

NATIONAL BANK OF MOLDOVA

CONDENSED FINANCIAL STATEMENTS

***For six months ended on 30 June 2014
Prepared in Accordance with
International Accounting Standard 34 (IAS 34)
(unaudited)
(free translation¹)***

Chişinău, July 2014

¹ Translator's explanatory note: The above translation of the Financial Statements is provided as a free translation from Romanian which is the official and binding version.

NATIONAL BANK OF MOLDOVA
CONDENSED FINANCIAL STATEMENTS – unaudited
For 6 months ended on 30 June 2014

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NATIONAL BANK OF MOLDOVA
BALANCE SHEET – unaudited
As on 30 June 2014

| | Notes | 30 June 2014 MDL'000 | 31 December 2013 MDL'000 |
|--|-------|----------------------------|--------------------------------|
| ASSETS | | | |
| Cash and short-term placements with banks | 4 | 13,402,380 | 12,563,296 |
| Monetary gold | 5 | 43,940 | 37,392 |
| Due from international financial institutions | | 2,831,084 | 2,563,064 |
| Securities issued by the Government of the Republic of Moldova | | 2,076,808 | 2,079,360 |
| Loans granted to banks and individuals | | 237,030 | 281,423 |
| Investment securities | 6 | 24,815,893 | 24,167,783 |
| Property and equipment | 8 | 24,784 | 24,818 |
| Intangible assets | 8 | 20,795 | 23,258 |
| Other assets | 9 | 35,233 | 3,834 |
| TOTAL ASSETS | | 43,487,947 | 41,744,228 |
| LIABILITIES, CAPITAL AND RESERVES | | | |
| Liabilities | | | |
| National currency issued into circulation | | 19,422,978 | 19,044,895 |
| Due to the Government of the Republic of Moldova | 10 | 2,350,348 | 1,641,481 |
| Due to banks | 11 | 6,681,475 | 7,029,497 |
| Certificates issued by the National Bank of Moldova | | 1,233,940 | 2,602,671 |
| Due to international financial institutions | | 8,743,649 | 8,299,036 |
| Other liabilities | 12 | 45,700 | 312,886 |
| Total liabilities | | 38,478,090 | 38,930,466 |
| Capital and reserves | | | |
| Authorized capital | | 330,017 | 330,017 |
| General reserve fund | | (471,360) | (471,360) |
| Total statutory capital | | (141,343) | (141,343) |
| Reserve of unrealized foreign exchange gains from foreign currency stocks' revaluation | | 2,733,942 | 2,733,942 |
| Reserve of unrealized gains on revaluation of investment securities | | 227,835 | 227,835 |
| Other reserves | | 826 | (6,672) |
| Total capital and reserves | | 2,821,260 | 2,813,762 |
| Profit available for distribution* | | 312,457 | - |
| Differences from revaluation of currency stocks | | 1,841,979 | - |
| Differences from revaluation of investment securities | | 34,161 | - |
| TOTAL LIABILITIES, CAPITAL AND RESERVES, INCLUDING REVALUATION DIFFERENCES, PROFIT AVAILABLE FOR DISTRIBUTION | | 43,487,947 | 41,744,228 |

* Profit available for distribution is calculated for purposes of presentation, which is recorded only at the end of the year, according to art. 20 of the Law on the National Bank of Moldova no. 548-XIII dated 21 July 1995.

The accompanying notes 1-20 are an integral part of these condensed Financial Statements.

These condensed Financial Statements were approved by the Council of Administration of the National Bank of Moldova on 24 July 2014.

Dorin Drăguțanu
Governor

Vasile Munteanu
Director of the Budget, Finance and Accounting
Department, Chief-accountant

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NATIONAL BANK OF MOLDOVA
STATEMENT OF COMPREHENSIVE RESULTS – unaudited
For 6 months ended on 30 June 2014

| | Notes | 30 June 2014 | 30 June 2013 |
|--|-------|------------------|----------------|
| | | MDL'000 | MDL'000 |
| Interest income from short-term placements | 13 | 16,550 | 14,154 |
| Interest income from securities | 13 | 202,905 | 174,658 |
| Interest income from loans and Repo agreements | 13 | 1,916 | 386 |
| | | 221,371 | 189,198 |
| Interest expenses on loans received | 14 | (17,407) | (14,886) |
| Interest expenses on deposits and mandatory reserves | 14 | (25,347) | (31,491) |
| Interest expenses on transactions with securities and Repo agreements | 14 | (41,386) | (88,733) |
| | | (84,140) | (135,110) |
| Net interest income | | 137,231 | 54,088 |
| Gains from foreign currency transactions and foreign exchange rate differences | 15 | 2,042,339 | 627,432 |
| Gains /(losses) from the revaluation of securities | 16 | 38,208 | (66,588) |
| Other income | | 12,068 | 13,881 |
| Operating expenses | 17 | (41,249) | (65,378) |
| Net operating income | | 2,051,366 | 509,347 |
| NET PROFIT | | 2,188,597 | 563,435 |
| Items that can be reclassified to net profit | | | |
| Revaluation of securities issued by the Government of the Republic of Moldova | | 950 | 137 |
| Revaluation of monetary gold | | 6,548 | (10,809) |
| COMPREHENSIVE RESULT | | 2,196,095 | 552,763 |

Calculation of the profit available for distribution

| | | | |
|---|--|------------------|----------------|
| NET PROFIT | | 2,188,597 | 563,435 |
| (Allocation) /covering of unrealized (gains) /losses on foreign exchange revaluation of investment securities | | (34,161) | 65,809 |
| Allocation of unrealized gains on revaluation of foreign currency stocks | | (1,841,979) | (560,264) |
| PROFIT AVAILABLE FOR DISTRIBUTION* | | 312,457 | 68,980 |

* Profit available for distribution is calculated for purposes of presentation, which is recorded only at the end of the year, according to art. 20 of the Law on the National Bank of Moldova no. 548-XIII dated 21 July 1995.

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NATIONAL BANK OF MOLDOVA
STATEMENT OF CASH FLOWS – unaudited
For 6 months ended on 30 June 2014

| | <u>Notes</u> | <u>30 June 2014</u> | <u>30 June 2013</u> |
|---|--------------|---------------------|-------------------------|
| | | <u>MDL'000</u> | <u>MDL'000</u> |
| Cash flows from operating activities | | | |
| Interest receipts | | 210,264 | 176,034 |
| Interest payments | | (81,994) | (134,939) |
| Gain /(loss) from investment securities | | 4,047 | (779) |
| Other receipts | | 12,060 | 13,880 |
| Payments to personnel and suppliers | | (82,925) | (93,041) |
| Cash flows before changes in assets and liabilities | | 61,452 | (38,845) |
| Increase in amounts due from international financial institutions | | (82,871) | (29,687) |
| Decrease in loans granted to banks and individuals | | 54,408 | 46,955 |
| Decrease /(increase) in investment securities | | 1,060,771 | (2,107,631) |
| Decrease /(increase) in operating assets | | 1,032,308 | (2,090,363) |
| Increase in the national currency issued into circulation | | 378,083 | 994,153 |
| Increase /(decrease) in balances due to Government of the Republic of Moldova | | 694,661 | (64,549) |
| Decrease in balances due to banks | | (535,383) | (637,041) |
| Decrease in certificates issued by the National Bank of Moldova | | (1,368,250) | (175,852) |
| Decrease in balances due to international financial institutions | | (185,355) | (121,954) |
| Decrease in other liabilities | | (129,527) | (26,046) |
| Decrease in operating liabilities | | (1,145,771) | (31,289) |
| Net cash flows from operating activities | | (52,011) | (2,160,497) |
| Property, equipment and intangible assets acquisitions | | (2,512) | (7,760) |
| Net cash flows used in investing activities | | (2,512) | (7,760) |
| Payments to the State Budget with regard to profit distribution | | (125,040) | (113,549) |
| Net cash flows used in financing activities | | (125,040) | (113,549) |
| Differences from revaluation of cash and cash equivalents | | 1,016,095 | 277,881 |
| Increase /(decrease) in cash and cash equivalents | | 836,532 | (2,003,925) |
| Cash and cash equivalents at the beginning of the year | | 14,642,656 | 14,896,302 |
| Cash and cash equivalents at the end of the period | | 15,479,188 | 12,892,377 |
| Analysis of cash and cash equivalents | | | |
| | | 30 June 2014 | 31 December 2013 |
| Cash and coins in national currency | 4 | 5,290 | 4,191 |
| Cash on hand in foreign currency | 4 | 886 | 1,051 |
| Nostro accounts | 4 | 700,148 | 640,347 |
| Term deposits in foreign currency | 4 | 12,696,056 | 11,917,707 |
| Securities issued by the Government of the Republic of Moldova | | 2,076,808 | 2,079,360 |
| Cash and cash equivalents | | 15,479,188 | 14,642,656 |

