
BC ENERGBANK SA

**Financial Statements
For the Year Ended 31 December 2007**

**Prepared in Accordance with
National Accounting Standards**

BC ENERGBANK SA
FINANCIAL STATEMENTS
For the Year Ended 31 December 2007

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BC ENERGBANK SA
BALANCE SHEET
As at 31 December 2007

	Note	2007 MDL'000	2006 MDL'000
Assets			
Cash on hand	10	79,172	50,216
Current accounts and deposits with banks	11	73,878	24,031
Balances with National Bank	12	109,773	54,823
Overnight placements	13	5,714	13,327
Investment securities	14	56,185	33,649
Loans and receivables on financial leasing	15	613,630	429,192
Property and equipment, net	16	78,442	46,828
Accrued interest receivable	17	5,785	4,416
Other property		4	366
Other assets	18	35,948	23,226
Total assets		1,058,531	680,074
Liabilities			
<i>Non-interest bearing deposits:</i>			
Banks		823	219
Individuals		1,275	1,011
Enterprises		166,519	135,732
Total non-interest bearing deposits		168,617	136,962
<i>Interest bearing deposits:</i>			
Banks		76,694	3,226
Individuals		441,645	306,139
Enterprises		90,770	35,819
Total interest bearing deposits		609,109	345,184
Total deposits	19	777,726	482,146
Overnight borrowings	20	3,000	-
Other borrowings	20	56,550	26,039
Accrued interest payable	21	8,277	7,010
Other liabilities	22	27,916	26,707
Provision for losses on conditional engagements	32	2,094	-
Total liabilities		875,563	541,902

BC ENERGBANK SA
BALANCE SHEET
As at 31 December 2007

	Note	2007	2006
		MDL'000	MDL'000
SHAREHOLDERS' EQUITY			
Ordinary shares	24	80,000	80,000
Share premium		5,360	4,376
General reserve		12,236	2,863
Retained earnings		85,372	50,933
Total shareholders' equity		182,968	138,172
Total liabilities and shareholders' equity		1,058,531	680,074

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

The financial statements were authorized for issue on 31 March 2008 by the Executives of the Bank represented by:

President of the Administration Board of the Bank
Iurii Vasilachi

Chief Accountant
Serghei Slobodean

BC ENERGBANK SA
INCOME STATEMENT
For the Year Ended 31 December 2007

	Note	2007 MDL'000	2006 MDL'000
<i>Interest income</i>			
Interest income on loans to banks		1,572	1,205
Interest income on overnights		643	326
Interest income on investment securities		6,467	1,743
Interest income on loans to customers		77,070	58,174
Total interest income		85,752	61,448
<i>Interest expense</i>			
Interest expense on deposits from banks		(2,252)	(146)
Interest expense on deposits from individuals		(36,624)	(27,416)
Interest expense on deposits from enterprises		(5,011)	(2,721)
Total interest expense on deposits		(43,887)	(30,283)
Interest expense on overnights		(306)	(443)
Interest expense on other borrowings		(2,586)	(1,369)
Total interest expense on borrowings		(2,892)	(1,812)
Total interest expense		(46,779)	(32,095)
Net interest income		38,973	29,353
Less: Impairment losses on interest bearing assets		(3,844)	(8,829)
Net interest income, less impairment on asset losses		35,129	20,524
<i>Non-interest income</i>			
Non-interest income on investment securities		-	154
Income from FX transactions	26	25,170	15,472
Commission income	27	35,719	26,292
Other non-interest income		2,513	2,361
Total non-interest income		63,402	44,279
<i>Non-interest expenses</i>			
Salaries		(12,497)	(9,909)
Bonuses		(10,742)	(7,681)
Social insurance contributions		(8,063)	(6,230)
Expenses related to fixed assets	28	(8,243)	(6,985)
Taxes and fees		(96)	(81)
Audit and consulting		(359)	(336)
Other non-interest expenses	29	(13,541)	(10,202)
Allowances for losses on non-interest bearing assets		(628)	-
Allowances on conditional engagements		(2,094)	-
Total non-interest expenses		(56,263)	(41,424)
Operating profit before tax		42,268	23,379

BC ENERGBANK SA
INCOME STATEMENT
For the Year Ended 31 December 2007

	Note	2007	2006
		MDL'000	MDL'000
Operating profit before tax (continued)		42,268	23,379
Income tax expense	23	(6,362)	(3,704)
Net profit for the year		35,906	19,675

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

The financial statements were authorized for issue on 31 March 2008 by the Executives of the Bank represented by:

President of the Administration Board of the Bank
Iurii Vasilachi

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Serghei Slobodean

BC ENERGBANK SA
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Year Ended 31 December 2007

	Notes	2007 MDL'000	2006 MDL'000
Share capital			
	24		
Balance as at 1 January		80,000	80,000
Shares issued		-	-
Recovered shares		-	-
Balance as at 31 December		80,000	80,000
Share premium			
Balance as at 1 January		4,376	3,563
Recovered shares		984	813
Balance as at 31 December		5,360	4,376
Reserve capital			
Balance as at 1 January		2,863	993
Revaluation of fixed assets		9,373	1,870
Balance as at 31 December		12,236	2,863
Retained earnings			
Balance as at 1 January		50,933	34,282
Net profit for the year		35,906	19,675
Allocations to Bank's fund		(1,467)	(1,312)
Dividends		-	(1,712)
Balance as at 31 December		85,372	50,933
Total shareholders' equity		182,968	138,172

In accordance with local legislation, 5% out of Bank's net income must be allocated to the reserve capital until this reserve represents 15% out of Bank's share equity. Reserve capital can not be distributed to the shareholders. As of 31 December 2007 reserve capital the capital was competed at 6.7% (2006: 5.5%).

