original currency	Contract Amount in original currency ('000)	Interest rate %	Amount (MDL'000)
DLC, AII nr. 19 on 30.03.2007	15.05.2014	MDL	1,250	9.3	972
DLC, AII nr. 48 on 01.08.2007	15.11.2022	MDL	1,200	9.3	1,200
DLC, AII nr.154/08 on 16.12.2008	15.11.2013	MDL	300	7.7	244
DLC, AII nr. 153/08 on 16.12.2008	15.11.2011	MDL	300	7.7	198
DLC, AII nr.160/08 on 16.12.2008	15.11.2013	MDL	300	7.7	244
DLC, AII nr. 24/09 on 10.03.2009	15.11.2013	MDL	299	7.7	250
DLC, AII nr. 6/09 on 21.04.2009	15.05.2016	MDL	700	9.3	700
DLC, AII nr. 4/09 on 10.04.2009	15.05.2016	MDL	1,000	9.3	1,000
DLC, AII nr. 23/09 on 02.07.2009	15.05.2016	MDL	115	9.3	115
DLC, AII nr. 80/09 on 18.05.2009	15.05.2014	MDL	300	7.7	253
DLC, AII nr. 86/09 on 19.05.2009	15.05.2014	MDL	295	7.7	253
DLC, AII nr. 129/10 on 16.11.2010	15.11.2015	MDL	300	7.7	300
DLC, AII nr. 53/09 on 29.12.2009	15.11.2012	MDL	981	9.3	654
DLC, AII nr. 23/10 on 17.06.2010	15.05.2015	MDL	1,100	9.3	1,100
TOTAL contr. FIDA-R7 on 30.01.2006	x	x	8,440	x	7,483
DLC, AII nr. 10/09 on 10.04.2009	15.01.2016	MDL	1,000	9.2	1,000
DLC, AII nr. 15/09 on 16.07.2009	15.07.2016	MDL	115	9.2	115
DLC, AII nr. 22/09 on 02.12.2009	15.01.2013	MDL	1,000	9.2	934
DLC, AII nr. 01/10 on 19.01.2010	15.01.2013	MDL	596	9.2	596
DLC, AII nr. 07/10 on 01.02.2010	15.01.2015	MDL	450	9.2	450
TOTAL contr. FIDA PRA R9 on 02.03.2009	x	x	3,161	x	3,095
DLC, AII nr. 17/09 on 16.07.2009	15.07.2016	MDL	1,670	9.08	1,670
DLC, AII nr. 23/09 on 12.12.2009	15.01.2017	MDL	200	9.08	186
TOTAL contr. FIDA PDAR R10 on 02.03.2009	x	x	1,870	x	1,856
DLC, obligation of payment nr.90/08r on 06.10.2008	01.10.2023	MDL	1,026	9.08	1,026
DLC, obligation of payment nr. 32/09r on 28.10.2009	01.10.2014	MDL	375	9.08	363
DLC, obligation of payment nr. 49/08 r on 30.12.2009	01.04.2013	MDL	269	9.08	247
DLC, obligation of payment nr. 23/10r on 01.04.2010	01.04.2014	MDL	2,000	9.08	2,000
TOTAL contr. 6R RISP 2 on 03.10.2008	x	x	3,670	x	3,636

15. Other borrowings (continued)

Creditor	Final maturity	Original currency	Contract Amount in original currency ('000)	Interest rate %	Amount (MDL'000)
DLC, obligation of payment nr. 21/09 on 09.06.2009	01.10.2015	MDL	1,679	9.05	1,679
DLC, obligation of payment nr. 10/10 on 01.04.2010	01.04.2014	MDL	2,000	9.05	2,000
TOTAL contr. RISP R8 on 25.11.2004	x	x	3,679	x	3,679
DLC, obligation of payment nr. 31/10A on 19.04.2010	01.10.2024	MDL	400	9.68	400
DLC, obligation of payment nr. 46/10A on 11.05.2010	01.10.2024	MDL	640	9.68	640
DLC, obligation of payment nr. 66/10A on 17.06.2010	01.10.2024	MDL	1,520	9.68	1,520
DLC, obligation of payment nr. 82/10A on 23.08.2010	01.10.2024	MDL	1,173	9.68	1,173
TOTAL contr. 6RISP2 dated at 15.07.2006	x	x	3,733	x	3,733
DLC, obligation of payment nr. 3/09 IRIG on 30.12.2009	01.04.2024	MDL	984	8.68	984
TOTAL contr. 1-R RISP II, (irrigation) dated at 19.07.2006	x	x	984	x	984
TOTAL	x	x	25,537	x	24,466

IFAD resources are destined for farms, manufacturing companies, processing, agricultural trade or rendering of agricultural services, which activate under any legal organization based on private property and engaged in economic activity in rural region. Interest on these loans is variable and is determined once every half a year.

16. Accrued interest payable

	31.12.2010 MDL'000	31.12.2009 MDL'000
Interest bearing deposits from banks	2,197	2,069
Interest bearing deposits from individuals	3,117	1,537
Interest bearing deposits from legal entities	1,071	649
Other borrowings	585	252
	6,970	4,507

17. Other liabilities

	31.12.2010	31.12.2009
	MDL'000	MDL'000
Payables to Moldova-Express system (1)	37,946	25,434
Payables to Moldova Express Plus system	5,194	3,556
Transit and accounts	10,740	10,447
Tax Payable	1,019	6,045
Provision	5,397	5,463
Other	3,286	3,931
	63,582	54,876

(1) Payables to Moldova - Express system include payables on payments effected by the National Office of Social Insurance, as at December 31, 2010 in amount of MDL'000 29,188 (as at December, 31,2009 – MDL'000 19,294).