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NATIONAL BANK OF MOLDOVA
STATEMENT OF CHANGES IN CAPITAL AND RESERVES – unaudited
For 6 months ended on 30 June 2014

| | 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 | Profit | Total Capital and reserves |
|--|-----------------------|----------------------------|--|--|-------------------|-----------|-------------------------------------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| Balance as at 1 January 2013 | 330,017 | (596,400) | 743,974 | 300,911 | 2,168 | - | 780,670 |
| Net profit | - | - | - | - | - | 563,435 | 563,435 |
| <i>Other comprehensive result:</i> | | | | | | | |
| Differences on revaluation of securities issued by the Government of the Republic of Moldova | - | - | - | - | 137 | - | 137 |
| Differences on revaluation of monetary gold | - | - | - | - | (10,809) | - | (10,809) |
| Other comprehensive result, total | - | - | - | - | (10,672) | - | (10,672) |
| Comprehensive result at the end of the period | - | - | - | - | (10,672) | 563,435 | 552,763 |
| Balance as at 30 June 2013 | 330,017 | (596,400) | 743,974 | 300,911 | (8,504) | 563,435 | 1,333,433 |
| <i>Of which:</i> | | | | | | | |
| Profit available for distribution* | - | - | - | - | - | 68,980 | 68,980 |
| Differences from revaluation of currency stocks | - | - | 560,264 | - | - | - | 560,264 |
| Differences from revaluation of investment securities | - | - | - | (65,809) | - | - | (65,809) |
| Balance as at 1 January 2014 | 330,017 | (471,360) | 2,733,942 | 227,835 | (6,672) | - | 2,813,762 |
| Net profit | - | - | - | - | - | 2,188,597 | 2,188,597 |
| <i>Other comprehensive result:</i> | | | | | | | |
| Differences on revaluation of securities issued by the Government of the Republic of Moldova | - | - | - | - | 950 | - | 950 |
| Differences on revaluation of monetary gold | - | - | - | - | 6,548 | - | 6,548 |
| Other comprehensive result, total | - | - | - | - | 7,498 | - | 7,498 |
| Comprehensive result at the end of the period | - | - | - | - | 7,498 | 2,188,597 | 2,196,095 |
| Balance as at 30 June 2014 | 330,017 | (471,360) | 2,733,942 | 227,835 | 826 | 2,188,597 | 5,009,857 |
| <i>Of which:</i> | | | | | | | |
| Profit available for distribution* | - | - | - | - | - | 312,457 | 312,457 |
| Differences from revaluation of currency stocks | - | - | 1,841,979 | - | - | - | 1,841,979 |
| Differences from revaluation of investment securities | - | - | - | 34,161 | - | - | 34,161 |

* Profit available for distribution is calculated for purposes of presentation, which is recorded only at the end of the year, according to art. 20 of the Law on the National Bank of Moldova no. 548-XIII dated 21 July 1995.

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1. General information about the National Bank of Moldova

The National Bank of Moldova (further referred to as the Bank) is the central bank of the Republic of Moldova and it was established in 1991. The activity of the Bank is regulated by the *Law on the National Bank of Moldova no.548-XIII dated 21 July 1995*. In accordance with the mentioned Law, the Bank is an autonomous public legal entity that is responsible to the Parliament of Republic of Moldova.

The primary objective of the Bank is to achieve and maintain price stability.

The registered head-office of the Bank is 1 Grigore Vieru Avenue, Chişinău, Republic of Moldova. The Bank has no representation offices or branches.

2. Basis of preparation

The condensed Financial Statements of the Bank have been prepared in accordance with the *Law on the National Bank of Moldova* and International Accounting Standard 34 (IAS 34) – „Interim Financial Reporting”.

The condensed Financial Statements do not contain all information and disclosures required by annual Financial Statements, thus they need to be analyzed jointly with the Financial Statements for the year ended 31 December 2013, which are prepared in accordance with International Financial Reporting Standards (IFRS).

The condensed Financial Statements are prepared according to the same accounting policies, principles and methods of evaluation of assets, liabilities, capital and reserves, income and expenses, applied at the preparation of the latest annual Financial Statements of the National Bank of Moldova.

The condensed Financial Statements are presented in Moldovan lei (“MDL”), the currency of the Republic of Moldova, rounded to the nearest thousand in Moldovan lei (MDL '000).

The Bank was not involved in any cyclical or seasonal activities during the current reporting period. All activities of the Bank are taking place depending on the essence and the time of performance of the transactions, according to the going concern principle for an indefinite period of time.

3. Risk management

3.1 Risk management framework

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

The Bank’s risk management is developed and regulated based on internal instructions and procedures, and is monitored by the management of the Bank that analyses the issues related to the monetary, investment and foreign exchange policy of the Bank.

The risk management framework is permanently updated depending on markets trends, Bank’s policies or structure, etc.

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NATIONAL BANK OF MOLDOVA
NOTES TO THE CONDENSED FINANCIAL STATEMENTS – unaudited
For 6 months ended on 30 June 2014

3. Risk management (continued)

3.1 Risk management framework (continued)

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 assets and liabilities is primarily determined by the nature of legal functions of the National Bank of Moldova, rather than commercial considerations. The Bank does not use derivative financial instruments for financial risk hedging. At the same time, the Bank permanently manages its exposure to risk, through a variety of risk management techniques.

3.2 Credit risk

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

30 June 2014

| Long-term rating ¹ | Cash and short-term placements with banks | Monetary gold | Due from international financial institutions | Securities issued by the Government of the Republic of Moldova ² | Loans granted to banks and individuals | Investment securities | Other financial assets | Total financial assets |
|-------------------------------|---|---------------|---|---|--|-----------------------|------------------------|------------------------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| AAA | 815,798 | - | 2,831,084 | - | - | 20,760,271 | - | 24,407,153 |
| AA+ | 282,530 | - | - | - | - | 4,055,622 | - | 4,338,152 |
| AA- | 5,152,064 | - | - | - | - | - | - | 5,152,064 |
| A+ | 3,482,292 | - | - | - | - | - | - | 3,482,292 |
| A | 3,662,119 | - | - | - | - | - | - | 3,662,119 |
| A- | 215 | - | - | - | - | - | - | 215 |
| BBB | 22 | - | - | - | - | - | - | 22 |
| BBB- | 2,050 | - | - | - | - | - | - | 2,050 |
| Without rating | 5,290 | 43,940 | - | 2,076,808 | 237,030 | - | 32,592 | 2,395,660 |
| Total | 13,402,380 | 43,940 | 2,831,084 | 2,076,808 | 237,030 | 24,815,893 | 32,592 | 43,439,727 |

¹ Established by applying the average rating amongst the rating assigned by international rating agencies (Standard & Poor's, Moody's and Fitch Ratings).

² Taking into consideration the Bank's role as the state's fiscal agent and the special relationship between the Bank as the Central Bank of the state and the Government, the securities issued by the Government of the Republic of Moldova are included in the category "Without Rating". However, as at 30 June 2014 the Republic of Moldova was rated only by Moody's Agency with the B3 rating (as at 31 December 2013 – B3).

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NATIONAL BANK OF MOLDOVA
NOTES TO THE CONDENSED FINANCIAL STATEMENTS – unaudited
For 6 months ended on 30 June 2014

3. Risk management (continued)

3.2 Credit risk (continued)

31 December 2013

| Long-term rating | Cash and short-term placements with banks | Monetary gold | Due from international financial institutions | Securities issued by the | Loans granted to banks and individuals | Investment securities | Other financial assets | Total Financial Assets |
|------------------|---|---------------|---|---------------------------------------|--|-----------------------|------------------------|------------------------|
| | | | | Government of the Republic of Moldova | | | | |
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| AAA | 134,189 | - | 2,563,064 | - | - | 19,095,496 | - | 21,792,749 |
| AA+ | 2,067,403 | - | - | - | - | 5,072,287 | - | 7,139,690 |
| AA- | 7,390,038 | - | - | - | - | - | - | 7,390,038 |
| A+ | 2,965,820 | - | - | - | - | - | - | 2,965,820 |
| A | 74 | - | - | - | - | - | - | 74 |
| A- | 1,004 | - | - | - | - | - | - | 1,004 |
| BBB | 569 | - | - | - | - | - | - | 569 |
| BBB- | 8 | - | - | - | - | - | - | 8 |
| Without rating | 4,191 | 37,392 | - | 2,079,360 | 281,423 | - | 909 | 2,403,275 |
| Total | 12,563,296 | 37,392 | 2,563,064 | 2,079,360 | 281,423 | 24,167,783 | 909 | 41,693,227 |

In order to quantify the credit risk of investments made in foreign currency, the Bank estimates the credit risk associated with the investment portfolio based on default rates determined by the Standard & Poor's agency per each credit rating category, the investments being classified in ten categories, according to default rates, with annual maturity of up to and including ten years.