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

BC ENERGBANK SA
CASH FLOW STATEMENT
For the Year Ended 31 December 2007

	Notes	2007 MDL'000	2006 MDL'000
Cash flows from operating activities			
Interest receipts		119,864	85,310
Interest payments		(43,844)	(32,685)
Proceeds from loans previously written off		8,904	-
Other income		31,794	17,915
Payments to employees and social contributions		(31,501)	(24,339)
Payments to suppliers and entrepreneurs		(18,628)	(8,646)
Net cash from operating profit before changes in operating assets and liabilities		66,589	37,555
<i>Increase /(decrease) in operating assets:</i>			
Placements in banks		(14,925)	1,277
Placements in NBM		(25,806)	(6,054)
Loans to customers		(179,848)	(126,401)
Proceeds from disposal of securities		-	594
Purchase of securities		-	(844)
Other assets		(9,574)	(11,652)
<i>Increase / (decrease) in operating liabilities:</i>			
Due to customers		221,507	108,592
Due to banks		94,304	(12,987)
Other liabilities		349	19,064
Net cash from operating activities before income tax		152,596	9,144
Income tax paid		(5,500)	(4,428)
Net cash flow from operating activities		147,096	4,716
Cash flow from investing activities			
Loans to customers		(2,369)	(695)
Purchase of investment securities		(22,580)	(2,098)
Proceeds from disposal of property and equipment		132	174
Purchases of property and equipment		(28,713)	(14,605)
Purchases of intangible assets		(501)	(152)
Dividends received		239	-
Net cash used in investing activities		(53,792)	(17,376)
Cash flow from financing activities			
Proceeds from long term loans		13,279	17,666
Dividends paid		-	(1,712)
Interest paid		(1,668)	(529)
Net cash (used) / from financing activities		11,611	15,425
Unrealized foreign exchange gain		(4,107)	71
Net increase in cash and cash equivalents		100,808	2,836
Balance as at 1 January		122,685	119,849
Balance as at 31 December	25	223,493	122,685

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

1. Corporate information

BC Energbank SA (hereinafter the Bank) was established in the Republic of Moldova in 16 January 1997 as a joint stock society. The Bank acts as commercial and savings Bank, offering a large spectrum of services to all categories of clients, through its central headquarter, 19 branches and 46 representative offices (2006: 19 branches and 38 representative offices).

At year-end 2007 the Bank possessed a type “B” license granted by the National Bank of Moldova, which allows the Bank to engage in all banking activities, except subscription and placement services of securities and shares and investment administration services.

The Bank has 566 employees as at 31 December 2007 (505 as at 31 December 2006).

The registered office of the Bank is located at 78 V. Alecsandri Street, Chisinau, Republic of Moldova.

The Board of Directors formulates policies for the operation of the Bank and supervises their implementation. The Board is composed of 7 members appointed by the General Meeting of Shareholders.

As at 31 December 2007 the Board of Directors comprised the following members:

- Mr. Vladimir Tonciuc, Chairman of the Board;;
- Mr. Mihail Ogorodnicov, , Vice-Chairman of the Board;
- Mr. Valeriu Usatii, Energoimpex, member of the Board;
- Mrs. Silvia Radu, member of the Board;
- Mrs. Natalia Cecetova, Gamaiun SRL, member of the Board;
- Mrs. Maximenco Galina, member of the Board;
- Mr. Ivan Dihteari, Dnestrenergo C.S., member of the Board.

As the Bank’s operations do not have significantly different risks and returns and the regulatory environment, the nature of its services, the business process, as well as the types of customers for the products and services and the methods used to provide the services are homogenous for all Bank’s activities, the Bank operates as a single business segment unit.

2. Basis of presentation

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

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

The financial statements are presented in Moldovan lei ("MDL"), the currency of the country in which the Bank operates. Financial statements are prepared under the historic cost convention, modified as the result of the revaluation of some assets and financial liabilities.