18. Taxation

	2010	2009
	MDL'000	MDL'000
<i>Current income tax</i>		
Current income tax	-	5,023
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
Income tax expense for the year	-	5,023

The standard income tax rate in 2010 was 0%.

The reconciliation between income tax expense reflected in the financial statements and the amounts calculated at the standard tax rate of 0% (2009: 0%) is as follows:

	2010	2009
	MDL'000	MDL'000
Accounting profit before tax	6,573	28,771
At Moldovan statutory income tax rate of 0% (2009 – 0%)	-	-
Excess over the limit for charity expenses	-	5,023
Non-deductible expenses (at tax rate)	-	-
Non-taxable income (at tax rate)	-	-
Temporary differences	-	-
	-	5,023

19. Share capital

Share capital as at 31 December 2010 constituted of 23,406,764 ordinary authorized shares and 302,980 preferred shares, issued and in circulation with the nominal value per share of MDL 5 and MDL 1 respectively (31 December 2009: 5,851,691 ordinary authorized shares and 75,745 preferred shares).

The holders of ordinary shares are entitled to receive dividends as declared and have the right to one vote at the General Shareholders' Meeting.

Preferred shares provide to their holders additional rights, as compared to ordinary shares relating to the order of distribution of dividends declared and the value of dividends, as well as the receipt of Bank assets in the case of liquidation. Preferred shares do not offer voting rights to the holders.

All shares rank equally with regard to the Bank's residual assets, except for holders of preferred shares, which participate in proportion of the nominal value of shares.

Shareholders of the Bank with more than 5% shares:

Shareholder	31.12.2010		31.12.2009	
	Share MDL'000	Share %	Share %	Share MDL'000
Public Property Agency under the Ministry of Economy and Trade	65,862	56.13	16,466	56.13
Minerva SRL	11,700	9.97	2,925	9.97
Sisteme Informationale Integrate SRL	11,470	9.78	2,867	9.78
Intercontinent SRL	10,461	8.92	2,615	8.92
Zilena Com SRL	10,000	8.52	2,500	8.52
Others less than 5% ownership	7,844	6.68	1,961	6.68
Total	117,337	100.00	29,334	100.00

During 2010, the Bank increased its share capital by incorporating retained earnings of previous years.

20. Cash and cash equivalents

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

	Notes	31.12.2010	31.12.2009
		MDL'000	MDL'000
Cash on hand	4	336,219	360,205
Current accounts and deposits with banks	5	76,904	248,317
Overnight placements in other banks	7	344,071	260,469
Securities issued by NBM	8	140,000	430,000
		897,194	1,298,991

21. Impairment loss on interest bearing assets

	Notes	2010	2009
		MDL'000	MDL'000
Current accounts and deposits with banks	5	(536)	25
Securities	8	8	18
Loans	9	40,334	58,008
		39,806	58,051

22. Income on foreign exchange transactions

	2010	2009
	MDL'000	MDL'000
Income on foreign currency trading	98,371	96,074
Income (loss) on foreign currency reevaluation	(15,605)	2,145
	82,766	98,219

23. Commission income

	2010	2009
	MDL'000	MDL'000
Fast transfers	20,884	21,601
Commission on card operations	18,995	16,831
Settlements via Moldova-Express	10,806	9,439
SWIFT transfers, individuals	311	666
Commissions on customer accounts maintenance	23,894	18,758
Cash transactions	31,434	32,578
Commission on guarantees and letters of credit	3,209	1,919
Commission on sale/purchase securities	80	9
Commission on allowances	9,988	6,791
Commission on pensions distribution	5,741	5,250
Commission on salaries	1,046	903
Commissions on provided services	19,484	17,342
Other (1)	5,582	4,820
	151,454	136,907

(1) Other consists of the bank commissions for sale/purchase operations of foreign currency - MDL'000 1,304, commissions from operation with customs guarantees- MDL'000 166, commissions on processing of the transfers incoming from abroad - MDL'000 1,500, commissions on transfers executed by individuals from the current/deposit account to the current/deposit account in the amount of MDL'000 1,578, commissions charged for the collection of payments in favor of economic agents, institutions and organizations (except the budgetary and public ones) - MDL'000 525, etc.

24. Other income

	2010	2009
	MDL'000	MDL'000
Revenue from disposal of assets retained into possession and expensed	42	2
Income from rent	1,393	1,762
Income from fines and penalties received	5,173	1,804
Revenues from disposal of tangibles assets	45	-
Revenues from disposal of other assets	2	-
Other	2,147	2,451
	8,802	6,019

25. Repair and maintenance of fixed assets

	2010	2009
	MDL'000	MDL'000
Depreciation	26,022	21,646
Repairs and maintenance	3,607	3,319
Utilities	7,830	6,771
Rent	18,835	19,243
Security costs	4,747	4,546
Other	471	588
	61,512	56,113

26. Other non-interest expenses

	2010	2009
	MDL'000	MDL'000
Amortization of intangible assets	4,326	2,689
Other expenses with personnel	795	1,009
Stationery	3,324	3,323
Advertising	4,075	3,230
Other taxes and commissions (1)	11,445	4,380
Postage and telecommunication	6,911	6,722
Transportation	5,299	4,932
Contributions to Deposit Guarantee Fund	5,130	4,600
Card transaction expenses	6,919	5,964
Charity	5,203	35,877
Impairment loss and write-off of repossessed assets		
(2)	56,406	1,366
Other (3)	22,727	15,511
	132,560	89,603

(1) Other commissions and taxes include mainly commissions for maintenance of foreign currency accounts - MDL' 000 8,822 and commissions referring to bank transfers in the sum of MDL' 000 2,331 etc.

