NATIONAL BANK OF MOLDOVA

FINANCIAL STATEMENTS

Prepared in Accordance with International Financial Reporting Standards

for the year ended 31 December 2008

Translated in English – for information purposes

CONTENTS:

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INDEPENDENT AUDITORS' REPORT

To the National Bank of Moldova

We have audited the accompanying financial statements of the National Bank of Moldova ("the Bank"), which comprise the balance sheet as at 31 December 2008 and the income statement, statement of changes in capital and reserves and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the National Bank of Moldova as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

20 March 2009

Ernst & Young

Ernst & Young SRL
Chisinau, Republic of Moldova

NATIONAL BANK OF MOLDOVA
BALANCE SHEET
As at 31 December 2008

	Notes	2008 MDL'000	2007 MDL'000
ASSETS			
Cash and short term placements with banks	5	10,545,899	11,038,139
Due from International Financial Institutions	6	1,975,126	2,202,960
Due from the Moldovan Government	7	-	1,972,560
Securities issued by the Moldovan Government	8	2,304,220	408,537
Loans granted to banks and individuals	9	32,059	38,839
Investment securities	10	6,845,824	4,056,392
Tangible assets	11	22,599	26,574
Intangible assets	11	8,881	12,963
Other assets	12	3,293	7,325
TOTAL ASSETS		**21,737,901**	**19,764,289**
LIABILITIES, CAPITAL AND RESERVES			
Liabilities			
National currency issued into circulation	13	8,732,080	7,603,347
Due to the Moldovan Government	14	2,789,251	2,506,809
Due to banks	15	6,048,623	4,054,556
Certificates issued by the National Bank of Moldova	16	1,061,580	812,928
Due to International Financial Institutions	6	3,711,103	4,014,172
Other liabilities	17	64,126	144,044
Total liabilities		**22,406,763**	**19,135,856**
Capital and reserves			
Authorized capital	18	288,923	288,923
General Reserve fund	18	(1,110,927)	320,277
Total statutory capital		**(822,004)**	**609,200**
Reserve of unrealized gains on revaluation of investment securities	18	147,060	17,643
Other reserves	18	6,082	1,590
Total capital and reserves		**(668,862)**	**628,433**
TOTAL LIABILITIES, CAPITAL AND RESERVES		**21,737,901**	**19,764,289**

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

The financial statements were authorized for issue on 20 March 2009:

L. Talmaci

Leonid Talmaci
Governor

Natalia Zabolotnîi
Director of the Budget, Finance and Accounting Department
Chief Accountant

	Notes	2008 MDL '000	2007 MDL '000
Interest income from deposits and current accounts	20	442,086	372,827
Interest income from securities	20	520,355	228,028
Interest income from loans	20	37,970	244,835
		1,000,411	845,690
Interest expenses arising from loans received	21	(13,618)	(24,805)
Interest expenses arising from deposits and obligatory reserves	21	(182,561)	(98,918)
Interest expenses arising from transactions with securities and Repo agreements	21	(210,772)	(198,406)
		(406,951)	(322,129)
Net Interest Income		**593,460**	**523,561**
Gains/(losses) from foreign exchange transactions and foreign exchange rates differences	22	(1,971,088)	(880,913)
Gains/(losses) from the revaluation of securities	23	126,499	24,504
Release from loan loss provision		(2)	46
Other income	24	42,732	24,234
Operating expenses	25	(94,035)	(65,103)
Operating Gains/(Losses)		**(1,895,894)**	**(897,232)**
NET LOSSES FOR THE YEAR	19	**(1,302,434)**	**(373,671)**
Release of realized gains from fixed assets revaluation		647	647
Allocation of unrealized gains on revaluation of investment securities		(129,417)	(17,643)
Release of unrealized losses on exchange rate differences from foreign currency stocks revaluation		-	133,099
TOTAL LOSSES		**(1,431,204)**	**(257,568)**
Differences from revaluation of investment securities issued by the Government of Republic of Moldova		5,139	2,127
COMPREHENSIVE RESULT	19	**(1,426,065)**	**(255,441)**

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

The financial statements were authorized for issue on 20 March 2009:

L. Talmaci

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	Notes	2008	2007
		MDL '000	**MDL '000**
Cash flow from operating activities			
Interest receipts		1,066,228	835,936
Interest payments		(417,076)	(328,692)
Gains from foreign exchange transactions		126,499	24,504
Other receipts		42,717	24,223
Staff and suppliers costs paid		(75,003)	(55,063)
Cash flow before changes in assets and liabilities		**743,365**	**500,908**
(Increase) /Decrease in operating assets			
Decrease/(increase) in amounts due from International Financial Institutions		(853)	209
Increase in investment securities		(3,437,759)	(394,851)
(Increase)/decrease in value of the securities issued by the Moldovan Government		(2,365,309)	-
Decrease in amounts due from Moldovan Government		1,932,242	160,000
Decrease in loans granted to banks and individuals		6,778	7,193
		(3,864,901)	**(227,449)**
Increase / (Decrease) in operating liabilities			
Increase in the national currency issued into circulation		1,128,734	1,786,156
Increase in due to Government		281,512	1,635,613
Increase / (decrease) in due to banks		2,243,527	2,300,955
(Decrease) / increase in certificates issued by the National Bank of Moldova		250,973	(130,160)
Increase in due to International Financial Institutions		110,097	133,137
Increase/(decrease) in other liabilities		(80,674)	121,766
		3,934,169	**5,847,467**
Net cash from operating activities		**812,633**	**6,120,926**
Tangible and intangible fixed assets acquisitions		(2,129)	(4,406)
Net cash flow from investing activities		**(2,129)**	**(4,406)**
Payments to the State		-	(313,498)
Net cash flow from financing activities		**-**	**(313,498)**
Revaluation differences		(1,711,281)	(742,171)
Increase in cash and cash equivalents		**(900,777)**	**5,060,851**
Cash and Cash equivalents at 1 January		**11,446,676**	**6,385,825**
Cash and Cash equivalents at 31 December		**10,545,899**	**11,446,676**

		2008	2007
Analysis of Cash and Cash equivalents			
Cash on hand in foreign currency	**5**	1,418	1,362
Nostro accounts in foreign currency	**5**	602,296	678,630
Term deposits in foreign currency	**5**	9,942,185	10,358,147
Securities issued by the Moldovan Government	**8**	-	408,537
Cash and Cash equivalents, gross		**10,545,899**	**11,446,676**

	Authorized capital	General reserve fund	Reserve of unrealized foreign exchange gains from foreign currency stocks revaluation	Reserve of unrealized gains on revaluation of investment securities	Other reserves	Total losses	Total Capital and Reserves
	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000
Balance as at 1 January 2007	**288,923**	**577,845**	**133,099**	**-**	**110**	**-**	**999,977**
Comprehensive result	-	-	-	-	2,127	(257,568)	(255,441)
Transfer of surplus from indexation reserve of fixed assets	-	-	-	-	(647)	-	(647)
Release of unrealized gains on exchange rate differences from foreign currency stocks revaluation	-	-	(133,099)	-	-	-	(133,099)
Allocation of unrealized gains from revaluation of investment securities	-	-	-	17,643	-	-	17,643
Release of general reserve fund	-	(257,568)	-	-	-	257,568	-
Balance as at 31 December 2007	**288,923**	**320,277**	**-**	**17,643**	**1,590**	**-**	**628,433**
Balance as at 1 January 2008	**288,923**	**320,277**	**-**	**17,643**	**1,590**	**-**	**628,433**
Comprehensive result	-	-	-	-	5,139	(1,431,204)	(1,426,065)
Transfer of surplus from indexation reserve of fixed assets	-	-	-	-	(647)	-	(647)
Release of unrealized gains on exchange rate differences from foreign currency stocks revaluation	-	-	-	-	-	-	-
Allocation of unrealized gains from revaluation of investment securities	-	-	-	129,417	-	-	129,417
Release of general reserve fund	-	(320,277)	-	-	-	320,277	-
Registration of debtor balance of general reserve fund	-	(1,110,927)	-	-	-	1,110,927	-
Balance as at 31 December 2008	**288,923**	**(1,110,927)**	**-**	**147,060**	**6,082**	**-**	**(668,862)**

1. General information

The National Bank of Moldova (the Bank or NBM) was established in 1991. The activity of the Bank is regulated by the *Law no.548-XIII* on the National Bank of Moldova approved by the Parliament of RM on 21 July 1995. In accordance with the Law on the National Bank of Moldova, it is an autonomous public legal entity that is responsible to the Parliament. The primary objective of the National Bank is to achieve and maintain price stability. The Bank in consultation with the economical and financial bodies of the Government formulates and implements the monetary and foreign exchange policy. The activities of the Bank are as follows:

- to formulate and to promote the state monetary and foreign exchange policy;
- to act as banker and fiscal agent of the State;
- to conduct economic and monetary analysis and submit proposals to the Government on the basis of such analysis, and publish the results of such analysis;
- to license, supervise and regulate the activity of financial institutions;
- to provide credit facilities to banks;
- to supervise the system of payments of the Republic and to facilitate efficient functioning of inter-bank system of payments;
- to act as the sole issuer of domestic currency in the Republic;
- to establish the exchange rate regime of the national currency in consultation with the Government;
- to hold and manage foreign exchange reserves of the State;
- to undertake, in the name of the Republic, responsibilities and perform transactions resulting from the participation of the Republic of Moldova in the activity of international public institutions in the banking, credit and monetary spheres pursuant to conditions of international agreements;
- to settle the balance of payments of the State; and
- to perform foreign exchange regulation in the territory of the Republic of Moldova.