As at 30 June 2014 the credit risk of the investment securities portfolio in foreign currency, quantified based on the default rates published by Standard & Poor's, is as follows:

| | Held-to-maturity | | At fair value | | Total | | Portfolio share, % |
|------------------|------------------|---------|---------------|---------|---------|---------|--------------------|
| | MDL'000 | USD'000 | MDL'000 | USD'000 | MDL'000 | USD'000 | |
| 30 June 2014 | 33,298 | 2,376 | 19,531 | 1,393 | 52,829 | 3,769 | 0.14 |
| 31 December 2013 | 33,259 | 2,547 | 18,980 | 1,454 | 52,239 | 4,001 | 0.14 |

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NATIONAL BANK OF MOLDOVA
NOTES TO THE CONDENSED FINANCIAL STATEMENTS – unaudited
For 6 months ended on 30 June 2014

3. Risk management (continued)

3.3 Liquidity risk (continued)

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

The analysis of financial assets and liabilities classified according to their contractual maturity date as at 30 June 2014 is set out below:

| | 0-3 months | 3-6 months | 6-12 months | 1-2 years | 2-5 years | More than 5 years | Undefined maturity | Total |
|--|-------------------|-------------------|--------------------|------------------|------------------|------------------------------|-------------------------------|-------------------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| 30 June 2014 | | | | | | | | |
| Assets | | | | | | | | |
| Cash and short-term placements with banks | 11,321,144 | 2,081,236 | - | - | - | - | - | 13,402,380 |
| Monetary gold | - | - | - | - | - | - | 43,940 | 43,940 |
| Due from international financial institutions | 161,569 | - | - | - | - | - | 2,669,515 | 2,831,084 |
| Securities issued by the Government of the Republic of Moldova | 2,076,808 | - | - | - | - | - | - | 2,076,808 |
| Loans granted to banks and individuals | 92,102 | 24,265 | 48,890 | 51,700 | 8,866 | 11,207 | - | 237,030 |
| Investment securities | 1,080,350 | 1,122,651 | 2,992,426 | 5,837,997 | 9,070,624 | 4,711,845 | - | 24,815,893 |
| Other assets | 32,592 | - | - | - | - | - | - | 32,592 |
| Total financial assets | 14,764,565 | 3,228,152 | 3,041,316 | 5,889,697 | 9,079,490 | 4,723,052 | 2,713,455 | 43,439,727 |
| Liabilities | | | | | | | | |
| National currency issued into circulation | - | - | - | - | - | - | 19,422,978 | 19,422,978 |
| Due to the Government of the Republic of Moldova | 2,320,348 | 30,000 | - | - | - | - | - | 2,350,348 |
| Due to banks | 6,681,475 | - | - | - | - | - | - | 6,681,475 |
| Certificates issued by the National Bank of Moldova | 1,233,940 | - | - | - | - | - | - | 1,233,940 |
| Due to international financial institutions | 138,539 | 93,949 | 262,679 | 615,643 | 2,761,660 | 2,201,609 | 2,669,570 | 8,743,649 |
| Other liabilities | 45,693 | - | - | - | - | - | - | 45,693 |
| Total financial liabilities | 10,419,995 | 123,949 | 262,679 | 615,643 | 2,761,660 | 2,201,609 | 22,092,548 | 38,478,083 |
| Net liquidity gap | 4,344,570 | 3,104,203 | 2,778,637 | 5,274,054 | 6,317,830 | 2,521,443 | (19,379,093) | 4,961,644 |
| 31 December 2013 | | | | | | | | |
| Total financial assets | 14,411,657 | 2,492,153 | 1,853,526 | 6,975,299 | 8,607,167 | 4,836,686 | 2,516,739 | 41,693,227 |
| Total financial liabilities | 11,681,733 | 87,288 | 210,490 | 504,831 | 2,473,786 | 2,447,720 | 21,524,610 | 38,930,458 |
| Net liquidity gap | 2,729,924 | 2,404,865 | 1,643,036 | 6,470,468 | 6,133,381 | 2,388,966 | (19,007,871) | 2,762,769 |

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NATIONAL BANK OF MOLDOVA
NOTES TO THE CONDENSED FINANCIAL STATEMENTS – unaudited
For 6 months ended on 30 June 2014

3. Risk management (continued)

3.3 Liquidity risk (continued)

The table below presents the analysis of total financial liabilities, including future interest cash flows according to their contractual maturity as at 30 June 2014.

The amounts of future obligations were calculated using the information available as at 30 June 2014 (official exchange rate of the Moldovan Leu, interest rates on monetary-credit instruments, etc.)

| | 0-3 months | 3-6 months | 6-12 months | 1-2 years | 2-5 years | More than 5 years | Undefined maturity | Total |
|---|-------------------|----------------|----------------|----------------|------------------|----------------------|-----------------------|-------------------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| 30 June 2014 | | | | | | | | |
| Liabilities | | | | | | | | |
| National currency issued into circulation | - | - | - | - | - | - | 19,422,978 | 19,422,978 |
| Due to the Government of the Republic of Moldova | 2,320,613 | 30,241 | - | - | - | - | - | 2,350,854 |
| Due to banks | 6,682,167 | - | - | - | - | - | - | 6,682,167 |
| Certificates issued by the National Bank of Moldova | 1,234,490 | - | - | - | - | - | - | 1,234,490 |
| Due to international financial institutions* | 147,260 | 102,636 | 282,616 | 653,569 | 2,839,387 | 2,223,015 | 2,669,570 | 8,918,053 |
| Other liabilities | 45,693 | - | - | - | - | - | - | 45,693 |
| Total financial liabilities | 10,430,223 | 132,877 | 282,616 | 653,569 | 2,839,387 | 2,223,015 | 22,092,548 | 38,654,235 |
| 31 December 2013 | | | | | | | | |
| Liabilities | | | | | | | | |
| National currency issued into circulation | - | - | - | - | - | - | 19,044,895 | 19,044,895 |
| Due to the Government of the Republic of Moldova | 1,641,481 | - | - | - | - | - | - | 1,641,481 |
| Due to banks | 7,030,050 | - | - | - | - | - | - | 7,030,050 |
| Certificates issued by the National Bank of Moldova | 2,604,667 | - | - | - | - | - | - | 2,604,667 |
| Due to international financial institutions* | 103,635 | 95,810 | 227,563 | 543,276 | 2,558,871 | 2,477,006 | 2,479,715 | 8,485,876 |
| Other liabilities | 312,878 | - | - | - | - | - | - | 312,878 |
| Total financial liabilities | 11,692,711 | 95,810 | 227,563 | 543,276 | 2,558,871 | 2,477,006 | 21,524,610 | 39,119,847 |

* For the funds received under the Extended Credit Facility (ECF) (previously Poverty Reduction and Growth Facility (PRGF)) from the IMF and included in Due to international financial institutions, for the period 7 January 2010 – 31 December 2014, no interest is calculated, according to the resolution of the IMF Executive Board.

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NATIONAL BANK OF MOLDOVA
NOTES TO THE CONDENSED FINANCIAL STATEMENTS – unaudited
For 6 months ended on 30 June 2014

3. Risk management (continued)

3.4 Market risk

The market risk for the portfolio of investment securities is managed and monitored based on a value at risk methodology (VaR), which represents the correlation between risk variables. The Bank applies on a monthly basis the 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.

The outcome of the market risk assessment based on VaR represents the potential loss expressed in monetary units for the portfolio of investment securities in foreign currency based on a 95% confidence level and assuming a 1-month holding period. This calculation is provided by the Bloomberg Informational System.