(2) Expenditures amounting to MDL' 000 56,406 constitute losses (write-offs) from the assets of IM ACOREX WINE HOLDING S.A. which have been taken over.

(3) Other includes losses from the assets taken over in the amount of MDL 000 9,039, expenditures related to the operations of withdrawal and cash depositing - MDL' 000 7,201, expenditures on sale of other assets - MDL' 000 1,309, expenditures related to the depreciation of small-value and short-term assets - MDL' 000 1,235, etc.

27. Guarantees and other financial commitments

The aggregate amounts of outstanding guarantees, commitments, and other off-balance sheet items as at 31 December 2010 and 2009 are:

	31.12.2010	31.12.2009
	MDL'000	MDL'000
Guarantees, including:	75,317	67,272
- performance guarantees	59,098	42,283
- bid bond guarantees	219	989
- customs duties guarantees	16,000	24,000
Commitments to granting/receiving loans	240,948	129,044
Letters of credit	9,341	10,223
	325,606	206,539

In the normal course of business, the Bank issues guarantees and letters of credit on behalf of its customers. The credit risk on guarantees is similar to that arising from granting of loans. In the event of a claim on the Bank as a result of a customer's default on a guarantee, these instruments also present a degree of liquidity risk to the Bank.

Guarantees were issued for "Moldconstruct Market" SRL in amount of MDL'000' 19,325, „AIR Moldova" IS in amount of MDL'000' 13,000, "Neaos" SRL in amount of MDL'000' 12,884, "Clasic SV" SRL in amount of MDL'000' 8,052, "Docmen-Declarant" in amount of MDL'000' 8,000, "Interbroker-Prim" SRL in amount of MDL'000' 8,000 and other.

In accordance with the stipulations of the NBM Regulation on classification of assets and off-balance sheet commitments and the establishment of provisions for losses on assets and off-balance sheet commitments, the Bank calculated a provision for losses on off-balance sheet commitments. On 31 December 2010 these provisions were in the amount of MDL '000 2,820.

The movement in provision for losses on off-balance sheet commitments during the years 2010 and 2009 are presented below:

	2010	2009
	MDL'000	MDL'000
Balance as at 1 January	2,286	2,428
Recoveries	-	-
Write-offs	-	-
Impairment loss / (income)	534	(142)
Balance as at 31 December	2,820	2,286

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

28. Capital commitments

There were no capital commitments as at 31 December 2010 and 31 December 2009.

29. Contingencies

On December 31, 2010 and December 31, 2009 the Bank was respondent in a range of legal processes initiated in its ordinary corporate activity.

The bank has not registered a provision for litigations, because it considers that there is no sufficient evidence regarding eventual losses related to them.

30. Related parties

Remuneration of the Executive Management

The executive management received in 2010 remuneration in the amount of MDL'000 7,659 (year 2009: MDL'000 9,532).

Related parties

During the year in its normal course of business, a number of banking and non-banking transactions were performed with related parties. These include granting of loans, deposit taking, trade finance, payment settlements, foreign currency transactions and acquisition of services and goods from related parties. Loans to employees were offered at market rates. Below are present the balances and the transactions with the related parties.

Banca de Economii SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

30. Related parties (continued)

Related party	Loans outstanding as at the year end, net		Provision for impairment loss on assets		Deposits at the year end		Income related to interest and commission		Expenses related to interest and commission		Non-interest income	
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Total	2010	1,178	28	8,041	178	317	7					
Total	2009	10,753	152	7,633	1,019	674	16					

The list of related parties with whom the Bank has carried out transactions during 2010 and who has the outstanding balances as at 31 December 2010, includes the following legal entities: Minerva SRL, Sisteme Informaționale Integrate SRL and individuals (at 31 December 2009 there were the following legal entities: Minerva SRL, Avicola Roso SA, LKV-Service SRL, Interbroker-Prim SRL and individuals).

30. Fair value

Fair value is the amount at which an asset could be exchanged or a debt paid in a transaction made between independent parties at a fair price.

In the table below is presented the comparison between the balance sheet value and the fair value of the Bank's financial assets and liabilities which are not reflected at the fair value at 31 December 2010:

	31.12.2010	31.12.2010
	Balance sheet value	Fair value
	MDL'000	MDL'000
Assets		
Loans and advances to customers	3,016,429	3,099,666
Investment securities	508,089	508,089
Placements with banks	76,904	76,904
Liabilities		
Deposit and current accounts	3,670,601	3,572,731
Deposits from banks	75,859	75,859

Placements with banks: these include inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. Fixed interest bearing deposits mature in less than three months and it is assumed that their fair value is not significantly different from their carrying value because these instruments have short maturity terms and are convertible into cash or are settled without significant transaction costs.