As at 31 December 2008 the number of positions available at the Bank, including vacancies, was 460, out of which the number of employees was 452 persons (31 December 2007 the number of positions available at the Bank was 461, out of which the number of employees was 445 persons).

The inflation rate for the year 2008 was 7.30 % (2007: 13.10%).

The registered office of the Bank is located at Renasterii Avenue 7, Chisinau, Republic of Moldova.

2. Basis of preparation

Financial statements of the NBM are prepared in conformity with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), and International Accounting Standards and Standing Interpretation Committee and interpretations approved by the International Accounting Standards Committee (IASC) that remain in effect.

The financial statements are presented in Moldovan lei ("MDL"), the currency of the country in which the Bank operates. The Bank maintains its books and records in accordance with the International Financial Reporting Standards and the *Law on the National Bank* and prepares its financial statements in accordance with them. The financial statements have been prepared on a historic cost basis, except for financial assets held at fair value through profit and loss and financial assets available for sale that have been measured at fair value.
NBM is the Central Bank of Moldova. Due to this fact, the categories of financial assets shown on the face of the Balance Sheet were presented using other names than the categories indicated by IAS 39. This presentation provides a better understanding of the financial assets and liabilities of the Bank. At the same time, each position of financial assets and liabilities in the balance sheet correspond to a certain category classified in accordance with IAS 39, these being presented in the Note 3.

3. Significant accounting policies

a. Revaluation of foreign exchange stocks and transactions

Foreign currency transactions are recorded at the exchange rate on the date of the transaction and are revalued daily using official foreign exchange rate. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate. The exchange rates of the reference currencies for the year 2008 were as follows:

	2008		2007	
	Average for the period	**Year end**	**Average for the period**	**Year end**
USD/MDL	10.3895	10.4002	12.1362	11.3192
EUR/MDL	15.2916	14.7408	16.5986	16.6437
GBP/MDL	19.2929	15.0760	24.2728	22.6361
CHF/MDL	9.6243	9.8552	10.1068	10.0281
XDR/MDL	16.4315	16.0975	18.5624	17.8671

Exchange rate differences arising on the settlement of transactions at exchange rates different from those at initial recognition are recognized in the income statement.

b. Comparative figures

In cases when the financial statements presentation has changed for some items, the comparatives have been amended to reflect the changes in presentation.

The Bank early adopted the IAS 1 “Presentation of Financial Statements”, revised in 2007 and effective for financial years beginning on or after 1 January 2009. The main amendment to IAS 1 requires the replacement of the Income Statement with a Statement of Comprehensive Income, which will include changes in equity, such as the revaluation of available for sale financial assets.

The adoption of this standard implies a new format of presentation of the Income Statement and the Statement of Changes in Equity which were applied in current Financial Statements.

c. Significant accounting judgments and estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions in determining 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 most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input of these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The judgments include considerations of liquidity and model inputs accepted by the Management of NBM.

Impairment losses on loans and receivables

The Bank reviews its loans and advances at each reporting date or when it is considered necessary in order to assess whether an allowance for impairment should be recorded in the income statement.

3. Significant accounting policies (continued)

d. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand in foreign currency, current accounts and short-term placements at other banks, securities issued by the Moldovan Government with less than 3 months maturity from the date of acquisition.

In the Balance Sheet cash and short term placements with banks are presented on net basis (cash on hand in local currency is offset with the National currency issued into circulation).

e. Due from International Financial Institutions

The amounts recorded in the balance sheet as “Due from International Financial Institutions” represent mainly the quota of the Republic of Moldova in the International Monetary Fund (“IMF”). This amount is established in Special Drawing Rights (“XDR”) but it is presented in MDL.

f. Financial assets

The Bank classifies its financial assets into the following categories: financial assets at fair value through profit and loss account, loans originated by the Bank; held-to-maturity investments; and available-for-sale financial assets.

Financial assets at fair value through profit and loss account

Financial assets at fair value through profit and loss account represent securities, which were either acquired for generating a profit from short term fluctuations in price, or are securities included in a portfolio in which a pattern of short term profit taking exists. After initial recognition at fair value, these securities are remeasured at fair value based on quoted bid prices. Interest income on securities is included in interest income.

This category of financial assets includes securities issued by non-residents with coupon or discount and purchased from the foreign markets which are presented in the balance sheet under category “Investment securities”.

Loans and receivables

Loans and receivables represent financial instruments where money is provided directly to the borrower and are recognized when the cash is advanced to borrowers. They are initially recorded at cost, which is the fair value of the cash disbursed, and are subsequently measured at amortized cost.

Loans granted to banks and individuals are stated at amortized cost, less impaired amounts and any provisions for impairment.

The Bank includes in this category balances due from IFIs, loans reconcluded with Government, loans granted to licensed banks and employees.

Held to maturity investments (HTM)

HTM investments are non-derivative financial assets with fixed or determinable payments and have fixed maturities that the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

The Bank does not currently classify any items in this category.

3. Significant accounting policies (continued)

f. Financial assets (continued)

Available for sale financial assets

All the financial assets, which are not classified at fair value through profit and loss account or as held to maturity, are included in available for sale securities.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognized at settlement date. Available for sale assets are recognized initially at fair value (including transaction costs). Subsequent to initial recognition, they are remeasured at their fair value which is based on quoted bid prices or amounts derived from cash flow models and ratios which reflect the specific circumstances of the issuer.

Unrealized gains and losses related to this category of financial assets are recognized directly in equity in “Other reserves”. When the securities available for sale are disposed of, the cumulative gain or loss previously recognized in equity is recognized in the income statement.

Interest calculated using the effective interest method is recognized in profit or loss.

The Bank includes in this category Securities issued by the Moldovan Government that are included in the line “Securities issued by the Moldovan Government” in the balance sheet.

g. Fair value of financial instruments

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

The loans and receivables of the Bank are reported at amortized cost less an estimate for impairment. which approximates their fair value.

The securities of non-residents are classified as “financial assets at fair value through profit or loss account”, the gain or loss from their revaluation to market value is reported in the income statement.

The estimated fair values of financial instruments available for sale have been determined by the Bank using available market information and appropriate valuation methodologies, such as discounted cash flows techniques.

State securities are classified as “available for sale” and are reported at fair value.

Where discounted cash flows techniques are used, estimated future cash flows are based on management’s best estimates and the discount rate is a market related rate at the balance sheet date with similar terms and conditions. However, professional judgment is required to interpret market data to determine the estimated fair value.

The fair value of the state securities held in the portfolio (for maturity which were not performed on the secondary market recently) is estimated by obtaining the new interest rates (on current market) at the reporting date per each maturity of state securities retained in the NBM portfolio from the curve of the current interest rates. The curve is constructed for the appropriate day based on the recent results of the auctions for state securities on the primary market as well as on the secondary market for the last 5 working days.

3. Significant accounting policies (continued)

h. Provisions for impairment of the loans and other assets

The loan loss provision is created in case if there are objective evidences (financial situation of the bank, reimbursement of principal, current debt service, renegotiation or prolongation of the payment terms of principal and interest) that the Bank will not be able to collect all amounts due (principal and interest).

The amount of the impairment loss is the difference between the carrying value and estimated recoverable value, calculated as updated value of cash flows estimated for recovery including the amounts recoverable from collaterals, updated based on initial interest of the instrument. The loan loss provision is decreased or increased in case if the provision calculated at the reporting date is respectively less or greater than previously established provision.

Provision for impairment of the loans is used to cover the non-performing loans, in cases of bankruptcy of the licensed bank and/or the insufficiency of own funds to settle the debt to the NBM. These loans are written off against provisions established previously.

Recoveries of loans written off in earlier periods are included in income.

In order to cover the potential objective risks and losses, a provision for doubtful debts is created. The provision represents expenses, which occur at the moment of its creation or increase, and, respectively, is reflected as an income at the moment of its cancellation or decrease. The provisions for bad debts are not used to cover the losses resulted from the bad debts written off as unrecoverable debts. The doubtful receivable is considered unrecoverable in cases when there is confirmation from the appropriate authorities that the receivable lost its value and can not be recovered. The write off of bad debts is recorded as expense, and the created provision is release to income.

i. Sale and repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (Repos) continue to be recognized in the balance sheet as securities and are measured in accordance with respective accounting policies. The liability for amounts received under these agreements is included in due to Moldovan Government. The difference between sale and repurchase price is treated as interest expense using the effective yield method.