The value of exposure at risk (VaR) of securities portfolio in foreign currency is as follows:

| | Held-to-maturity | | At fair value | | Total | | Portfolio share, % |
|------------------|------------------|---------|---------------|---------|---------|---------|--------------------|
| | MDL'000 | USD'000 | MDL'000 | USD'000 | MDL'000 | USD'000 | |
| 30 June 2014 | 140,306 | 10,010 | 227,648 | 16,241 | 367,954 | 26,251 | 1.46 |
| 31 December 2013 | 159,492 | 12,215 | 239,285 | 18,326 | 398,777 | 30,541 | 1.63 |

Although the VAR method is one of the basic tools for measuring the market risk, the assumptions on which the VAR model is based give rise to certain limitations as set out below.

- The VaR calculations are performed monthly, for the following month, considering the portfolio as at month end and assuming that no transaction will be performed;
- It is assumed a 95% probability that losses will not exceed the estimated VaR. Thus, there is a slight probability of 5% that actual losses will exceed the estimated outcome according to VaR methodology.
- The use of historical data as basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The outcomes of VAR tool depends on the volatility of market prices.

VAR methodology limitations are applied to the entire portfolio of foreign currency securities.

Taking into account the fact that the VaR method shows the maximum loss with a certain probability (95%), the Bank uses an additional indicator that measures market risk called CVaR, which estimates the average of losses higher than those covered by the confidence level of the VaR method.

Thus, as at 30 June 2014, the value of exposure at risk of securities portfolio in foreign currency, calculated by using CVaR is as follows:

* Translator's explanatory note: The above translation of the Financial Statements is provided as a free translation from Romanian which is the official and binding version.

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3. Risk management (continued)

3.4 Market risk (continued)

| | Held-to-maturity | | At fair value | | Total | | Portfolio share, % |
|------------------|------------------|---------|---------------|---------|---------|---------|--------------------|
| | MDL'000 | USD'000 | MDL'000 | USD'000 | MDL'000 | USD'000 | |
| 30 June 2014 | 197,188 | 14,068 | 312,086 | 22,266 | 509,274 | 36,334 | 2.03 |
| 31 December 2013 | 213,166 | 16,326 | 317,494 | 24,316 | 530,660 | 40,642 | 2.17 |

3.4.1 Interest rate risk

The analysis of financial assets and liabilities as at 30 June 2014 according to their contractual re-pricing and interest rate renewal dates is as follows:

| | 0-3 | 3-6 | 6-12 | 1-2 years | 2-5 years | More than 5 | Non-interest | Total |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|---------------------|-------------------|
| | months | months | months | | | years | bearing | |
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| 30 June 2014 | | | | | | | | |
| Assets | | | | | | | | |
| Cash and short-term placements with banks | 11,309,903 | 2,081,236 | - | - | - | - | 11,241 | 13,402,380 |
| Monetary gold | - | - | - | - | - | - | 43,940 | 43,940 |
| Due from international financial institutions | 161,569 | - | - | - | - | - | 2,669,515 | 2,831,084 |
| Securities issued by the Government of the Republic of Moldova | 2,076,808 | - | - | - | - | - | - | 2,076,808 |
| Loans granted to banks and individuals | 96,613 | 24,012 | 47,993 | 49,365 | 7,840 | 11,207 | - | 237,030 |
| Investment securities | 1,071,289 | 1,066,468 | 2,934,858 | 5,809,967 | 9,070,624 | 4,711,845 | 150,842 | 24,815,893 |
| Other assets | - | - | - | - | - | - | 32,592 | 32,592 |
| Total financial assets | 14,716,182 | 3,171,716 | 2,982,851 | 5,859,332 | 9,078,464 | 4,723,052 | 2,908,130 | 43,439,727 |
| Liabilities | | | | | | | | |
| National currency issued into circulation | - | - | - | - | - | - | 19,422,978 | 19,422,978 |
| Due to the Government of the Republic of Moldova | 1,932,139 | - | - | - | - | - | 418,209 | 2,350,348 |
| Due to banks | 4,438,075 | - | - | - | - | - | 2,243,400 | 6,681,475 |
| Certificates issued by the National Bank of Moldova | 1,233,940 | - | - | - | - | - | - | 1,233,940 |
| Due to international financial institutions | 3,327,657 | 93,949 | 190,452 | 380,905 | 1,211,233 | 863,961 | 2,675,492 | 8,743,649 |
| Other liabilities | - | - | - | - | - | - | 45,693 | 45,693 |
| Total financial liabilities | 10,931,811 | 93,949 | 190,452 | 380,905 | 1,211,233 | 863,961 | 24,805,772 | 38,478,083 |
| Interest rate gap | 3,784,371 | 3,077,767 | 2,792,399 | 5,478,427 | 7,867,231 | 3,859,091 | (21,897,642) | 4,961,644 |
| 31 December 2013 | | | | | | | | |
| Total financial assets | 14,389,319 | 2,461,466 | 1,825,121 | 6,933,657 | 8,605,043 | 4,836,686 | 2,641,935 | 41,693,227 |
| Total financial liabilities | 11,500,652 | 87,288 | 176,949 | 353,897 | 1,149,724 | 955,281 | 24,706,667 | 38,930,458 |
| Interest rate gap | 2,888,667 | 2,374,178 | 1,648,172 | 6,579,760 | 7,455,319 | 3,881,405 | (22,064,732) | 2,762,769 |

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3. Risk management (continued)

3.4 Market risk (continued)

3.4.1 Interest rate risk (continued)

To determine the interest rate risk associated with demand and term deposits held in foreign currency, the Bank calculates the expected gains /losses assuming a scenario of a 0.5 p.p. raise /fall of the interest rates on these financial instruments.

According to the average balance of demand and term deposits for the first semester of 2014, the expected amount of gains /losses from increase /decrease in interest rate with 0.5 p.p. is as follows:

| | MDL'000 | USD'000 |
|------------------------|----------------|----------------|
| First semester of 2014 | +/-34,783 | +/-2,482 |
| Year 2013 | +/-61,924 | +/-4,743 |

The sensitivity of the investment portfolio of securities measured at fair value through profit or loss to fluctuations of interest rates is measured using the PV01. PV01 is a method that quantifies the interest rate risk through the measurement of the difference between the market value of the securities portfolio at fair value and its estimated value in case the investment yield changes with 0.01 p.p. A change of the security's yield with 0.01 p.p. leads to an inverse nonlinear impact on the portfolio value calculated using the PV01 method.

As at 30 June 2014, the increase /decrease of the yield by 0.01 p.p. leads to the decrease /increase in the present value of the investment portfolio of securities measured at fair value through profit or loss of MDL 7,296 thousand or USD 521 thousand, which represents 0.03% of the portfolio of securities measured at fair value through profit or loss (as at 31 December 2013: MDL 7,383 thousand or USD 565 thousand, which represents 0.03% of the portfolio of securities measured at fair value through profit or loss).

3.4.2 Foreign currency risk

The normative currency structure of the investment portfolio is set by the Bank's Council of Administration and is aimed to mitigate the currency risk through an adequate structure of foreign currency assets and liabilities, and a reasonable investment range that is acceptable to serve the current external liabilities and to implement the foreign currency policy of the state. As at 30 June 2014 the US dollar share in the normative currency structure constituted 50%, Euro – 35%, Pound Sterling – 10%, other currencies – 5% (as at 31 December 2013 the US dollar share in the normative currency structure constituted 50%, Euro – 35%, Pound Sterling – 10%, other currencies – 5%). The share of each currency in the Bank's investment portfolio may vary within +/-10% from the normative currency structure.

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3. Risk management (continued)

3.4 Market risk (continued)

3.4.2 Foreign currency risk (continued)

As at 30 June 2014, the Bank held the following foreign exchange positions:

| | MDL | USD | EUR | GBP | XDR | Other currencies | Total |
|--|---------------------|-------------------|-------------------|------------------|--------------------|-----------------------------|-------------------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| 30 June 2014 | | | | | | | |
| Assets | | | | | | | |
| Cash and short-term placements with banks | 5,290 | 8,329,961 | 3,644,299 | 1,420,677 | - | 2,153 | 13,402,380 |
| Monetary gold | - | - | - | - | - | 43,940 | 43,940 |
| Due from international financial institutions | - | - | - | - | 2,831,084 | - | 2,831,084 |
| Securities issued by the Government of the Republic of Moldova | 2,076,808 | - | - | - | - | - | 2,076,808 |
| Loans granted to banks and individuals | 237,030 | - | - | - | - | - | 237,030 |
| Investment securities | - | 13,716,699 | 9,519,432 | 1,579,762 | - | - | 24,815,893 |
| Other assets | 3,062 | 225 | 29,301 | - | - | 4 | 32,592 |
| Total financial assets | 2,322,190 | 22,046,885 | 13,193,032 | 3,000,439 | 2,831,084 | 46,097 | 43,439,727 |
| Liabilities | | | | | | | |
| National currency issued into circulation | 19,422,978 | - | - | - | - | - | 19,422,978 |
| Due to the Government of the Republic of Moldova | 1,946,881 | 15,469 | 387,998 | - | - | - | 2,350,348 |
| Due to banks | 3,672,610 | 1,024,263 | 1,984,602 | - | - | - | 6,681,475 |
| Certificates issued by the National Bank of Moldova | 1,233,940 | - | - | - | - | - | 1,233,940 |
| Due to international financial institutions | 3,908 | - | - | - | 8,739,741 | - | 8,743,649 |
| Other liabilities | 44,424 | - | 1,269 | - | - | - | 45,693 |
| Total financial liabilities | 26,324,741 | 1,039,732 | 2,373,869 | - | 8,739,741 | - | 38,478,083 |
| Net position | (24,002,551) | 21,007,153 | 10,819,163 | 3,000,439 | (5,908,657) | 46,097 | 4,961,644 |
| 31 December 2013 | | | | | | | |
| Total financial assets | 2,365,683 | 21,443,906 | 11,654,218 | 3,005,460 | 2,563,064 | 660,896 | 41,693,227 |
| Total financial liabilities | 27,909,719 | 957,711 | 1,766,854 | 6 | 8,296,168 | - | 38,930,458 |
| Net position | (25,544,036) | 20,486,195 | 9,887,364 | 3,005,454 | (5,733,104) | 660,896 | 2,762,769 |

As at 30 June 2014 other currencies include monetary gold equivalent of MDL 43,940 thousand, Russian roubles – MDL 2,048 thousand, Swiss Francs - MDL 46 thousand, Romanian Lei – MDL 36 thousand, Norwegian krone – MDL 25 thousand and Danish krone – MDL 2 thousand.

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3. Risk management (continued)

3.4 Market risk (continued)

3.4.2 Foreign currency risk (continued)

In order to estimate the currency risk associated to assets and liabilities denominated in foreign currency, possible unrealized gains /losses have been computed assuming a change of +/- 10% of the official exchange rate of MDL against the currencies in which these assets and liabilities are denominated. As at 30 June 2014 and 31 December 2013, respectively, the amount of the potential impact on the profit and equity of the Bank is as follows:

| | 30 June 2014 | | 31 December 2013 | |
|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | MDL'000 Profit | MDL'000 Equity | MDL'000 Profit | MDL'000 Equity |
| MDL against USD | +/- 2,100,715 | +/- 2,100,715 | +/- 2,048,620 | +/- 2,048,620 |
| MDL against EUR | +/- 1,104,811 | +/- 1,104,811 | +/- 988,736 | +/- 988,736 |
| MDL against GBP | +/- 300,044 | +/- 300,044 | +/- 300,545 | +/- 300,545 |
| MDL against XDR | +/- 590,866 | +/- 590,866 | +/- 573,310 | +/- 573,310 |
| MDL against other currencies | +/-213 | +/-213 | +/-62,351 | +/-62,351 |

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.

4. Cash and short-term placements with banks

| | 30 June 2014 | 31 December 2013 |
|-----------------------------------|-------------------------|-----------------------------|
| | MDL'000 | MDL'000 |
| Cash on hand in national currency | 5,290 | 4,191 |
| Cash on hand in foreign currency | 886 | 1,051 |
| Nostro accounts | 700,148 | 640,347 |
| Term deposits in foreign currency | 12,696,056 | 11,917,707 |
| | 13,402,380 | 12,563,296 |

As at period end the term deposits in foreign currency were placed at financial institutions with ratings¹: „AAA” – 0.94%, „AA+” – 2.21%, „AA-” – 40.58%, „A+” – 27.43% and „A” – 28.84% (as at 31 December 2013: „AAA” – 1.01%, „AA+” – 17.32%, „AA-” – 56.78% and „A+” – 24.89%).

¹ Established by applying the average rating assigned by international rating agencies (Standard & Poor's, Moody's and Fitch Ratings).

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5. Monetary gold

| | 30 June 2014 | 31 December 2013 |
|---------------|-------------------------|-----------------------------|
| | MDL'000 | MDL'000 |
| Monetary gold | 43,940 | 37,392 |
| | 43,940 | 37,392 |

The monetary gold is represented by the quantity of 74,133.48 grams (as at 31 December 2013 – 74,133.48 grams) of pure gold bullions of Good Delivery standard quality (based on the requirements of the London Bullion Market Association). As at 30 June 2014 the market price of gold was 592.7097 MDL/gram (as at 31 December 2013: 504.3804 MDL/gram).

6. Investment securities

The caption „Investment securities” of the Balance Sheet includes two categories of financial assets, as presented below:

| | 30 June 2014 | 31 December 2013 |
|---|-------------------------|-----------------------------|
| | MDL'000 | MDL'000 |
| Securities in foreign currency measured at fair value through profit or loss | 17,344,194 | 16,944,663 |
| Coupon securities in foreign currency | 17,344,194 | 16,612,230 |
| Discount securities in foreign currency | - | 332,433 |
| Securities in foreign currency held-to-maturity | 7,471,699 | 7,223,120 |
| Coupon securities in foreign currency | 7,471,699 | 7,223,120 |
| Discount securities in foreign currency | - | - |
| Total investment securities | 24,815,893 | 24,167,783 |

The securities portfolio in foreign currency measured at fair value through profit or loss held by the Bank, comprises mainly securities issued by Governments and Governmental Agencies of the United States of America, European Union and supranational securities.

The portfolio of securities in foreign currency measured at fair value, included in the caption "Investment securities" of the Balance Sheet, is detailed below:

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6. Investment securities (continued)

| | 30 June 2014 | 31 December 2013 |
|---|-------------------------|-----------------------------|
| | MDL'000 | MDL'000 |
| Securities in foreign currency measured at fair value (nominal value) | 17,102,727 | 16,740,339 |
| Interest on securities in foreign currency measured at fair value | 102,072 | 104,427 |
| Revaluation of securities in foreign currency measured at fair value | 139,395 | 99,897 |
| Securities in foreign currency measured at fair value through profit or loss | 17,344,194 | 16,944,663 |

The securities in foreign currency measured at fair value through profit or loss are revalued on a monthly basis and bear a fixed interest rate, within the range of 0.0096% to 2.86% per annum (as at 31 December 2013: 0.04% to 2.86%), except for two securities in amount of USD 3 million and USD 2 million, bearing a floating interest rate with quarterly revision (as at 30 June 2014 the bearing interest rate was of 0.25% and 0.24% per annum). The investment securities in foreign currency measured at fair value through profit or loss include also the accrued interest amounting MDL 64,934 thousand as at 30 June 2014 (as at 31 December 2013: MDL 54,536 thousand).

As at 30 June 2014, the securities measured at fair value through profit or loss issued by non-residents held in the Bank's portfolio having the highest rating¹ – „AAA” constituted 83.92% and the securities with rating „AA+” constituted 16.08% (as at 31 December 2013: „AAA” – 77.01%, „AA+” – 22.99%). The decrease of investments rated "AA +" and the simultaneous increase of investments rated "AAA" is mostly due to the maturity during the first semester of the securities issued by the French government and the supranational agency EFSF with the rating "AA +".

The amount of securities in foreign currency measured at fair value through profit or loss that were sold and which matured during the reporting period amounted to USD 176,230 thousand; EUR 92,800 thousand and GBP 4,250 thousand in nominal values terms (in 2013 were sold and matured – USD 396,035 thousand; EUR 116,615 thousand and GBP 20,000 thousand). At the same time, during the reporting period, the Bank purchased securities denominated in foreign currency at fair value with the nominal value USD 198,575 thousand and EUR 58,380 thousand (in 2013: USD 532,940 thousand and EUR 262,750 thousand).

According to the Agreement for investment management and consulting signed between the International Bank for Reconstruction and Development (IBRD) and the Bank, IBRD became the Bank's Advisor and Representative for the management of a portion of foreign assets, limited to 20% of the official reserve assets.

¹ Established by applying the average rating assigned by international rating agencies (Standard & Poor's, Moody's and Fitch Ratings).

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6. Investment securities (continued)

Investments under this program are made in US dollar-denominated securities issued by the U.S. Treasury, government agencies and supranational institutions. These assets are included in the category of securities in foreign currency, measured at fair value through profit or loss.

As at 30 June 2014 the carrying value of investment securities in foreign currency managed externally was MDL 2,861,110 thousand (as at 31 December 2013: MDL 2,671,918 thousand), their share in the official reserve assets amounted to 7.45% (as at 31 December 2013: 7.25%).