Loans and advances to customers: These are reflected less depreciation provision. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Investment securities: These include interest-bearing assets held until maturity. Available-for-sale financial assets include registered or unregistered equity instruments without a price quoted on the active market, and it is impossible to estimate the fair value through alternative methods.

Deposits from banks and customers: For demand deposits and deposits with no defined maturities, fair value is the amount payable on demand at the balance sheet date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. For deposits maturing within one year, it is assumed that their fair value is not significantly different from carrying value. The value of long-term relationships with depositors is not taken into account in estimating fair values.

31. Fair value (continued)

Interest rate used for updating the cash flow (average market rate for the assets according to the NBM statistics at 31 December 2010).

	%	%
	MDL	FX
Loans granted to clients		
Individuals	18.97	13.73
Legal entities	14.04	9.19
Deposits and current accounts		
Individuals	11.04	4.58
Legal entities	9.78	3.16

32. Average number of the Bank's personnel

The average number of Bank's personnel in 2010 was 2,266 (2009: 2,313).

33. Risk Management

The section provides details regarding the Bank's exposure to risk and describes the methods used by the management in order to control the risks.

The most important financial risk categories, to which the Bank is being exposed, are the following:

- credit risk
- liquidity risk
- currency risk
- interest rate risk

Operating environment in the Republic of Moldova

The Bank's operations are subject to country risk which consists of economic, political and special risks inherent in doing business in the Republic of Moldova. These risks include matters arising out of the policies of the government, economic conditions, introductions of, or changes to taxes and regulations, and the enforceability of contract rights. The accompanying financial statements reflect management's assessment of the impact of the Moldovan business environment on the operations and financial position of the Bank. The future business environment may differ from the current management's assessment. The impact of such differences on the operations and on the financial position of the Bank may be significant, and hard to forecast.

Market risk

All trading instruments are subject to market risk, the risk that future fluctuations of market terms could influence an instrument to be less valuable or onerous. Given that the instruments are recognized at fair value, respective changes directly affect reported revenues. The Bank manages the use of trading instruments as a response to changing conditions of the market. Market risk exposure is managed according to the risk limits set by the board, by buying or selling instruments or using the compensation measures.

33. Risk Management (continued)

Operational risk

Operational risk is the risk of direct or indirect loss or non-realization of estimated profit and arises due to a number of causes associated with the bank processes, staff, technologies and infrastructure, as well as to the external factors excepting credit, market and liquidity risk, i.e. factors generated by legal and normative provisions and general standards accepted by corporate ethics.

Credit risk

The Bank is exposed to credit risk through its investment and lending activity, as well as in cases where it acts as an intermediary on behalf of its clients or third parties, or when guarantees are issued.

Main exposure of the Bank relates to the loans granted. This exposure is represented by the balance value of Bank's assets which are reflected in the balance sheet. The Bank is exposed to the credit risk through other financial assets as well, including derivatives. Current exposure to the credit risk related to these instruments is equal to the current balance value of these assets reflected in the balance sheet. Additionally, the Bank is exposed to the off-balance sheet credit risk both through contingent commitments to grant loans and through issued guarantees.

The risk that the parties involved in transactions with derivatives and other financial instruments will not meet their contractual obligations is permanently monitored. In order to manage the credit risk, the Bank enters into transactions only with those parties who have proven satisfactory reliability and possess necessary collateral. As a part of managing the clients' loan portfolio according to the lending policy of the Bank approved annually by the Bank's Council, the Bank grants loans for which the repayment of the principal starts after a period of 6 to 12 months since the granting date, in some cases the principal repayments for loans are rescheduled, with an extension of maturities. Bank's management estimates that in the forthcoming period, including 2011, there will be a number of exposures for which the extension of initial loan maturities will be effected.

The major part of the credit risk concentrations is generated by the client type and position in relation to the investment, loans and guarantees granted by the Bank. Bank's lending activity takes place in the Republic of Moldova. Debtors capacity to repay their debts depends on a number of factors, including debtor financial solvency, and the country's economy as a whole. Loans portfolio consists of loans granted to appr. 6,796 legal entities and individuals (2009: 7,849).

Credit risk management is mitigated regularly by strict monitoring of credit limits, debtors solvency evaluation and compliance with the conservative politics of provisioning.

33. Risk Management (continued)

Credit risk (continued)

	Notes	31.12.2010 MDL'000	31.12.2009 MDL'000
ASSETS			
Current accounts and deposits with banks	5	76,904	248,317
Balances with National Bank of Moldova	6	282,736	166,298
Overnight placements	7	344,071	260,469
Securities held for trading and available for sale	8	461	4,117
Investments securities	8	409,626	1,050,085
Loans and advances to customers, gross	9	3,016,430	2,149,193
Accrued interest receivables	11	30,911	20,734
Other assets	13	544,285	619,393
		4,705,424	4,518,606
Letters of credit		9,341	10,223
Guarantees		75,317	67,272
Future credit commitments and other		171,193	129,056
		255,851	206,551
Maximum exposure to credit risk		4,961,275	4,725,157

Liquidity risk

Liquidity risk is inherent to overall financing of the Bank's activities and to the management of liquidity positions. It includes both the risk of being unable to fund its assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, other borrowings and share capital. The Bank strives to maintain a balance between continuity of funding and flexibility, through the use of liabilities with a range of maturities. The Bank continually assesses the liquidity risk by identifying and monitoring changes in required funding for the achievement of business goals and targets set in terms of the overall Bank strategy.