The Bank has not entered in such transactions during the current reporting period.

j. Tangible assets

Tangible assets are stated at cost less accumulated depreciation.

In 1996 the Bank performed indexation of the items of property and equipment that were acquired prior to 1 January 1996 by applying the set of indices elaborated by the Moldovan Government. These indices were applied to the net book value of assets in order to reflect changes in prices. The indices varied according to asset type and acquisition date.

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

3. Significant accounting policies (continued)

j. Tangible assets (continued)

Depreciation of fixed assets is computed on a straight-line basis using the following rates specified for each depreciable asset to decrease the cost of each asset to their residual values over their estimated useful life:

	rate per annum
Buildings	5%
Motor vehicles – heavy vehicles	10%
Wooden buildings	20%
Motor vehicles – cars, buses	20%
Special equipment	20%
General and administration equipment	20%
Other equipment	30%

k. Intangible assets

Intangibles represent costs incurred for acquisition of computer software, amortized using the straight-line method over their estimated useful lives, by applying an annual amortization rate determined based on the estimated useful live of each asset . The useful life of the asset is determined when it is put into use, on the basis of the period that the asset is estimated to be used or the duration of the license. As at 31 December 2007 the estimated useful life of intangible assets varied between 1 and 5 years.

The costs related to the development or maintenance of the software elements are recognized through the income statement at the moment they occur.

1. National currency issued into circulation

The national currency issued into circulation is carried at nominal value. For presentation purposes the cash on hand in national currency available in the circulation cash desk of the Bank is offset against national currency issued into circulation. The cost of production of banknotes and coins is recorded in the income statement when the expense is incurred.

m. Due to banks

Due to banks include LORO accounts and current accounts of the banks residents/non-residents, deposits accepted from banks and the interests on deposits.

Due to banks include among other the obligatory reserves required to be maintained on the accounts opened in the NBM, in compliance with its prudential requirement.

The obligatory reserves are determined by applying the set percentages to the average daily balances of deposit accounts and other similar liabilities of the licensed banks, specified for that reason by the Regulation on Obligatory Reserves Regime.

In the Balance Sheet due to banks are presented at nominal value, and in cases of term deposits they are subsequently remeasured at amortized cost. Due to their short-term nature, their carrying amount approximates fair value.

3. Significant accounting policies (continued)

n. Due to Moldovan Government

Due to Moldovan Government include accounts of the State Budget held in the Unique Treasury Account, term deposits of the Ministry of Finance and amounts of the Directorate of Credit Line of the Ministry of Finance and are presented in the Balance Sheet at nominal value. The deposits of the Ministry of Finance are subsequently measured at amortized cost, which due to their short-term nature, approximates the fair value of such instruments.

o. Certificates issued by the NBM

Certificates issued by the NBM represent discount securities and are reflected in the Balance Sheet at the settlement date at sale price. After initial recognition, the certificates are remeasured at amortized cost based on the effective interest rate, with the calculation and recognition of the amortized discount in the last day of each month and at the maturity date of the NBM certificates. Due to their short-term nature, their carrying amount approximates fair value.

p. Due to International Financial Institutions

Due to International Financial Institutions are initially recognized at fair value, being equal to their issue proceeds. Subsequently Due to International Financial Institutions are recognized at amortized cost. Any difference between net proceeds and the redemption value is recognized in the income statement over the period to maturity.

q. Capital and reserves

The Bank maintains the statutory capital on the level required to accomplish the objective established by the *Law nr.548 – XIII of 21 July 1995 on the National Bank of Moldova.*

The capital structure of the NBM includes the following:

- statutory capital:
  - authorized capital
  - general reserve fund
- reserve of unrealized gains;
- other reserves, in accordance with IFRS.

The statutory capital is dynamic and it is created from the annual profit available for distribution and/or from the Government contributions until the capital reaches the value of 10% of the total monetary liabilities of the NBM (except liabilities due to Government and International Monetary Fund).

The authorized capital shall be subscribed and shall be held exclusively by the state; the capital shall not be transferable or subject to encumbrance. A reduction of the level of monetary liabilities, both during the year, and at year end, does not result in a decrease of statutory capital previously accumulated.

The general reserve fund is used exclusively to cover the net losses registered by the Bank at the financial year end. In case when at year the general reserve fund has a debit balance, the Government, in the person of the Ministry of Finance, during a period of 60 days from the date when the external audit opinion on the financial statements of NBM is presented, transfers to NBM a capital contribution in state securities at the market interest rate, in the amount necessary to cover the debit balance.

3. Significant accounting policies (continued)

q. Capital and reserves (continued)

As the allocation of unrealized profits may affect the achievement of the objectives of the NBM, the Bank retains unrealized profits, resulted from the foreign exchange rates fluctuation and from revaluation of the securities in foreign currency at their fair value in the corresponding reserve account of unrealized gains, which, consequently, are used to cover the unrealized losses generated by respective sources.

Statutory capital and reserves are disclosed in the balance sheet at nominal value.

r. Income tax

In compliance with the art. 24 par. (15) lit. f) of the *Law nr 1164-XIII dated 24 April 1997 on applying the titles I and II of the Tax Code*, the National Bank of Moldova is exempted from the income tax on its activities.

s. Interest income and expenses

Interest income and expense are recorded in the income statement for financial instruments valued at amortized cost based on the linear method and those valued at amortized cost using the effective interest rate method.

t. Revaluation of foreign currency assets and liabilities

Unrealized foreign exchange gains and/or losses are created as a result of the daily revaluations of the foreign currency stocks representing the difference between the official exchange rates of the national currency towards the foreign currencies which create the relevant foreign exchange stocks, the revaluation of the IMF related accounts during the financial year, as well as monthly revaluation of foreign securities at fair value which are held in the NBM portfolio.

By virtue of its activities as a central bank and for currency market intervention purposes, NBM maintains open currency positions at the reporting dates.

In accordance with the art. 20 of the *Law on the National Bank of Moldova* at the end of the financial year, the net unrealized foreign exchange gains from revaluation of the foreign currency stocks and securities in foreign currency available in the NBM portfolio are transferred to the correspondent reserve accounts of unrealized gains.

The amount of net unrealized losses, after recognition in the income statement is covered using the sources of corresponding reserve accounts of unrealized gains, until their balance equals to zero.

u. Fiduciary activities

The National Bank of Moldova acts in some cases as fiscal agent of the State. Assets and income arising from these activities are not included in these financial statements.

v. Contingencies

Contingent liabilities are not recognized in the financial statements but they are disclosed in the notes, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

3. Significant accounting policies (continued)

w. Provisions

The Bank recognizes provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events and a reasonable estimate of the obligation can be made.

x. Pension costs and employees' benefits

During its normal activity, the Bank makes contributions to the social state insurance budget and to the mandatory medical insurance fund of the Republic of Moldova, including the contributions made on the name of its employees, according to the acting legislation. Social insurance contributions and medical insurance contributions of the NBM are recognized to expenses at the moment when salaries are accrued. The Bank does not operate any other retirement schemes and has no obligation to provide further benefits to current or former employees.

y. Standards issued but not yet effective

New standards and interpretations, that were issued, but will be effective starting with 1 January 2009 or for consecutive periods are as follows:

IFRS 3, Revisions to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (effective on 1 July 2009). IFRS 3R introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. The financial statements of the Bank will not be impacted by the application of the revision.

IFRS 8, Operating Segments (effective on 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organization for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. The Bank does not have different operating segments and therefore the Standard will not be applied to the Bank's financial statements.

IAS 23, Borrowing Costs (effective on 1 January 2009). The main change to IAS 23 is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalize such borrowing costs as part of the cost of the asset. The revised Standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009. Due to the specifics of the Bank, it is not expected that circumstances for the application of this Standard will appear.

2008 Annual Improvements to IFRS: In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard (effective on 1 January 2009). Among the standards that are covering the activity of the Bank are: IFRS 7 Financial instruments: Disclosures, IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Change in Accounting Estimates and Errors, IAS 16 Property, Plant and Equipment, IAS 39 Financial Instruments: Recognition and Measurement. It is necessary to mention that due to the specifics of the Bank, the amendments mentioned will not have an impact on the financial statements of the Bank.

3. Significant accounting policies (continued)

y. Standards issued but not yet effective (continued)

IFRIC 15: Agreement for the Construction of Real Estate (effective on 1 July 2009).The interpretation is to be applied to revenues and related expenses of entities engaged in construction of real estate directly or through intermediaries. Due to the specifics of the Bank, the interpretation will not have an impact on the financial statements of the Bank..