According to the decision of the Council of Administration, the Bank's portfolio of investment securities classified as held-to-maturity should not exceed 20% of the official reserve assets of the Bank. The volume and composition of foreign currency assets and the prospects of future cash flows allow the Bank to hold the respective portfolio of securities until maturity.

As at 30 June 2014 the share of held-to-maturity securities in the official reserve assets of the Bank was of 19.45% (as at 31 December 2013: 19.61%).

| | 30 June 2014 | 31 December 2013 |
|---|-------------------------|-----------------------------|
| | MDL'000 | MDL'000 |
| Securities in foreign currency held-to-maturity (nominal value) | 7,356,229 | 7,124,212 |
| Interest on securities in foreign currency held-to-maturity | 115,470 | 98,908 |
| Securities in foreign currency held-to-maturity | 7,471,699 | 7,223,120 |

Held-to-maturity securities bear fixed annual interest rates between 0.33% and 3.55%.

As at 30 June 2014, the share of held-to-maturity securities with „AAA" rating was of 83.05%, while those with „AA+" rating constituted 16.95% (as at 31 December 2013: „AAA" – 83.71%, and „AA+"- 16.29%).

The portfolio of held-to-maturity securities comprises mainly securities issued by governments and governmental agencies from the United States of America, European Union and supranational financial institutions.

During the first semester the portfolio of held-to-maturity securities was not replenished. At the same time, during the reporting period, two held-to-maturity securities with the nominal value of EUR 9,600 thousand and GBP 4,000 thousand reached their maturity.

During the semester the Bank has not recognized any impairment allowances in respect of held-to-maturity securities.

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7. Fair value of financial instruments

The Bank's financial instruments comprise cash and short term placements with banks, monetary gold, due from international financial institutions, investment securities, loans granted to banks and individuals, national currency issued into circulation, due to banks and to the Government of the Republic of Moldova, certificates issued by the National Bank of Moldova, due to international financial institutions, as well as other financial assets and other financial liabilities.

The Bank's financial assets are measured at fair value, except for the cash and short-term placements with banks, due to international financial institutions, loans granted to banks and individuals and investment securities held-to-maturity, which are measured at amortized cost. Financial liabilities are measured at amortized cost.

The carrying amount and fair value of financial assets and liabilities is presented in the table below:

| | At fair value through profit and loss | Held-to- maturity | Loans and receivables | Available for Sale | Other at amortized cost | Total | Fair Value |
|--|---|----------------------|--------------------------|-----------------------|-------------------------------|-------------------|-------------------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| 30 June 2014 | | | | | | | |
| Assets | | | | | | | |
| Cash and short-term placements with banks | - | - | 13,402,380 | - | - | 13,402,380 | 13,402,380 |
| Monetary gold | - | - | - | 43,940 | - | 43,940 | 43,940 |
| Due from international financial institutions | - | - | 2,831,084 | - | - | 2,831,084 | 2,831,084 |
| Securities issued by the Government of the Republic of Moldova | - | - | - | 2,076,808 | - | 2,076,808 | 2,076,808 |
| Loans granted to banks and individuals | - | - | 237,030 | - | - | 237,030 | 237,030 |
| Investment securities | | | | | | | |
| At fair value | 17,344,194 | - | - | - | - | 17,344,194 | 17,344,194 |
| At amortized cost | - | 7,471,699 | - | - | - | 7,471,699 | 7,714,713 |
| Other assets | - | - | 32,592 | - | - | 32,592 | 32,592 |
| Total financial assets | 17,344,194 | 7,471,699 | 16,503,086 | 2,120,748 | - | 43,439,727 | 43,682,741 |
| Liabilities | | | | | | | |
| National currency issued into circulation | - | - | - | - | 19,422,978 | 19,422,978 | 19,422,978 |
| Due to the Government of the Republic of Moldova | - | - | - | - | 2,350,348 | 2,350,348 | 2,350,348 |
| Due to banks | - | - | - | - | 6,681,475 | 6,681,475 | 6,681,475 |
| Certificates issued by the National Bank of Moldova | - | - | - | - | 1,233,940 | 1,233,940 | 1,233,940 |
| Due to international financial institutions | - | - | - | - | 8,743,649 | 8,743,649 | 8,743,649 |
| Other liabilities | - | - | - | - | 45,693 | 45,693 | 45,693 |
| Total financial liabilities | - | - | - | - | 38,478,083 | 38,478,083 | 38,478,083 |

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7. Fair value of financial instruments (continued)

| | At fair value through profit and loss | Held-to- maturity | Loans and receivables | Available for Sale | Other at amortized cost | Total | Fair Value |
|--|---|----------------------|--------------------------|-----------------------|-------------------------------|-------------------|-------------------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| 31 December 2013 | | | | | | | |
| Assets | | | | | | | |
| Cash and short-term placements with banks | - | - | 12,563,296 | - | - | 12,563,296 | 12,563,296 |
| Monetary gold | - | - | - | 37,392 | - | 37,392 | 37,392 |
| Due from international financial institutions | - | - | 2,563,064 | - | - | 2,563,064 | 2,563,064 |
| Securities issued by the Government of the Republic of Moldova | - | - | - | 2,079,360 | - | 2,079,360 | 2,079,360 |
| Loans granted to banks and individuals | - | - | 281,423 | - | - | 281,423 | 281,423 |
| Investment securities | | | | | | | |
| At fair value | 16,944,663 | - | - | - | - | 16,944,663 | 16,944,663 |
| At amortized cost | - | 7,223,120 | - | - | - | 7,223,120 | 7,245,390 |
| Other assets | - | - | 909 | - | - | 909 | 909 |
| Total financial assets | 16,944,663 | 7,223,120 | 15,408,692 | 2,116,752 | - | 41,693,227 | 41,715,497 |
| Liabilities | | | | | | | |
| National currency issued into circulation | - | - | - | - | 19,044,895 | 19,044,895 | 19,044,895 |
| Due to the Government of the Republic of Moldova | - | - | - | - | 1,641,481 | 1,641,481 | 1,641,481 |
| Due to banks | - | - | - | - | 7,029,497 | 7,029,497 | 7,029,497 |
| Certificates issued by the National Bank of Moldova | - | - | - | - | 2,602,671 | 2,602,671 | 2,602,671 |
| Due to international financial institutions | - | - | - | - | 8,299,036 | 8,299,036 | 8,299,036 |
| Other liabilities | - | - | - | - | 312,878 | 312,878 | 312,878 |
| Total financial liabilities | - | - | - | - | 38,930,458 | 38,930,458 | 38,930,458 |

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7. Fair value of financial instruments (continued)

Hierarchy of the fair value of the financial instruments

The table below presents the financial instruments measured at fair value, subsequent to the initial recognition, classified in levels from 1 to 3 according to the valuation method used.

| 30 June 2014 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|--------------------------|-------------------------|-----------------|--------------------------|
| | <u>MDL'000</u> | <u>MDL'000</u> | <u>MDL'000</u> | <u>MDL'000</u> |
| Monetary gold | 43,940 | - | - | 43,940 |
| Securities in foreign currency measured at fair value through profit or loss | 17,344,194 | - | - | 17,344,194 |
| Securities issued by the Government of the Republic of Moldova | - | 2,076,808 | - | 2,076,808 |
| Total | <u>17,388,134</u> | <u>2,076,808</u> | <u>-</u> | <u>19,464,942</u> |
| 31 December 2013 | | | | |
| Monetary gold | 37,392 | - | - | 37,392 |
| Securities in foreign currency measured at fair value through profit or loss | 16,944,663 | - | - | 16,944,663 |
| Securities issued by the Government of the Republic of Moldova | - | 2,079,360 | - | 2,079,360 |
| Total | <u>16,982,055</u> | <u>2,079,360</u> | <u>-</u> | <u>19,061,415</u> |

The valuation methods and techniques used for determination of the fair value remained the same as in the previous reporting period and there were no reclassifications of financial instruments between levels of the fair value hierarchy.

Following the analysis performed, the Bank's management believes that given the short-term of placements with banks, the specific nature and scope of loans and receivables, as well as the lack of active market for the quota of the Republic of Moldova at IMF that is not measured at fair value in Financial Statements, the fair value of the respective financial instruments is not significantly different from the amount recorded in the Balance Sheet.

In addition, the management believes that the value of Bank's liabilities recorded on the Balance Sheet approximate their fair value due to their short-term placement period or due to the type of specific transactions performed by a central bank, and for which there was no distinct active market or valuation models to reliably estimate their fair value.