The method which will be used by the Bank for the decrease of the liquidity gap in 2011, is by attracting deposits from individuals. Deposits of individuals have a rate of grade over 50% monthly.

The gap analysis of the Bank's assets and liabilities based on their remaining maturities for 2010 and 2009 is presented below:

Banca de Economii SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

33. Risk Management (continued)

Liquidity risk (continued)

As at 31 December 2010

ASSETS	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Undefined maturity MDL'000
Cash on hand	336,219	336,219	-	-	-	-	-
Current accounts and deposits with banks, net	76,120	76,120	-	-	-	-	-
Balances with National Bank	282,736	282,736	-	-	-	-	-
Overnight placements	344,071	344,071	-	-	-	-	-
Securities held for trading and available for sales	461	-	-	461	-	-	-
Investment securities, net	507,482	219,449	133,508	136,510	9,632	8,383	-
Loans and advances to customers, net	2,795,758	69,997	135,962	629,155	1,752,441	113,016	95,187
Property and equipment	284,083	-	-	-	-	-	284,083
Accrued interest receivable	30,911	30,911	-	-	-	-	-
Other non-current assets	150,477	1,659	8,307	13,928	126,583	-	-
Other assets	490,147	27,863	19,681	58,592	341,620	-	42,391
Total assets:	5,298,465	1,389,025	297,458	838,646	2,230,276	121,399	421,661
LIABILITIES							
Due to banks	75,859	859	75,000	-	-	-	-
Due to customers	3,670,601	2,015,283	299,293	1,124,496	200,413	31,116	-
Other borrowings	631,404	615	79	101,563	523,276	5,870	1
Accrued interest payable	6,970	6,970	-	-	-	-	-
Other liabilities	63,582	63,582	-	-	-	-	-
Provision for losses on off-balance sheet commitments	2,820	205	261	777	1,577	-	-
Total liabilities	4,451,236	2,087,514	374,633	1,226,836	725,266	36,986	1
Maturity gap	847,229	(698,489)	(77,175)	(388,190)	1,505,010	84,413	421,660
Cumulative maturity gap		(698,489)	(775,664)	(1,163,854)	341,156	425,569	847,229

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Banca de Economii SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

33. Risk Management (continued)

Liquidity risk (continued)

As at 31 December 2009

ASSETS

	Total MDL '000	Less than 1 month MDL '000	From 1 month to 3 months MDL '000	From 3 months to 1 year MDL '000	From 1 to 5 years MDL '000	More than 5 years MDL '000	Undefined maturity MDL '000
Cash on hand	360,205	360,205	-	-	-	-	-
Current accounts and deposits with banks	246,997	246,997	-	-	-	-	-
Balances with National Bank	166,298	74,725	23,561	57,124	10,827	61	-
Overnight placements	260,469	260,469	-	-	-	-	-
Securities held for trading and available for sale	4,117	-	-	4,117	-	-	-
Investment securities	1,058,463	489,017	439,774	117,294	4,000	8,378	-
Loans and advances to customers, net	1,970,123	271,962	154,756	774,236	742,646	26,523	-
Property and equipment	272,270	-	-	-	-	-	272,270
Accrued interest receivable	20,734	20,734	-	-	-	-	-
Other non-current assets	80,672	3,455	464	28,770	47,983	-	-
Other assets, net	682,494	12,213	11,227	164,962	458,951	1,070	34,071
Total assets:	5,122,842	1,739,777	629,782	1,146,503	1,264,407	36,032	306,341

LIABILITIES

Due to banks	2,984	2,984	-	-	-	-	-
Due to customers	3,119,188	1,399,966	442,346	1,072,473	203,263	1,140	-
Other borrowings	1,091,187	-	300,000	186,690	599,656	4,841	-
Accrued interest payable	4,507	4,507	-	-	-	-	-
Other liabilities	54,876	49,853	5,023	-	-	-	-
Provision for losses on off-balance sheet commitments	2,286	200	166	735	1,185	-	-
Total liabilities	4,275,028	1,457,510	747,535	1,259,898	804,104	5,981	-

Maturity gap

Cumulative maturity gap	847,814	282,267	(117,753)	(113,395)	460,303	30,051	306,341
		282,267	164,514	51,119	511,422	541,473	847,814

33. Risk Management (continued)

Interest rate risk

The Bank is exposed to the interest rate risk mainly due to interest rate fluctuations, due to the fact that interest bearing assets and liabilities mature or change their value in terms of different interest rates. The activity of risk management has the purpose of net interest income optimization, provided that market traded interest rate levels are correlated with the business strategy of the Bank.

The Bank grants loans and accepts deposits at both fixed and variable rates. Loans at variable rates to clients as well as deposits from clients represent instruments for which the Bank has the right to unilaterally modify the rates as a consequence of possible changes on the market. The Bank notifies its clients 15 days in advance of the changes. The bank is sensitive to the increase or decrease of interest rates for financial instruments with variable interest rates.