4. Financial risk management

Through its normal operations, the National Bank of Moldova is exposed to a number of risks of an operational and financial nature.

Operational risk

The operational risk involves the risk of both financial and non-financial losses resulted from human errors, breakdown or inadequate functioning of the internal control system. The Bank operational risk management is an integral part of daily operations and management. The operational risk management includes corporative policies, which provide for behavior standards applicable to involved persons and specific internal control systems, specific for each subdivision elaborated, taking into account the characteristics of their basic activity.

Hence, for the monitoring and adequate management of the related risks the sub-divisions of the NBM elaborate their own internal control procedures.

The National Bank of Moldova manages this risk through its Internal Audit Department, which tests and expresses the opinion on the effective functioning of the internal controls system of the Bank. Segregation of duties among different departments of the National Bank of Moldova (front-office, middle-office and back-office) is also considered as one of the mechanisms of managing operating risk.

Financial risk

The main categories of financial risk to which the Bank is exposed are: credit risk, liquidity risk, market risk, which includes interest rate risk and currency risk. The structure of the assets and liabilities is primarily determined by the nature of the National Bank of Moldova's statutory functions, rather than commercial considerations. At the same time NBM continually manages its exposure to risk, through a variety of risk management techniques.

Risk management of the National Bank of Moldova is regulated by its internal instructions, and procedures, and is monitored by the management of the Bank, that analyzes issues related to the monetary, investment and foreign exchange policy of the National Bank of Moldova, and sets limits for volumes of transactions.

4. Financial risk management

4.1 Credit risk

Credit risk is the risk that the Bank will incur a loss because its counterparties failed to discharge their contractual obligations.

Maximum exposure of the NBM to credit risk, excluding the value of any guarantees, is reflected in the accounting value of its financial assets.

The credit risk relating to operational credit in national currency is monitored and controlled.

In order to control credit risk exposure, the Bank implemented the following risk monitoring elements:

- settling the transaction insurance percentage (haircut) – when securities are acquired at a higher interest rate than established on the market at that specific moment, the National Bank protects against the eventual non repayment by the counterpart bank;
- requesting an additional pledge for maintaining the initial transaction insurance percentage, settled by the Bank.

In order to decrease the credit risk exposure related to loans granted to licensed banks for loans to housing construction cooperatives, the Bank monitors on a permanent basis the quality of credit portfolio and debtors financial situation, and, periodically, evaluates the impairment provisions, and adjusts them to reflect best current estimates. The credit risk related to such loans diminishes as the balances of the loans granted are decreasing.

The credit risk related to intraday/overnight/credits as well as to pawnshop facilities is daily monitored using the limits of monetary policy and are secured by the highly liquid collateral such as state securities and certificates issued by NBM.

In order to decrease the credit risk exposure related to loans granted to the Bank's personnel, the Bank accepts as a collateral either the properties acquired with the loans or the salaries.

The credit risk related to transactions, with the purpose of managing the foreign currency reserves is monitored via selecting the investment instruments with high liquidity and low level of risk, setting investment limits and their daily control.

Furthermore, an essential element of credit risk management is the investment of the NBM with the purpose of foreign currency reserves management with reliable counterparties having high long-term credit rating, established by the international rating agencies (Standard & Poor's, Moody's and Fitch IBCA), and authorized by the NBM for foreign currency transactions.

4. Financial risk management (continued)

4.1 Credit risk (continued)

The table below represents the Bank's financial assets based on long-term rating:

Financial Assets	Long-term rating	31 December 2008	31 December 2007
		MDL '000	MDL '000
Cash and short-term placements with banks (in foreign currency)	AAA	2,101,732	3,593,441
	AA+	-	-
	AA	773,742	5,608,128
	AA-	2,363,800	1,836,238
	A+	4,127,953	-
	A	307,134	319
	A-	4	-
	BBB	871,524	-
	BBB-	-	13
	BB+	10	-
Due from International Financial Organizations	AAA	1,975,126	2,202,960
Due from the Government	N/A	-	1,972,560
Securities issued by the Moldovan Government	N/A	2,304,220	408,537
Loans granted to banks and individuals	N/A	32,059	38,839
Investment securities	AAA	6,845,824	4,056,392
Other financial assets	N/A	1,388	5,232
Total Financial Assets		**21,704,516**	**19,722,659**

To quantify the credit risk related to investments in foreign currency, the value of credit risk associated to the investment portfolio is calculated based on default coefficients set by the Standard & Poor's agency per each rating category, the investments being classified in five categories, with annual maturity of up to and including five years.

As at 31 December 2008 the credit risk of the investment portfolio in foreign currency is valued at MDL'000 5,885 (equivalent to USD'000 566) (as at 31 December 2007 about MDL'000 574 (equivalent to USD'000 51)).

4. Financial risk management (continued)

4.1 Credit risk (continued)

In order to evaluate the diversification of assets portfolio as well as to properly assess the credit risk subject to different geographical areas the classification of Bank's financial assets per investment country, except for cash on hand, which is classified by country of origin of issuer, is as follows:

Country	31 December 2008	31 December 2007
	MDL '000	MDL '000
International Financial Organizations	4,693,215	2,653,637
USA	3,709,936	4,752,215
France	2,830,115	1,600,271
The Netherlands	2,289,724	1,321,354
Great Britain	2,223,975	9,484
Germany	1,225,113	2,556,550
Switzerland	909,305	2,446,482
Ireland	871,521	-
Sweden	312,168	562,942
Belgium	301,588	1,394,328
Other countries	189	228
Moldova	2,337,667	2,425,168
Total Financial Assets	**21,704,516**	**19,722,659**

The biggest share of the assets held with "International Financial Organizations" represents the quota of the Republic of Moldova held with the IMF. Simultaneously, the major share of the financial assets, by a foreign country, belongs to the USA (17.09% of the total assets), France (13.04%) and The Netherlands (10.55%) (as at 31 December 2007: USA (24.10% from total assets), Germany (12.96%), Switzerland (12.40%)).

4.2 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under circumstances different from normal ones. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the National Bank of Moldova.

The liquidity risk is constantly monitored by the NBM, limiting the maximum maturity term of the investment portfolio, which restricts the investment into long-term maturity instruments, consequently the remaining maturity of the NBM portfolio being diversified.

Liquidity is one of the basic criteria in defining the composition of assets in foreign currency. This reflects the potential need to liquefy the currency reserves for intervention purposes in case such needs arise.

Securities in foreign currency held in NBM portfolio are high liquidity instruments meaning that they could be sold at any moment before the maturity date.

Securities issued by Moldovan Government and held by the National Bank of Moldova have a contractual maturity not longer than 182 days. However, at maturity, those securities are repurchased by the Government and new securities are issued by the Government and purchased by the National Bank of Moldova.

Analysis of assets and liabilities as at 31 December 2008 according to their contractual maturity date is as follows:

4. Financial risk management (continued)

4.2 Liquidity risk (continued)

	0-3 months	3-6 months	6-12 months	1-2 years	More than 2 years	Undefined maturity	Total
	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000
31 December 2008							
Assets							
Cash and short-term placements with banks	10,233,893	312,006	-	-	-	-	10,545,899
Due from International Financial Institutions	1,570	-	-	-	-	1,973,556	1,975,126
Securities issued by the Moldovan Government	1,943,209	361,011	-	-	-	-	2,304,220
Loans granted to banks and individuals	1,703	1,704	3,402	6,774	18,476	-	32,059
Investment securities	32,734	635,097	3,083,663	1,838,746	1,255,584	-	6,845,824
Tangible assets	-	-	-	-	-	22,599	22,599
Intangible assets	-	-	-	-	-	8,881	8,881
Other assets	3,293	-	-	-	-	-	3,293
Total assets	**12,216,402**	**1,309,818**	**3,087,065**	**1,845,520**	**1,274,060**	**2,005,036**	**21,737,901**
Liabilities							
National currency issued into circulation	8,732,080	-	-	-	-	-	8,732,080
Due to the Moldovan Government	2,472,251	157,000	160,000	-	-	-	2,789,251
Due to banks	6,048,623	-	-	-	-	-	6,048,623
Certificates issued by the NBM	1,061,580	-	-	-	-	-	1,061,580
Due to International Financial Institutions	63,513	14,874	63,121	89,244	1,505,825	1,974,526	3,711,103
Other liabilities	64,126	-	-	-	-	-	64,126
Total liabilities	**18,442,173**	**171,874**	**223,121**	**89,244**	**1,505,825**	**1,974,526**	**22,406,763**
Net liquidity gap	**(6,225,771)**	**1,137,944**	**2,863,944**	**1,756,276**	**(231,765)**	**30,510**	**(668,862)**
31 December 2007							
Total assets	**10,851,669**	**4,184,217**	**1,185,820**	**1,045,080**	**256,736**	**2,240,767**	**19,764,289**
Total liabilities	**14,964,340**	**138,509**	**252,465**	**210,725**	**1,361,616**	**2,208,201**	**19,135,856**
Net liquidity gap	**(4,112,671)**	**4,045,708**	**933,355**	**834,355**	**(1,104,880)**	**32,566**	**628,433**

4. Financial risk management (continued)

4.2 Liquidity risk (continued)

The table below presents the analysis of total financial liabilities, including future interests according to their contractual maturity as at 31 December 2008.