All financial instruments that are not measured at fair value in the Balance Sheet falls in Level 2 of the fair value hierarchy, except for the held-to-maturity investment securities classified in Level 1 of the fair value hierarchy.

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8. Property, equipment and intangible assets

| | Buildings | Equipment | Property and equipment in progress | Intangible assets | Intangible assets in progress | Total |
|---------------------------------|------------------|------------------|---|--------------------------|--------------------------------------|----------------|
| | MII LEI | MII LEI | MII LEI | MII LEI | MII LEI | MII LEI |
| Cost | | | | | | |
| As at 1 January 2014 | 36,496 | 81,217 | 4,304 | 51,831 | 2,501 | 176,349 |
| Additions | 43 | 1,770 | 616 | - | 89 | 2,518 |
| Transfers | - | 1,136 | (1,136) | 115 | (115) | - |
| Disposals | - | (2,090) | - | (88) | - | (2,178) |
| As at 30 June 2014 | 36,539 | 82,033 | 3,784 | 51,858 | 2,475 | 176,689 |
| Accumulated amortization | | | | | | |
| As at 1 January 2014 | 25,287 | 71,912 | - | 31,074 | - | 128,273 |
| Charge for the period | 501 | 1,962 | - | 2,552 | - | 5,015 |
| Charge for disposals | - | (2,090) | - | (88) | - | (2,178) |
| As at 30 June 2014 | 25,788 | 71,784 | - | 33,538 | - | 131,110 |
| Carrying value | | | | | | |
| As at 1 January 2014 | 11,209 | 9,305 | 4,304 | 20,757 | 2,501 | 48,076 |
| As at 30 June 2014 | 10,751 | 10,249 | 3,784 | 18,320 | 2,475 | 45,579 |

| | Buildings | Equipment | Property and equipment in progress | Intangible assets | Intangible assets in progress | Total |
|---------------------------------|------------------|------------------|---|--------------------------|--------------------------------------|----------------|
| | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 | MDL'000 |
| Cost | | | | | | |
| As at 1 January 2013 | 36,420 | 77,140 | 4,831 | 38,059 | 2,863 | 159,313 |
| Additions | 76 | 2,967 | 4,291 | 10,956 | 2,500 | 20,790 |
| Transfers | - | 4,836 | (4,818) | 2,862 | (2,862) | 18 |
| Disposals | - | (3,726) | - | (46) | - | (3,772) |
| As at 31 December 2013 | 36,496 | 81,217 | 4,304 | 51,831 | 2,501 | 176,349 |
| Accumulated amortization | | | | | | |
| As at 1 January 2013 | 24,302 | 72,132 | - | 27,135 | - | 123,569 |
| Charge for the period | 985 | 3,506 | - | 3,985 | - | 8,476 |
| Charge for disposals | - | (3,726) | - | (46) | - | (3,772) |
| As at 31 December 2013 | 25,287 | 71,912 | - | 31,074 | - | 128,273 |
| Carrying value | | | | | | |
| As at 1 January 2013 | 12,118 | 5,008 | 4,831 | 10,924 | 2,863 | 35,744 |
| As at 31 December 2013 | 11,209 | 9,305 | 4,304 | 20,757 | 2,501 | 48,076 |

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9. Other assets

| | 30 June 2014 | 31 December 2013 |
|--|-------------------------|-----------------------------|
| | MDL'000 | MDL'000 |
| Prepaid expenses | 641 | 1,260 |
| Other receivables | 3,334 | 909 |
| Advance paid for national currency production | 29,258 | - |
| Inventories | 1,168 | 918 |
| Goods and materials administered | 893 | 808 |
| Subtotal | 35,294 | 3,895 |
| Less: Provision for slow moving inventory and doubtful receivables | (61) | (61) |
| | 35,233 | 3,834 |

10. Due to the Government of the Republic of Moldova

| | 30 June 2014 | 31 December 2013 |
|---|-------------------------|-----------------------------|
| | MDL'000 | MDL'000 |
| Demand deposits of the Ministry of Finance | 1,904,240 | 1,602,072 |
| Term deposits of the Ministry of Finance | 30,086 | - |
| Amounts in foreign currency of the Ministry of Finance | 391,497 | 1,082 |
| Other accounts of the Government of the Republic of Moldova | 24,525 | 38,327 |
| | 2,350,348 | 1,641,481 |

The interest rate paid by the Bank on the demand deposits of the Ministry of Finance is determined based on the average interest rate of the banking system available for the last three months, for interest bearing demand deposits of legal entities in MDL. The weighted average interest rate on demand deposits accepted from the Ministry of Finance as at 30 June 2014 is of 1.86% (as at 31 December 2013: 1.71%).

For the term deposits accepted from the Ministry of Finance the Bank pays an interest rate computed based on the base rate set by the Bank for the main short term monetary policy operations, regardless of the deposit term, rate that is floating through the term of the deposit contract. The weighted average interest rate on term deposits accepted from the Ministry of Finance as at 30 June 2014 is of 3.50% (as at 31 December 2013: the balance was 0).

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11. Due to banks

| | 30 June 2014 | 31 December 2013 |
|---|-------------------------|-----------------------------|
| | MDL'000 | MDL'000 |
| Current accounts of banks, including mandatory reserves | 6,646,475 | 6,901,495 |
| Deposits from licensed banks denominated in national currency | 35,000 | 128,002 |
| | <u>6,681,475</u> | <u>7,029,497</u> |

Due to banks, including mandatory reserves, are the amounts placed on the Loro accounts of the resident banks, of the resident banks under the liquidation process, of the resident banks under the insolvency process, as well as the banks' mandatory reserves, held at the Bank in Moldovan Leu, USD and Euro.

According to the requirements of the mandatory reserves regime established by the Bank, as at 30 June 2014, banks are required to maintain mandatory reserves in Moldovan lei and in foreign currencies (US Dollars and Euro) at 14% (as at 31 December 2013: 14%) of the base, represented by the banks' attracted funds in corresponding currencies. The mandatory reserves in Moldovan Leu are maintained in average by banks on Loro accounts opened with the Bank during the maintenance period or on the account of mandatory reserves in national currency opened with the Bank. The mandatory reserves in foreign currency are registered in the Bank's accounting records, in the mandatory reserves in foreign currency account and are placed in the Bank's Nostro accounts with foreign banks.

According to article 17 of the *Law on National Bank of Moldova*, mandatory reserve balances that exceed 5% of attracted funds, are remunerated by the Bank as follows: for mandatory reserves in Moldovan lei by applying the current month average interest rate for overnight deposits of the Bank, and for the mandatory reserves in foreign currency (USD and Euro) – the average interest rate on interest bearing demand deposits in foreign currency attracted by banks, measured on a monthly basis by the Bank based on monthly reports presented by the banks in respect of the average interest rate on deposits attracted by banks.

The deposits denominated in the national currency, held by licensed banks, comprise of overnight deposits of banks placed with the Bank and the related interest accrued for the respective deposits. The interest rate on overnight deposits of the banks as at 30 June 2014 is of 0.50% (as at 31 December 2013 – 0.50%).

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12. Other liabilities

| | 30 June 2014 | 31 December 2013 |
|---|-------------------------|-----------------------------|
| | <u>MDL'000</u> | <u>MDL'000</u> |
| Due to the State Budget for profit distribution | - | 125,040 |
| Due to other entities | 45,167 | 146,956 |
| Due to personnel | 71 | 8,946 |
| Other liabilities | 462 | 31,944 |
| | <u>45,700</u> | <u>312,886</u> |

13. Interest income

| | 30 June 2014 | 30 June 2013 |
|--|-----------------------|-----------------------|
| | <u>MDL'000</u> | <u>MDL'000</u> |
| Interest income from short-term placements: | | |
| Interests from term deposits with foreign banks | 16,387 | 13,920 |
| Interests from overnight deposits | 146 | 189 |
| Interests from cash and cash equivalents | 17 | 45 |
| | <u>16,550</u> | <u>14,154</u> |
| Income from interest on securities: | | |
| Interest from securities in foreign currency measured at fair value | 74,631 | 67,509 |
| Interest from securities in foreign currency held-to-maturity | 82,105 | 61,195 |
| Amortization of the discount on the securities issued by the Government of the Republic of Moldova | 46,169 | 45,954 |
| | <u>202,905</u> | <u>174,658</u> |
| Income from interest on the loans granted and REPO: | | |
| Interests from loans granted to the banks and REPO | 1,847 | 331 |
| Interests from loans granted to the employees | 69 | 55 |
| | <u>1,916</u> | <u>386</u> |
| | <u>221,371</u> | <u>189,198</u> |

The average interest rate on state securities held in the Bank's portfolio during the first semester of 2014 was 4.60% (average interest rate during the first semester of 2013: 4.37%).