The interest rate risk structure of the Bank's assets and liabilities as at 31 December 2010 and 2009 is as follows:

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

33. Risk Management (continued)

Interest rate risk (continued)

As at 31 December 2010

ASSETS

	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Non-interest bearing items MDL'000
Cash on hand	336,219	-	-	-	-	-	336,219
Current accounts and deposits with banks	76,120	68,452	-	-	-	-	7,668
Balances with National Bank of Moldova	282,736	282,736	-	-	-	-	-
Overnight placements	344,071	344,071	-	-	-	-	-
Securities held for trading and available for sale	461	-	-	461	-	-	-
Investment securities, net	507,482	219,449	133,508	136,510	9,632	-	8,383
Loans and advances to customers with variable interest rate, net	2,795,758	2,795,758	-	-	-	-	-
Property, and equipment	284,083	-	-	-	-	-	284,083
Accrued interest receivable	30,911	-	-	-	-	-	30,911
Other non-current assets	150,477	-	-	-	-	-	150,477
Other assets	490,147	-	-	-	-	-	490,147
Total assets	5,298,465	3,710,466	133,508	136,971	9,632	-	1,307,888

LIABILITIES

Deposits from banks	75,859	-	75,000	-	-	-	859
Due to customers, variable interest rate	3,665,070	3,357,558	-	-	-	-	307,512
Due to customers, fixed interest rate	5,531	5,531	-	-	-	-	-
Other borrowings	631,404	615	79	101,563	523,276	5,870	1
Accrued interest payable	6,970	-	-	-	-	-	6,970
Other payables	63,582	-	-	-	-	-	63,582
Provision for losses on off-balance sheet commitments	2,820	-	-	-	-	-	2,820
Total liabilities	4,451,236	3,363,704	75,079	101,563	523,276	5,870	381,744

Interest rate gap

Cumulative interest rate gap	847,229	346,762	58,429	35,408	(513,644)	(5,870)	926,144
		346,762	405,191	440,599	(73,045)	(78,915)	847,229

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Banca de Economii SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

33. Risk Management (continued)

Interest rate risk (continued)

As at 31 December 2009

ASSETS

	Total MDL'000	Less than 1 month MDL'000	From 1 month to 3 months MDL'000	From 3 months to 1 year MDL'000	From 1 to 5 years MDL'000	More than 5 years MDL'000	Non-interest bearing items MDL'000
Cash on hand	360,205	-	-	-	-	-	360,205
Current accounts and deposits with banks	246,997	243,160	-	-	-	-	3,837
Balances with National Bank of Moldova	166,298	166,298	-	-	-	-	-
Overnight placements	260,469	260,469	-	-	-	-	-
Securities held for trading and available for sale	4,117	-	-	4,117	-	-	-
Investment securities, net	1,058,463	489,017	439,774	117,294	4,000	-	8,378
Loans and advances to customers with variable interest rate, net	1,970,123	1,687,537	-	-	-	-	282,586
Property, plant and equipment	272,270	-	-	-	-	-	272,270
Accrued interest receivable	20,734	-	-	-	-	-	20,734
Other non-current asset	80,672	-	-	-	-	-	80,672
Other assets	682,494	-	-	147,475	442,423	-	92,596
Total assets	5,122,842	2,846,481	439,774	268,886	446,423	-	1,121,278

LIABILITIES

Deposits from banks	2,984	-	-	-	-	-	2,984
Due to customers, variable interest rate	3,117,032	2,859,455	-	-	-	-	257,577
Due to customers, fixed interest rate	2,156	2,041	115	-	-	-	-
Other borrowings	1,091,187	-	300,000	186,690	599,656	4,841	-
Accrued interest payable	4,507	-	-	-	-	-	4,507
Other payables	54,876	-	-	-	-	-	54,876
Provision for losses on off-balance sheet commitments	2,286	-	-	-	-	-	2,286
Total liabilities	4,275,028	2,861,496	300,115	186,690	599,656	4,841	322,230

Interest rate gap

Cumulative interest rate gap	847,814	(15,015)	139,659	82,196	(153,233)	(4,841)	799,048
		(15,015)	124,644	206,840	53,607	48,766	847,814

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33. Risk Management (continued)

Currency risk

The Bank is exposed to currency risk through transactions in foreign currencies against MDL.

There is also a risk that the net monetary liabilities in foreign currencies will take a higher value when translated into MDL as a result of currency movements.

The main foreign currencies in which the assets, liabilities and off-balance sheet items are denominated constitute Euro and US dollars. The Bank manages exchange rate exposure through assets-liabilities structure modification.

The open currency exposure represents a source of currency risk. In order to avoid the losses that could appear due to the unfavorable change of the exchange rates, the Bank uses a policy of maintaining a stable total exposure within certain limits.

The Bank evaluates the currency risk based on the ratio between the value of the open foreign exchange position and the value of total regulatory capital calculated at 1,04% - long position and 3,02% – short position for December 31, 2010 (1,12% - long position and 0,76%- short position for December 31, 2009).

The Bank's exposure to risk related to the foreign currency transactions activity generates profits and losses coming from the variations of the currency rate, which are reflected in the profit and loss statement. These exposures include Bank's balance and off-balance monetary assets and liabilities which are not denominated in the monetary unit used by the Bank.