The amounts of future liabilities were calculated taking into consideration the data as at 31 December 2008 (exchange rates, interest rates on monetary-credit instruments, etc.)

	0-3 months	3-6 months	6-12 months	1-2 years	More than 2 years	Undefined maturity	Total
	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000
31 December 2008							
Liabilities							
National currency issued into circulation	8,732,080	-	-	-	-	-	8,732,080
Due to the Moldovan Government	2,484,500	166,251	174,539	-	-	-	2,825,290
Due to banks	6,049,782	-	-	-	-	-	6,049,782
Certificates issued by the NBM	1,066,861	-	-	-	-	-	1,066,861
Due to International Financial Institutions	65,769	17,071	67,223	96,912	1,535,554	1,974,526	3,757,055
Other liabilities	64,126	-	-	-	-	-	64,126
Total liabilities	**18,463,118**	**183,322**	**241,762**	**96,912**	**1,535,554**	**1,974,526**	**22,495,194**
31 December 2007							
Liabilities							
National currency issued into circulation	7,603,347	-	-	-	-	-	7,603,347
Due to the Moldovan Government	2,240,282	127,666	156,610	-	-	-	2,524,558
Due to banks	4,055,230	-	-	-	-	-	4,055,230
Certificates issued by the NBM	816,276	-	-	-	-	-	816,276
Due to International Financial Institutions	113,957	20,593	114,024	218,981	1,390,546	2,208,201	4,066,302
Other liabilities	144,044	-	-	-	-	-	144,044
Total liabilities	**14,973,136**	**148,259**	**270,634**	**218,981**	**1,390,546**	**2,208,201**	**19,209,757**

4. Financial risk management (continued)

4.3 Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market variables, even though such changes are caused at times by specific factors related to individual securities or issuers of securities, or factors that affect all the securities traded on the market.

The State securities are valued quarterly at their fair value determined based on recent auction interest rate on the primary market.

The market risk for the portfolio of securities in foreign currency is managed and monitored based on a value at risk methodology (VaR) which reflects the interdependency between risk variables. The Bank applies a VaR methodology to assess the market risk positions held and to estimate the potential economic losses based upon a number of parameters and assumptions for various changes in market conditions. VaR is a method used to measure financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon. For VaR calculation the Bank uses the historical volatility method.

The exposure to the market risk of the securities portfolio held in foreign currency is quantified also by calculation of value-at-risk, which represents the maximum possible losses related to securities in foreign currency for a 12 months future period with a probability, usually, of 5%, considering the historical volatilities for a similar period.

As of 31 December 2008, the value of exposure to risk of securities portfolio in foreign currency is estimated at approximately USD’000 62,558 or approximately MDL’000 650,618 (2007: USD’000 16,387, or approximately MDL’000 185,488).

4.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of a financial instrument.

The Bank does not apply the value-at-risk method to analyze the sensitivity of its portfolio of state securities. In the same time, based on personal professional judgment, it is possible to presume that +/- 1p.p. fluctuations of interest rate compared to initial portfolio interest rate for securities held in portfolio implies an impact of approximately MDL’000 +/-1,936 on the Bank capital.

As a result of its activity related to monetary policy, the Bank is exposed to the internal market interest rate risk resulted from granting and extending loans to the licensed banks at a fixed rate, holding the state securities in its own portfolio in amounts and for terms different from those of the deposits placed with NBM, NBM Certificates issued and other borrowed funds.

Due to the fact that the interest bearing assets and liabilities mature or modify their interest rate in different periods or for different amounts – the correlation between current market interest rates is permanently monitored.

Consequently, due to the fact that the level of the abovementioned assets and liabilities is provided for by the objectives of the monetary policy, it is not always possible to obtain a positive margin.

In case of the long term borrowings received from the IMF the Bank is exposed to interest rate risk as a result of the interest rate fluctuation.

4. Financial risk management (continued)

4.3 Market risk (continued)

4.3.1 Interest rate risk (continued)

The fluctuation of interest rates on external market may affect the value of the investment portfolio in foreign currency as well as future cash flows. On external markets, the most vulnerable instruments to interest rate fluctuations are securities in foreign currency as the fluctuation of interest rates indirectly affects these assets price.

Consequently, due to fluctuations of interest rates on external markets negative divergences may occur between the interest rates of the investment portfolio in foreign currency and interest rates of the Bank’s liabilities in foreign currency.

To determine the value of interest rate risk for short and long-term deposits in foreign currency, the possible losses are calculated considering a decrease of 0.5 p.p. of the interest rate for these instruments for the next 12 months. According to the average balance of the short and long term deposits for the year 2008, the value of potential losses resulted from the decrease of interest rate with 0.5 p.p. is valued at approximately USD’000 5,604 or approximately MDL’000 58,285 (2007: USD’000 3,086 or approximately MDL’000 34,927).

While managing the interest rates risk influenced by changes on the external markets, special attention is paid to the principal of diversification of investment portfolio by maturity and currency.

Average rates applicable to the major components of the balance sheet have been disclosed within the notes relating to these components. Analysis of assets and liabilities as at 31 December 2008 according to their contractual re-pricing or maturity date is as follows:

4. Financial risk management (continued)

4.3 Market risk (continued)

4.3.1 Interest rate risk (continued)

	0-3 months	3-6 months	6-12 months	1-2 years	More than 2 years	Non-interest bearing	Total
	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000
31 December 2008							
Assets							
Cash and short-term placements with banks	10,124,030	312,006	-	-	-	109,863	10,545,899
Due from International Financial Institutions	1,566	-	-	-	-	1,973,560	1,975,126
Securities issued by the Moldovan Government	1,943,209	361,011	-	-	-	-	2,304,220
Loans granted to banks and individuals	1,703	1,704	3,402	6,774	18,476	-	32,059
Investment securities	9,361	614,433	3,073,616	1,838,746	1,255,584	54,084	6,845,824
Tangible assets	-	-	-	-	-	22,599	22,599
Intangible assets	-	-	-	-	-	8,881	8,881
Other assets	-	-	-	-	-	3,293	3,293
Total assets	**12,079,869**	**1,289,154**	**3,077,018**	**1,845,520**	**1,274,060**	**2,172,280**	**21,737,901**
Liabilities							
National currency issued into circulation	-	-	-	-	-	8,732,080	8,732,080
Due to the Moldovan Government	2,190,446	157,000	160,000	-	-	281,805	2,789,251
Due to banks	4,497,374	-	-	-	-	1,551,249	6,048,623
Certificates issued by the NBM	1,061,175	-	-	-	-	405	1,061,580
Due to International Financial Institutions	96,495	14,874	29,748	89,244	1,505,825	1,974,917	3,711,103
Other liabilities	-	-	-	-	-	64,126	64,126
Total liabilities	**7,845,490**	**171,874**	**189,748**	**89,244**	**1,505,825**	**12,604,582**	**22,406,763**
Interest rate gap	**4,234,379**	**1,117,280**	**2,887,270**	**1,756,276**	**(231,765)**	**(10,432,302)**	**(668,862)**
31 December 2007							
Total assets	**10,698,548**	**4,171,569**	**1,176,062**	**1,045,056**	**256,736**	**2,416,318**	**19,764,289**
Total liabilities	**6,011,291**	**138,509**	**178,019**	**99,055**	**1,361,616**	**11,347,366**	**19,135,856**
Interest rate gap	**4,687,257**	**4,033,060**	**998,043**	**946,001**	**(1,104,880)**	**(8,931,048)**	**628,433**

The interest bearing assets and liabilities of the Bank, mainly comprise cash and cash equivalents in foreign currency, securities, accepted deposits and certificates issued by the Bank, as well as loans granted by the International Financial Institutions. They bear fixed interest rates, except for the current account with the IMF and loan granted by the IMF (EFF), which bear floating interest rates set on a weekly basis by the IMF. The same is for the loans granted to the banks for crediting the construction cooperatives for which the interest rate is floating depending on the modifications of the long-term basic interest rate set by the Bank.