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14. Interest expense

| | <u>30 June 2014</u> | <u>30 June 2013</u> |
|--|---------------------|---------------------|
| | <u>MDL'000</u> | <u>MDL'000</u> |
| Interest expense for loans received: | | |
| Interests on the loans received from the International Monetary Fund | 17,407 | 14,886 |
| | <u>17,407</u> | <u>14,886</u> |
| Interest expense on cash and cash equivalents: | | |
| Interests on the mandatory reserves | 11,793 | 14,931 |
| Interests on the deposits accepted from banks | 554 | 1,452 |
| Interests on the deposits accepted from the Ministry of Finance | 11,861 | 14,156 |
| Interests on Forward transactions | 1,139 | 952 |
| | <u>25,347</u> | <u>31,491</u> |
| Interest expense on the operations with securities and REPO: | | |
| The amortization of the discount to the certificates of the National Bank of Moldova | 41,386 | 88,733 |
| | <u>41,386</u> | <u>88,733</u> |
| | <u>84,140</u> | <u>135,110</u> |

The average daily balance of the Bank's certificates during the first semester of 2014 amounted to MDL 2,386 million (during the first semester of 2013: MDL 4,248 million). The average interest rate on Bank's certificates issued during the first semester of 2014 was of 3.50% (during the first semester of 2013: 4.19%).

15. Gains from foreign exchange transactions and foreign exchange rate differences

| | <u>30 June 2014</u> | <u>30 June 2013</u> |
|---|---------------------|---------------------|
| | <u>MDL'000</u> | <u>MDL'000</u> |
| Foreign exchange rate difference from reevaluation of foreign currency stocks | 1,841,979 | 560,264 |
| Realized gains from transactions in foreign currency | 200,360 | 67,168 |
| | <u>2,042,339</u> | <u>627,432</u> |

Foreign exchange rate differences from revaluation of foreign currency stocks arise from the daily revaluation of foreign currency stocks, due to changes in official exchange rate against foreign currencies forming the currency stocks and from revaluation of IMF accounts. At the year end, unrealized gains are transferred to the reserve of unrealized foreign exchange gains from foreign currency stocks' revaluation. This reserve can be used only to cover some potential unrealized losses from the revaluation of foreign currency stocks.

Realized gains arise from the sale of foreign currencies and represent the positive difference between sell exchange rate and the cost of currency stock (or the average exchange rate of the purchased currency) multiplied to the sales volume. During the first semester of 2014 the gains on foreign exchange were generated mainly by the positive difference between the sell exchange rates and cost of currency stock and by conversion operations (currency arbitrage).

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16. Gains /(losses) from the revaluation of securities

| | 30 June 2014 | 30 June 2013 |
|--|---------------------|---------------------|
| | MDL'000 | MDL'000 |
| Difference from the revaluation of securities in foreign currency | 34,161 | (65,809) |
| Net gains /(losses) from revaluation of securities in foreign currency | 4,047 | (779) |
| | 38,208 | (66,588) |

Difference from the reevaluation of securities in foreign currency measured at fair value through profit or loss represent unrealized gains which were generated by the increase in price in international financial markets, as a consequence of the insignificant decrease in interest rates during the first 6 months of the current year. At the end of the year, unrealized gains are transferred to the reserve of unrealized gains on revaluation of investment securities. This reserve can be used only to cover some potential unrealized losses from the revaluation of securities in foreign currency. As at 30 June 2014 the reserve of unrealized gains on revaluation of investment securities was of MDL 227,835 thousand.

17. Operational expenses

| | 30 June 2014 | 30 June 2013 |
|---|---------------------|---------------------|
| | MDL'000 | MDL'000 |
| Personnel expenses | 24,435 | 21,524 |
| Expenses related to information, advisory and audit services | 6,769 | 6,227 |
| Expenses related to amortization of property, equipment and intangible assets | 5,015 | 3,880 |
| Buildings, transport and equipment maintenance expenses | 2,235 | 2,040 |
| Expenses with fees and commissions | 309 | 418 |
| Expenses related to national currency | 61 | 29,257 |
| Other operating expenses | 2,425 | 2,032 |
| | 41,249 | 65,378 |

The personnel expenses include also the mandatory state social insurance contributions in amount of MDL 4,270 thousand and the mandatory medical insurance contributions in amount of MDL 726 thousand (as at 30 June 2013: MDL 3,762 thousand and MDL 560 thousand respectively).

As at 30 June 2014 the number of available positions within the Bank was of 477 units (as at 30 June 2013 – 474 units).

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18. Related parties

As at 30 June 2014 the remuneration of the Bank’s management, including middle management amounted to MDL 4,711 thousand (as at 30 June 2013: MDL 3,669 thousand).

During the same period, the expenses with the mandatory state social insurance and the mandatory medical insurance contributions related to the Bank’s management, including the middle management, amounted to MDL 1,069 thousand and MDL 179 thousand, respectively (as at 30 June 2013: MDL 836 thousand and MDL 124 thousand respectively).

The Bank grants loans to its employees. The table below represents the movement of the loans granted and the balance of the loans granted to the management of the Bank, including middle management:

| | Balance as at 1 January | Loans granted | Reimburse- ments | Balance as at 31 December /30 June |
|------|--|--------------------------|-----------------------------|---|
| | MDL’000 | MDL’000 | MDL’000 | MDL’000 |
| 2013 | 5,029 | 1,050 | (784) | 5,295 |
| 2014 | 5,295 | 1,515 | (589) | 6,221 |

The loans are granted to the management at the same interest rates as charged to all Bank’s employees in accordance with the Bank’s internal regulations. These loans are secured with collateral provided by each beneficiary, the amount of which as at 30 June 2014 constituted MDL 9,491 thousand (as at 31 December 2013: MDL 8,358 thousand).

As at 30 June 2014, these loans were classified as standard and therefore not requiring any allowance for impairment losses.

Considering article 1 of the *Law on the National Bank of Moldova*, which expressly stipulates that the Bank is an autonomous public legal entity responsible to the Parliament, the Government and any government related entities are not considered related parties of the Bank.

19. Commitments and contingent liabilities

Promissory notes issued

As at 30 June 2014 the value of the promissory note issued by the Bank for the International Monetary Fund to secure the loans received within EFF facility amounted to MDL 3,231,154 thousand (as at 31 December 2013: MDL 3,000,976 thousand).

On 11 May 2012 the Parliament adopted the *Law for the increase of the Republic of Moldova’s quota in the International Monetary Fund*, according to which was approved the increase of the Republic of Moldova’s quota to the International Monetary Fund from XDR 123,2 million to XDR 172,5 million. The arisen obligations and the necessary measures to be taken, in order to ensure the increase of the Republic of Moldova’s Quota to the International Monetary Fund were delegated to the National Bank, based on its statute of agent of the Republic of Moldova.

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19. Commitments and contingent liabilities (continued)

Promissory notes issued (continued)

As at 30 June 2014, the decision to increase the Moldova's quota has not been enforced, given that all the necessary conditions were not met for the entry into force of the corresponding Decision of the International Monetary Fund.

Investment commitments

As at 30 June 2014 within the external management program of reserves the World Bank has concluded 8 transactions, 3 of which are purchases of total nominal value amounting to USD 15,7 million and 5 sales with nominal value of USD 14,4 million, value date of all transactions being 1 July 2014.

Loan commitments

As at 30 June 2014 (as well as at 31 December 2013) there were no loan commitments.

As at 30 June 2014 (as well as at 31 December 2013) there was no debt with expired limitation period.

Capital commitments

In accordance with the contracts in force as at 30 June 2014 the Bank is committed to settle during the next years its financial obligations regarding the payment for some acquisitions related to the Bank's activity amounting to EUR 3,812 thousand or about MDL 72,730 thousand (as at 31 December 2013: around EUR 341 thousand, or about MDL 6,122 thousand).

Litigations and contingent liabilities

As at 30 June 2014, the Bank was involved in 13 lawsuits against it, in 9 of which the Bank participates as a defendant and in 4 - as an accessory intervenor.

As at 30 June 2014 (as well as at 31 December 2013), the Bank did not record any provisions for litigations, as the Bank considered that there were not sufficient evidence regarding any related possible future outflows of economic resources.

20. Subsequent events

No significant subsequent events occurred after the Balance Sheet date.