The breakdown of the Bank's assets and liabilities at 31 December 2010 is presented in the table below:

33. Risk Management (continued)

Currency risk (continued)

31 December 2010

	Total MDL'000	MDL MDL'000	EUR MDL'000	USD MDL'000	Other MDL'000
ASSETS					
Cash on hand	336,219	217,885	77,454	31,159	9,721
Current accounts and deposits with banks	76,120	10	43,306	3,774	29,030
Balances with National Bank of Moldova	282,736	168,690	77,152	36,894	-
Overnight placements	344,071	150,000	177,149	16,922	-
Securities held for trading and available for sale	461	461	-	-	-
Investment securities	507,482	507,482	-	-	-
Loans and advances to customers, net	2,795,758	1,806,411	671,572	317,775	-
Property, plant and equipment	284,083	284,083	-	-	-
Accrued interest receivable	30,911	29,085	1,621	205	-
Other non-current assets	150,477	150,477	-	-	-
Other assets, net	490,147	458,042	18,213	13,887	5
Total assets	5,298,465	3,772,626	1,066,467	420,616	38,756
LIABILITIES					
<i>Non-interest bearing deposits</i>					
Deposits of banks	-	-	-	-	-
Deposits of individuals	249,343	78,661	135,479	35,203	-
Deposits of legal entities	58,169	41,250	5,934	10,389	596
	307,512	119,911	141,413	45,592	596
<i>Interest bearing deposits</i>					
Due to Banks	75,859	75,012	-	847	-
Deposits of individuals	2,213,543	1,376,106	644,671	192,766	-
Deposits of legal entities	1,149,546	588,685	313,540	218,129	29,192
	3,438,948	2,039,803	958,211	411,742	29,192
Other borrowings	631,404	631,404	-	-	-
Accrued interest payable	6,970	6,093	576	263	38
Other liabilities	63,582	46,983	6,694	8,625	1,280
Provision for impairment loss on off-balance sheet commitments	2,820	651	2,033	136	-
Total liabilities	4,451,236	2,844,845	1,108,927	466,358	31,106
GAP	847,229	927,781	(42,460)	(45,742)	7,650

33. Risk Management (continued)

Currency risk (continued)

31 December 2009

	Total	MDL	EUR	USD	Other
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS					
Cash on hand	360,205	209,488	106,792	34,680	9,245
Current accounts and deposits with banks	246,997	3	233,926	2,988	10,080
Balances with National Bank of Moldova	166,298	57,180	71,223	37,895	-
Overnight placements	260,469	120,000	-	140,469	-
Securities held for trading and available for sale	4,117	4,117	-	-	-
Investment securities	1,058,463	1,058,463	-	-	-
Loans and advances to customers, net	1,970,123	1,377,215	400,245	192,663	-
Property, and equipment	272,270	272,270	-	-	-
Accrued interest receivable	20,734	20,480	164	90	-
Other non-current asset	80,672	80,672	-	-	-
Other assets, net	682,494	659,960	1,314	21,205	15
Total assets	5,122,842	3,859,848	813,664	429,990	19,340
LIABILITIES					
<i>Non-interest bearing deposits</i>					
Deposits of banks	-	-	-	-	-
Deposits of individuals	219,732	83,039	111,367	25,326	-
Deposits of legal entities	37,845	32,972	1,231	1,648	1,994
	257,577	116,011	112,598	26,974	1,994
<i>Interest bearing deposits</i>					
Deposits of banks	2,984	12	-	2,972	-
Deposits of individuals	2,016,164	1,208,159	619,535	188,470	-
Deposits of legal entities	845,447	504,017	112,022	218,831	10,577
	2,864,595	1,712,188	731,557	410,273	10,577
Other borrowings	1,091,187	1,091,187	-	-	-
Accrued interest payable	4,507	3,721	473	268	45
Other liabilities	54,876	37,303	7,472	8,907	1,194
Provision for impairment loss on off-balance sheet commitments	2,286	913	1,256	117	-
Total liabilities	4,275,028	2,961,323	853,356	446,539	13,810
GAP	847,814	898,525	(39,692)	(16,549)	5,530

33. Risk Management (continued)

Currency risk (continued)

The Bank performed a sensitivity analysis of currency risk exposure at 31 December 2010, marking how the profit and loss report and equity could have been affected as a result of possible changes caused by foreign currency risk.

The table below shows the currencies for which the Bank has significant exposure to currency risk as at 31 December 2009 for the balance sheet items. The analysis demonstrates the effects of 10% changes in currency rates against Moldovan Lei with all other variables held constant on the Bank's profit before tax. Negative amounts indicate possible net losses in profit and loss reports and equity and positive amounts indicate possible net gains.

OCP	Possible rate increase, in	Income/(loss) effect	Possible rate decrease, in	Income/(loss) effect
As at 31 December 2010	x	(2 431)	x	2 431
EUR	10%	14	-10%	(14)
USD	10%	(2 445)	-10%	2 445

34. Concentration of assets, liabilities and off-balance sheet items

Below is presented an analysis of Bank's assets, liabilities and off-balance sheet items grouped by geographical regions as at 31 December 2010:

As at 31 December 2010	Moldova	EU	Russia	USA	Other countries	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS						
Cash on hand	336,219	-	-	-	-	336,219
Current accounts and deposits with banks	1,139	69,577	3,549	1,223	632	76,120
Balances with National Bank of Moldova	282,736	-	-	-	-	282,736
Overnight placements	150,000	177,149	-	16,922	-	344,071
Securities held for trading	461	-	-	-	-	461
Investment securities	507,482	-	-	-	-	507,482
Loans and advances to customers, net	2,793,512	2,246	-	-	-	2,795,758
Property, plant and equipment	284,083	-	-	-	-	284,083
Accrued interest receivable	30,911	-	-	-	-	30,911
Other non-current assets	149,722	126	-	-	629	150,477
Other assets, net	467,059	12,884	5,083	5,121	-	490,147
Total assets	5,003,324	261,982	8,632	23,266	1,261	5,298,465
LIABILITIES						
Non-interest bearing deposits	307,512	-	-	-	-	307,512
Interest bearing deposits	3,435,206	1,387	214	-	2,141	3,438,948
Accrued interest payable	6,970	-	-	-	-	6,970
Other borrowings	631,404	-	-	-	-	631,404
Other liabilities	57,413	-	4,866	377	926	63,582
Provision for impairment loss on off-balance sheet commitments	2,820	-	-	-	-	2,820
Total liabilities	4,441,325	1,387	5,080	377	3,067	4,451,236
Commitments to lend and to borrow, issued guarantees	316,266	-	-	-	-	316,266