4. Financial risk management (continued)

4.3 Market risk (continued)

4.3.2 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. As at 31 December 2008, NBM held the following foreign exchange positions:

	MDL	USD	EUR	GBP	CHF	XDR	Other	Total
	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000
31 December 2008								
Active								
Cash and short-term placements with banks	-	4,316,193	4,250,528	1,681,630	297,373	-	175	10,545,899
Due from International Financial Institutions	1,973,556	-	-	-	-	1,570	-	1,975,126
Securities issued by the Moldovan Government	2,304,220	-	-	-	-	-	-	2,304,220
Loans granted to banks and individuals	32,059	-	-	-	-	-	-	32,059
Investment securities	-	3,987,660	1,579,124	1,279,040	-	-	-	6,845,824
Tangible assets	22,599	-	-	-	-	-	-	22,599
Intangible assets	8,881	-	-	-	-	-	-	8,881
Other assets	3,257	31	5	-	-	-	-	3,293
Total assets	**4,344,572**	**8,303,884**	**5,829,657**	**2,960,670**	**297,373**	**1,570**	**175**	**21,737,901**
Liabilities								
National currency issued into circulation	8,732,080	-	-	-	-	-	-	8,732,080
Due to the Moldovan Government	2,526,062	90,530	172,659	-	-	-	-	2,789,251
Due to banks	3,094,602	1,148,691	1,805,330	-	-	-	-	6,048,623
Certificates issued by the NBM	1,061,580	-	-	-	-	-	-	1,061,580
Due to International Financial Institutions	1,974,199	-	-	-	-	1,736,904	-	3,711,103
Other liabilities	64,098	10	18	-	-	-	-	64,126
Total liabilities	**17,452,621**	**1,239,231**	**1,978,007**	**-**	**-**	**1,736,904**	**-**	**22,406,763**
Net position	**(13,108,049)**	**7,064,653**	**3,851,650**	**2,960,670**	**297,373**	**(1,735,334)**	**175**	**(668,862)**
31 December 2007								
Total assets	**4,663,873**	**8,011,665**	**4,077,817**	**3,008,956**	**48**	**1,730**	**200**	**19,764,289**
Total liabilities	**15,178,951**	**774,658**	**1,376,276**	**-**	**-**	**1,805, 971**	**-**	**19,135,856**
Net position	**(10,515,078)**	**7,237,007**	**2,701,541**	**3,008,956**	**48**	**(1,804,241)**	**200**	**628,433**

Other currencies include mainly balances in Japanese yen, equivalent of MDL’000 84, Romanian leu – MDL’000 34, Canadian Dollars – MDL’000 33, Norwegian krone – MDL’000 16, Estonian kroon – MDL’000 4 and Russian rubles – MDL’000 2.

4. Financial risk management (continued)

4.3 Market risk (continued)

4.3.2 Currency risk (continued)

In order to estimate the currency risk related to assets and liabilities denominated in foreign currency, possible unrealized gains/losses have been computed by assuming a variation of +/- 5% during the next 12 months of the exchange rates of MDL against the currencies in which these assets and liabilities are denominated. As at 31 December 2008 and 31 December 2007, respectively, the amount of the possible impact on the profit and equity of the NBM is as follows:

	31 December 2008		31 December 2007	
	MDL '000 Profit	MDL '000 Equity	MDL '000 Profit	MDL '000 Equity
MDL against USD	+/- 353,233	+/- 353,233	+/- 361,850	+/- 361,850
MDL against EUR	+/- 192,583	+/- 192,583	+/- 135,077	+/- 135,077
MDL against GBP	+/- 148,034	+/- 148,034	+/- 150,448	+/- 150,448
MDL against CHF	+/- 14,869	+/- 14,869	+/- 2	+/- 2
MDL against XDR	+/- 86,767	+/- 86,767	+/- 90,212	+/- 90,212
MDL against other currencies	+/- 9	+/- 9	+/- 10	+/- 10

Note: In case the MDL appreciates against the respective foreign currencies, unrealized losses will be generated, and vice-versa, in case the MDL depreciates against the respective foreign currencies, unrealized gains will be generated, with the exception of XDR, where the appreciation of MDL against XDR generates unrealized gains, while the depreciation generates unrealized losses.

5. Cash and short-term placements with banks

	31 December 2008	31 December 2007
	MDL '000	MDL '000
Cash on hand in foreign currency	1,418	1,362
Nostro accounts	602,296	678,630
Term deposits in foreign currency	9,942,185	10,358,147
	10,545,899	**11,038,139**

Cash and short-term placements with banks does not include local currency balances held at the central treasury of NBM, which decreases with the respective amount the liability side "National currency into circulation" (Note 13). The net value presentation is adequate since the NBM is the sole issuer of the national currency.

As at 31 December 2008 the term deposits in foreign currency hold the significant portion within this line (about 94.28%). As at period end the term deposits in foreign currency were placed at counterparties with rating: „AAA" – 15.31%, „AA" – 7.82%, „AA–" – 23.73%, „A+" – 41.48%, „A" – 3.0%, „BBB" – 8.67% (the classification of investments in "BBB" rating category has been performed following the revision by the rating agencies of one counterparty rating, after the investments were made) (as at 31 December 2007: „AAA" – 28.35%, „AA" – 53.90%, „AA–" – 17.75%).

The average interest rate of the term deposits in foreign currency placed during the year 2008 is 4.51% (in 2007 – 5.14%) and it is above the compound benchmark related to the investment portfolio calculated for the same period, which represents 3.24% (in 2007 – 4.64%).

6. Due from /Liabilities to International Financial Institutions

	31 December 2008	31 December 2007
Assets	**MDL '000**	**MDL '000**
Quota of the Republic of Moldova with the International Monetary Fund (IMF)	1,973,556	2,201,230
Current account with IMF	1,570	1,730
	1,975,126	**2,202,960**
Liabilities		
Account No.1	1,973,475	2,201,141
Account No.2	81	90
Total liabilities of the IMF	**1,973,556**	**2,201,231**
Other international organizations	970	6,970
Loans granted by IMF	1,736,577	1,805,971
	3,711,103	**4,014,172**

The Republic of Moldova joined the IMF on August 12, 1992. The National Bank of Moldova acts as the agent for the conduct of the financial transactions with the IMF and as a depository for maintaining of the IMF's accounts. Membership in the IMF is quota based. A member's quota is determined upon its admission to the membership and is increased periodically under General Quota Reviews. The quota forms the basis for the member's financial and

6. Due from/ Liabilities to International Financial Institutions (continued)

organizational relationship with the IMF and determines, inter alia, a member's relative voting power, the maximum access to the IMF financing and the share of the member in any allocation of XDR.

The IMF Quota Account reflects initial and subsequent quota payments and is an asset of the member. Up to 25% is payable by each member to the IMF in reserve assets specified by the IMF and the remainder is due in the member's own currency.

The local currency portion of the quota payment is deposited in the IMF No.1 Account and IMF No. 2 Account . The IMF No 1 account is used for the IMF's operational transactions (purchases, repurchases), whereas the IMF No 2 account is used for the payment of expenses incurred by the Fund in the member's currency.

The amounts included in the NBM balance sheet as Due to International Financial Institutions also include the loans received by the NBM from the IMF. The loans are denominated in Special Drawing Rights ("XDR"), but disclosed in the balance sheet at the Moldovan Lei equivalent at the end of the reporting period.

As at 31 December 2008 the Bank's outstanding balance of loans due to the IMF is as follows:

- Poverty Reduction and Growth Facility – XDR'000 103,708 (as at 31 December 2007 – XDR'000 86,372)
- Extended Fund Facility – XDR'000 4,167 (as at 31 December 2007 – XDR'000 14,583)

Poverty Reduction and Growth Facility (PRGF) represents loans granted to poor countries with the GDP less than USD 895 per person. The IMF has granted loans within PRGF for a period of 10 years with a grace period of 5.5 years. The loan bears an interest rate of 0.5% per annum.

During the year 2008 NBM has received two loan instalments in amount of XDR'000 11,440 each within PRGF loan (2007: one loan instalment of XDR'000 21,710).

Extended Fund Facility (EFF) represents loans granted for economic growth support and are granted to economies suffering balance of payments deficits. The granted loans within this facility are for a period of 10 years with a grace period of 4.5 years and a floating interest rate set on a weekly basis by the IMF.

The loans received by NBM from the IMF from the General Resources Account are secured by a bill of exchange issued by the National Bank of Moldova.

Other international organizations represent the accounts of the International Bank for Reconstruction and Development and the Multilateral Investment Guarantee Agency

7. Due from the Moldovan Government

	31 December 2008 MDL '000	31 December 2007 MDL '000
Loans reconcluded with the Moldovan Government	-	1,932,242
Interest accrued on loan reconcluded with the Moldovan Government	-	40,318
	-	**1,972,560**

7. Due from the Moldovan Government (continued)

As at 31 December 2008 the balance of the State debt towards NBM (loans granted and accrued interest) is nil, as a result of the conversion of loans to State securities during the 1st quarter of 2008, in accordance with the Decision of the College of the Ministry of Finance (no. 14/1 dated 10 September 2007) and the Decision of the Administration Council of the National Bank (no. 234 dated 12 September 2007).