34. Concentration of assets, liabilities and off-balance sheet items (continued)

Below is presented an analysis of Bank's assets, liabilities and off-balance sheet items grouped by geographical regions as at 31 December 2009:

As at 31 December 2009	Moldova	EU	Russia	USA	Other countries	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS						
Cash on hand	360,205	-	-	-	-	360,205
Current accounts and deposits with banks	243	241,420	3,053	1,239	1,042	246,997
Balances with National Bank of Moldova	166,298	-	-	-	-	166,298
Overnight placements	120,000	-	-	140,469	-	260,469
Securities held for trading	4,117	-	-	-	-	4,117
Investment securities	1,058,463	-	-	-	-	1,058,463
Loans and advances to customers, net	1,967,850	2,273	-	-	-	1,970,123
Property, plant and equipment	272,270	-	-	-	-	272,270
Accrued interest receivable	20,734	-	-	-	-	20,734
Other non-current assets	80,672	-	-	-	-	80,672
Other assets	667,128	-	7,752	7,614	-	682,494
Total assets	4,717,980	243,693	10,805	149,322	1,042	5,122,842
LIABILITIES						
Non-interest bearing deposits	257,577	-	-	-	-	257,577
Interest bearing deposits	2,861,952	1,011	-	-	1,632	2,864,595
Accrued interest payable	1,091,187	-	-	-	-	1,091,187
Other borrowings	4,507	-	-	-	-	4,507
Other liabilities	49,959	388	4,293	-	236	54,876
Provision for impairment loss on off-balance sheet commitments	2,286	-	-	-	-	2,286
Total liabilities	4,267,468	1,399	4,293	-	1,868	4,275,028
Commitments to lend and to borrow, issued guarantees	196,317	-	-	-	-	196,317

34. Concentration of assets, liabilities and off-balance sheet items

Below is presented an analysis of Bank's assets, liabilities and off-balance sheet items grouped by the industries of the national economy as at 31 December 2010:

National economy branch	Loans and funds MDL'000	Deposits MDL'000	Financing commitments MDL'000	Guarantees and Letters of Credit MDL'000
Insurance and advertising	4,000	3,792	-	-
Automotive industry and services	294,028	8,768	240	-
Manufacturing industry	278,284	5,737	166	-
Construction industry	444,572	3,284	10,714	19,370
Winery	196,783	4,379	40	-
Food trade	182,659	-	6,112	-
Trade	503,878	783	25,062	36,202
Fuel industry	378,560	83,004	6,119	-
Services	22,094	11,377	23	29,000
Education	-	3,903	-	-
Medicine	101	200,428	-	-
Entertainment	3,440	-	122,663	-
Other	580,953	882,259	34	86
Individuals	127,078	2,462,887	-	-
Banks	273,207	75,859	-	-
Total	3,289,637	3,746,460	171,173	84,658

34. Concentration of assets, liabilities and off-balance sheet items (continued)

Below is presented an analysis of Bank's assets, liabilities and off-balance sheet items grouped by the industries of the national economy as at 31 December 2009:

National economy branch	Loans and funds MDL'000	Deposits MDL'000	Financing commitments MDL'000	Guarantees and Letters of Credit MDL'000
Insurance and advertising	-	587	-	-
Automotive industry and services	131,113	4,742	3,280	-
Manufacturing industry	262,737	3,621	3,210	13
Construction industry	281,357	2,911	31,747	17,573
Winery	147,342	4,663	35	-
Food trade	77,131	-	7,938	19
Trade	432,959	1,684	31,391	22,454
Fuel industry	258,430	26,314	6,639	-
Services	2,420	22,412	-	37,005
Education	-	8,939	-	-
Medicine	386	222,339	-	-
Entertainment	310	-	-	-
Other	337,298	585,080	44,503	431
Individuals	217,709	2,235,896	301	-
Banks	391,056	2,984	-	-
Total	2,540,248	3,122,172	129,044	77,495

35. Subsequent events

Since 1 January 2011, the Bank has applied the Regulation on assets and contingent commitments classification approved by the National Bank of Moldova. According to this regulation the Bank has re-classified a number of loans into a lower category than the one presented at 31 December 2010.

At 31 December 2010 the installment due to be paid in amount of MDL'000 65,460 related to the loan agreement nr.17 concluded with the National Bank of Moldova was not paid by the Bank. As at 03 January 2011, the past due amount of MDL'000 65,460 was withdrawn by NBM from the Bank account.

At 21 March 2011 Natianl Bank of Molova's Board of Administration has decided to extend for another 3.5 years the maturity of the loan to protect for the integrity of the banking system. The outstanding balance of the above mentioned loan at the extension date was MDL'000 442,424, the final maturity date being set for 30 December 2015. The loan is to be reimbursed in equal quarterly installments.