8. Securities issued by the Moldovan Government

	31 December 2008	31 December 2007
	MDL '000	MDL '000
Securities issued by the Moldovan Government	2,364,923	415,502
Discount on securities issued by the Moldovan Government	(66,228)	(7,352)
Revaluation of securities issued by the Moldovan Government	5,525	387
	2,304,220	**408,537**

As at 31 December 2008 the balance of state securities held in the Bank portfolio comprises state securities issued by the Moldovan Government and remitted to the Bank as a result of reemission and conversion into state securities of internal state debts purchased from the Bank during the previous years. These securities are classified as available for sale and are recorded at their fair value.

As at 31 December 2008 this account increased by MDL'000 1,895,683 as compared to 31 December 2007 which was mainly due to the conversion, in the first quarter of 2008, in state securities of previously contracted borrowings from the National Bank in the amount of MDL'000 1,813,442 according to the conversion Plan mentioned in note 7.

The increase of interest rates on state securities, starting with the second half of 2008, determined the increase of the return on the NBM securities portfolio comparing with 2007: the average interest rate for state securities portfolio held by NBM as of 31 December 2008 constituted 16.91% per annum (as of 31 December 2007 – 14.19% per annum).

The table below presents a reconciliation of the reserve from revaluation of securities issued by the Moldovan Government:

	31 December 2008	31 December 2007
	MDL '000	MDL '000
Balance 1 January	**387**	**(1,740)**
Changes in the reserve from revaluation of securities issued by the Moldovan Government	5,139	2,127
Balance 31 December	**5,525**	**387**

9. Loans granted to banks and individuals

	31 December 2008	31 December 2007
	MDL '000	MDL '000
Loans granted to banks	26,386	33,461
Loan granted to other individuals	5,675	5,378
Subtotal	**32,061**	**38,839**
Less: Impairment Provision	(2)	-
	32,059	**38,839**

Loans granted to banks and individuals include loans granted to licensed banks during the years 1993-2000 for loans to housing construction cooperatives and loans granted to the Bank's employees adjusted with loan loss provision.

The decrease in the balance of loans granted to banks and individuals by MDL'000 6,780 or by 17.46% resulted mainly due to reimbursements by banks of the loans granted.

Hence, the balance of loans granted to banks decreased by MDL'000 7,075 from MDL'000 33,461 to MDL'000 26,386, and the balance of loans granted to employees of NBM increased by MDL'000 297, from MDL'000 5,378 to 5,675. The provision at the end of the year amounted to MDL'000 2.

The loans granted by the National Bank of Moldova to licensed banks are guaranteed by the balances of the Loro accounts in MDL of licensed banks. As at 31 December 2008 the value of collateral placed by banks to guarantee the reimbursement of loans granted and related accrued interest constituted MDL'000 199,010 (as at 31 December 2007: MDL'000 199,010).

As at 31 December 2008 the value of the collateral placed by employees to guarantee the reimbursement of loans granted and related accrued interest constituted MDL'000 9,031 (as at 31 December 2007: MDL'000 8,930).

The movement in the provision for loan losses during the year is as follows:

	31 December 2008	31 December 2007
	MDL '000	MDL '000
As at 1 January	**-**	**-**
Release of provisions during the year	-	(5)
Additions during the year	(2)	5
As at 31 December	**(2)**	**-**

As at 31 December 2008 NBM did not have any significant past due loans.

10. Investment securities

	31 December 2008	31 December 2007
	MDL '000	MDL '000
Investment securities in foreign currency with coupon, including	**5,811,003**	**4,056,392**
Investment securities in foreign currency with coupon (nominal value)	5,572,683	4,002,772
Premium / (discount) on investment securities in foreign currency with coupon	34,465	(9,049)
Interest purchased on investment securities in foreign currency with coupon	15,808	6,221
Interest accrued on investment securities in foreign currency with coupon	54,084	44,406
Revaluation of investment securities with coupon	133,963	12,042
Investment securities in foreign currency with discount, including	**1,034,821**	**-**
Investment securities in foreign currency with discount (nominal value)	1,040,020	-
Discount on investment securities in foreign currency with discount	(7,829)	-
Revaluation of investment securities with discount	2,630	-
Total investment securities in foreign currency	**6,845,824**	**4,056,392**

The securities in foreign currency issued by non-residents held by the National Bank of Moldova represent mainly securities issued by entities from the United States of America, European Union and supranational investment securities.

As at 31 December 2008, all securities issued by non-residents held in the Bank's portfolio have the highest rating - „AAA" (as at 31 December 2007: "AAA"- 100 %).

These securities are low risk assets and are classified as held for trading financial assets at fair value through profit or loss account.

During 2008 the securities issued by non-residents increased in MDL equivalent by 68.77%, (in 2007 increased by 0.92%), due to increase of currency reserves and, consequently, of the portfolio of foreign currency securities.

During the reported period, the total amount of securities sold or matured denominated in foreign currency represented the total nominal value of USD'000 124,000; EUR'000 60,000 and GBP'000 19,000 (in 2007 – USD'000 130,000; EUR'000 63,000 and GBP'000 16,500). Consequently, during the reported period there were purchased securities denominated in foreign currency in the total nominal value of USD'000 309,000; EUR'000 83,000 and GBP'000 75,600 (in 2007: USD'000 164,000; EUR'000 65,000 and GBP'000 14,000).

The table below presents a reconciliation of the change in fair value for investment securities:

	2008	2007
	MDL '000	MDL '000
As at 1 January	**12,042**	**(12,615)**
Realised gains/(losses) from revaluation of investments securities	(2,918)	6,643
Unrealised gains/(losses) from revaluation of investments securities	129,417	17,643
Foreign currency differences	(1,948)	371
As at 31 December	**136,593**	**12,042**

11. Tangible and intangible assets

	Buildings	Equipment	Tangible assets under execution	Intangible assets	Intangible assets under execution	Total
	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000
Cost						
At as 1 January 2008	36,420	77,871	15	25,704	120	**140,130**
Additions	-	1,831	-	298	-	**2,129**
Transfers	-	-	-	120	(120)	-
Exploitation	-	12	-	-	-	**12**
Disposals	-	(1,761)	-	(275)	-	**(2,036)**
As at 31 December 2008	**36,420**	**77,953**	**15**	**25,847**	**-**	**140,235**
Accumulated depreciation						
As at 1 January 2008	19,380	68,352	-	12,861	-	**100,593**
Charge for the year	985	4,833	-	4,380	-	**10,198**
Charge for disposals	-	(1,761)	-	(275)	-	**(2,036)**
As at 31 December 2008	**20,365**	**71,424**	**-**	**16,966**	**-**	**108,755**
Carrying value						
As at 1 January 2008	**17,040**	**9,519**	**15**	**12,843**	**120**	**39,537**
As at 31 December 2008	**16,055**	**6,529**	**15**	**8,881**	**-**	**31,480**

	Buildings	Equipment	Tangible assets under execution	Intangible assets	Intangible assets under execution	Total
	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000
Cost						
At as 1 January 2007	36,627	76,111	15	26,269	-	139,022
Additions	-	3,675	-	636	120	4,431
Disposals	(207)	(1,915)	-	(1,201)	-	(3,323)
As at 31 December 2007	**36,420**	**77,871**	**15**	**25,704**	**120**	**140,130**
Accumulated depreciation						
As at 1 January 2007	18,478	63,230	-	9,539	-	91,247
Charge for the year	992	7,037	-	4,523	-	12,552
Charge for disposals	(90)	(1,915)	-	(1,201)	-	(3,206)
As at 31 December 2007	**19,380**	**68,352**	**-**	**12,861**	**-**	**100,593**
Carrying value						
As at 1 January 2007	**18,149**	**12,881**	**15**	**16,730**	**-**	**47,775**
As at 31 December 2007	**17,040**	**9,519**	**15**	**12,843**	**120**	**39,537**

12. Other assets

	31 December 2008 MDL '000	31 December 2007 MDL '000
Prepayments	107	41
Other receivables	1,281	5,191
Inventories	1,300	1,423
Goods and materials administered	786	839
Subtotal	**3,474**	**7,494**
Less: Provisions for slow moving inventory and doubtful debts	(181)	(169)
	3,293	**7,325**

The movement in the provisions for slow moving inventory and doubtful debts during the year is as follows:

	2008 MDL '000	2007 MDL '000
As at 1 January	**169**	**212**
Charge for the year	19	7
Release for the year	(7)	(50)
As at 31 December	**181**	**169**

13. National currency issued into circulation

	31 December 2008 MDL '000	31 December 2007 MDL '000
National currency issued into circulation	8,802,838	7,603,355
Less: Cash on hand in national currency in circulation cash desk	(70,758)	(8)
	8,732,080	**7,603,347**

14. Due to the Moldovan Government

	31 December 2008 MDL '000	31 December 2007 MDL '000
Term deposits of the Ministry of Finance	837,727	371,415
Current deposits of the Ministry of Finance	1,683,919	1,882,761
Other accounts of the Government of RM	267,605	252,633
	2,789,251	**2,506,809**

As at 31 December 2008 the Due to the Moldovan Government represent 12.45 % of the total liabilities of NBM (as at 31 December 2007: 13.10%).

NBM pays an interest rate on the term deposits accepted from the Ministry of Finance, based on the average interest rate from the banking system available for the last three months, for deposits with a similar maturity in MDL. The weighted average interest rate on term deposits accepted from the Ministry of Finance as at 31 December 2008 constituted 18.16% (as at 31 December 2007: 15.00%).

NBM pays an interest rate on the current deposits accepted from the Ministry of Finance, based on the average interest rate from the banking system available for the last three months, for current deposits in MDL. The weighted average interest rate on current deposits accepted from the Ministry of Finance as at 31 December 2008 constituted 1.19% (as at 31 December 2007: 2.97%).

15. Due to banks

	31 December 2008 MDL '000	31 December 2007 MDL '000
Current accounts of licensed banks, including obligatory reserves	5,854,612	3,741,505
Deposits from licensed banks in national currency	194,011	313,051
	6,048,623	**4,054,556**

As at 31 December 2008 due to banks represent 26.99% of the total liabilities of NBM (as at 31 December 2007: 21.19%).

16. Certificates issued by the National Bank of Moldova

	31 December 2008 MDL '000	31 December 2007 MDL '000
Certificates issued by NBM	1,061,175	810,201
Discount on certificates issued by NBM	405	2,727
	1,061,580	**812,928**

NBM certificates represent securities sold to licensed banks through auctions in order to absorb the excess of liquidity on the monetary market. They are issued at a discount and repurchased upon maturity at nominal value. The maturity of NBM certificates (NBC) issued during 2008 was 7, 14 and 28 days.

The weighted average rate on NBC in circulation as at 31 December 2008 registered a decrease representing 13.97% per annum, comparing to 15.86% as at 2007.

17. Other liabilities

	31 December 2008 MDL '000	December 2007 MDL '000
Due to the State Budget	-	-
Due to other entities	57,043	137,293
Due to personnel	5,384	5,061
Other liabilities	1,699	1,690
	64,126	**144,044**

18. Capital and reserves

	31 December 2008 MDL '000	31 December 2007 MDL '000
Authorized capital	288,923	288,923
General reserve fund	(1,110,927)	320,277
Total statutory capital	**(822,004)**	**609,200**
Reserve of unrealized gains on revaluation of investment securities	147,060	17,643
Reserve of gains from revaluation of state securities	5,525	387
Gains from indexation of fixed assets	557	1,203
	(668,862)	**628,433**

The statutory capital of the Bank as at 31 December 2008 decreased by MDL’000 320,277 as a result of the total release of the general reserve fund to cover total losses of MDL’000 1,431,204 for the year 2008. Uncovered losses, in accordance with provisions of the Law on National Bank of Moldova, conducted to the recognition of a debit balance of the general reserve fund in amount of MDL’000 1,110,927.

18. Capital and reserves (continued)

In accordance with article 19 of the Law on National Bank of Moldova, the Government, in the person of the Ministry of Finance, during a period of 60 days from the date when the external audit opinion on the financial statements of NBM is presented, transfers to NBM a capital contribution in state securities at the market interest rate, in the amount necessary to cover the debit balance.

As at 31 December 2008 the revaluation of state securities registered a positive result of MDL’000 5,525 (as at 31 December 2007: MDL’000 387).

19. Release of the net losses of the year

	31 December 2008 MDL '000	31 December 2007 MDL '000
Net losses for the year	(1,302,434)	(373,671)
Allocation of unrealized gains from revaluation of investment securities	(129,417)	(17,643)
Release of unrealized gains on exchange rate differences from foreign currency stocks revaluation	-	133,099
Transfer from indexation reserve of fixed assets	647	647
Total losses	**(1,431,204)**	**(257,568)**
Release of general reserve fund	320,277	257,568
Registration of debtor balance of the general reserve fund	1,110,927	-

As at 31 December 2008 the National Bank registered a total loss in the amount of MDL’000 1,431,204, this being mainly as a result of the recognition of unrealized losses from revaluation of foreign currency stocks in the amount of MDL’000 1,865,107 (as at 31 December 2007: MDL’000 885,438).

20. Interest income

	31 December 2008 MDL '000	31 December 2007 MDL '000
Interest income from deposits and current accounts:		
Interest from term deposits in foreign banks	357,392	281,671
Interest from deposits overnight	83,824	89,373
Interest income from current accounts	870	1,783
	442,086	**372,827**
Interest income from securities:		
Interest from securities with coupon and discount	168,654	179,720
Interest from amortized discount on state securities	351,701	48,308
	520,355	**228,028**
Interest income from loans:		
Interest from loans to the Moldovan Government	33,947	240,556
Interest from loans to banks and employees	4,023	4,279
	37,970	**244,835**
	1,000,411	**845,690**

21. Interest expenses

	31 December 2008	31 December 2007
	MDL '000	MDL '000
Interest expenses arising from loans received:		
Interest from loans received from the IMF	13,618	24,805
	13,618	**24,805**
Interest expenses arising from deposits and obligatory reserves:		
Interest on obligatory reserves	49,051	16,444
Interest on deposits accepted from Banks	1,039	29,299
Interest on deposits accepted from the Ministry of Finance	132,471	53,175
	182,561	**98,918**
Interest expenses arising from transactions with securities and Repo agreements:		
Interest on certificates of the Bank	210,772	198,406
	210,772	**198,406**
	406,951	**322,129**

22. Gains/(losses) from foreign exchange transactions and foreign exchange rates differences

	31 December 2008	31 December 2007
	MDL '000	MDL '000
Net realized gains/(losses) from foreign exchange transactions	(105,981)	4,525
Unrealized gains/(losses) from foreign exchange rate difference	(1,865,107)	(885,438)
	(1,971,088)	**(880,913)**

23. Gains/(losses) from revaluation of securities

	31 December 2008	31 December 2007
	MDL '000	MDL '000
Net realized gains/(losses) from investment securities	(2,918)	6,861
Net unrealized gains from investment securities	129,417	17,643
	126,499	**24,504**

24. Other income

	31 December 2008	31 December 2007
	MDL '000	MDL '000
Income related to cash transactions	14,263	11,374
Non-interest income of NBM current account with IMF	11,594	-
Income related to settlements in SAPI	10,645	9,213
Other income	6,230	3,647
	42,732	**24,234**

25. Operating expenses

	31 December 2008 MDL '000	31 December 2007 MDL '000
Expenses related to the production of the national currency	33,164	4,053
Staff costs	37,147	35,636
Depreciation of tangible assets and amortization of intangible assets	10,198	12,551
Communication expenses	6,492	5,728
Repair of property and equipment	518	273
Maintenance of the equipment	486	445
Other operating expenses	6,030	6,417
	94,035	**65,103**

Staff costs include mandatory state social contribution in the amount of MDL'000 6,717 and mandatory medical insurance in the amount of MDL'000 873 (31 December 2007: MDL'000 6,681 and 699 respectively).

26. Related parties

During the year ended at 31 December 2008 the remuneration paid to the Bank management, including middle level management, was MDL'000 4,120 (31 December 2007: MDL'000 3,877).

During the year ended at 31 December 2008 expenses related to the mandatory state social contributions and mandatory medical insurance paid by the Bank which related to the management of the Bank, including the middle level management, was MDL'000 950 and MDL'000 119 respectively (2007: MDL'000 924 and MDL'000 92 respectively).

The Bank grants loans to its employees. The following disclosure represents the movement for loans granted and remaining balances of the loans granted to the management of the Bank, including the middle level management:

	Balance as at 1st of January MDL '000	Loans granted MDL '000	Reimbursements MDL '000	Balance as at 31st of December MDL '000
2007	633	-	78	555
2008	555	432	92	895

The loans are granted to the management of the Bank at the same interest rates charged for all NBM employees according to the NBM internal regulation. Outstanding balances at the year-end are secured by collateral placed by each individual, which as at 31 December 2008 amounted to MDL'000 1,216 (as at 31 December 2007: MDL'000 984). For the year ended 31 December 2008 these loans were classified as performing loans for which the provision is not created.

Commitments and contingencies

Litigations

As at 31 December 2008 the Bank was involved in 4 (four) litigations against the Bank. As at 31 December 2008 the Bank did not book any provisions for litigations, due to the fact that at that moment it did not have a legal or constructive obligation as a result of a past event, and there was no probability of future significant outflow of resources embodying economic benefits to settle the obligations.

Commitments

As at 31 December 2008 there were no outstanding credit related commitments.

As at 31 December 2008 there were no outstanding debt with overdue terms of prescription.