3. Significant accounting policies

a. Basis of accounting

Individual financial statements are prepared in conformity with National Accounting Standards (NAS) approved by the Ministry of Finance and NBM Instructions.

b. Foreign currency translation

Foreign currency transactions are recorded at the exchange rate of the date of transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate. The year end and average rates for the period were:

	2007		2006	
	USD	Euro	USD	Euro
Average for the period	12.1362	16.5986	13.1319	16.4918
Year end	11.3192	16.6437	12.9050	16.9740

Exchange differences arising on the settlement of the transactions at rates different from those at the date of the transaction, and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in the income statement.

c. Interest income and expenses

Interest income and expenses for all interest bearing financial instruments are recognized in the income statement using the accrual method. Interest on loans is suspended in case when the overdue is more than 60 days and are excluded from interest income until they are written off. Interest income includes interest from investment securities with fixed income and amortized discounts on state securities.

d. Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, unrestricted balances with National Bank of Moldova, state securities, short-term placements in other banks and receivables from international money transfer systems with an original maturity of three months or less.

e. State securities

State securities are issued by the Ministry of Finance of the Republic of Moldova and are registered at cost plus amortized discount. All interest incomes and earnings / losses realized or unrealized within state securities transactions are included at interest income.

3. Significant accounting policies (continued)

f. REPO agreements

REPO operations are considered as financing operations with guarantees. Securities sold with a simultaneous commitment to repurchase are recognized as liabilities. The liability for amounts received under these agreements is included in loans and receivables on financial leasing. Interest income and expenses are calculated within the validity of REPO agreements.

g. Held for trading securities

Held for trading securities are initially recognized at fair value. All realized or unrealized gains and losses from transactions with securities are recorded as trading income. Interest income on trading securities is included in interest income. Dividends received are included separately in dividend income.

h. Investments securities

Investment securities are securities that the management has positive intention to hold to maturity and are recorded at nominal value, adjusted with the non-amortized value of bonus or discount. Interest income on investment securities is reported as interest income. A decrease in the market value is considered only when it is considered to be irreversible. Investment securities include state securities issued by the Ministry of Finance of the Republic of Moldova.

i. Investment in other companies

Investments are the long term shares held in other companies and are presented at the cost less impairment provision.

The dividends received are included in dividend income.

j. Property and equipment

Property and equipment are stated at cost less accumulated depreciation.

Building and the land were revaluated in December 2007 by independent evaluators:

Print-Imobil SRL
131 Columna Street
Chisinau, Republic of Moldova.

Income or losses on sales/write-off of the buildings, equipment are determined by their accounting value and the expenses towards their sale or write-off.

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

Fixed Assets	Years
Buildings	75
Equipment and furniture	2-10
Computers	7
Vehicles	7
Other	20

Land is not depreciated. Assets under construction are not depreciated until they are brought in use.

3. Significant accounting policies (continued)

k. Loans, loans impairments and other credit risks

Loans are presented at their nominal cost, less credit impairments.

Loans impairments (risk fund) are estimated by the management to cover loans portfolio impairments as well as for losses at compromised loans. The amount for loans impairments is established according to the quality estimation of loans recovery within the portfolio. When the loan is considered irrecoverable, it is withdrawn from risk fund account.

Accrued credit interest is considered as income for credit existing period. In case the reimbursement of the loan and its interest delays with 60 or even more days, the loans is classified as nonperforming and loan income is not recognized and the overdue income interest is registered at memorandum account.

l. Leases

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

m. Income tax

Current tax assets and liabilities are measured based on the stipulations of Fiscal Code approved by the Parliament of the Republic of Moldova, dated 24 April 1997 and the Law on Budget for the reporting period.

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, as well as on carry forward unused tax losses.

According to the fiscal legislation, the income tax for the legal entities for the year 2007 constituted 15% (2006: 15%).

n. Advertising expenses

The advertising expenses are recognized when they were carried out.

o. Provisions

Provisions and legal claims are recognized when the Bank has a present legal or constructive obligation to transfer economic benefits as a result of past events and the amounts are reliably estimated.

3. Significant accounting policies (continued)

p. Changes in accounting policies and presentation

The Bank made certain reclassifications within the of cash flows statement for the year ended 31 December 2006 to conform to the 2007 presentation, disclosing the cash flow on long-term loans received from other creditors within financing activities instead of operating activities. The management of the Bank is of the opinion that the new disclosure is more representative than the previous one. The corresponding figures have been adjusted to confirm to the presentation of the current period amounts. The effect of the reclassification is as follows:

	As previously reported	Reclassification	Adjusted
Cash flow from financing activities			
Net increase in due to banks	4,679	(17,666)	(12,987)
Interest payments	(33,214)	529	(32,685)
Cash flow from operating activities			
Net increase in other borrowed funds	-	17,666	17,666
Interest paid	-	(529)	(529)

4. Crediting activity

The Bank's crediting activity is performed according to the Law on financial institutions and is regulated by the Regulation on bank's crediting activity, dated 25 December 1997.

The Bank elaborated its internal policy, regulations and loan procedures, that describe the process and crediting limits.

Each loan granted by the Bank is included in one of the following five categories, the necessary amount for provisions for loan impairments is established applying the following quotes to the remaining balance of assets from each classification category:

<u>Loan category</u>	<u>Rate (%)</u>
Standard	2%
Supervised	5%
Sub-standard	30%
Doubtful	60%
Compromised	100%

According to the Law on financial institutions, the Bank must observe the prudence measures for:

- transactions with related parties;
- "large" loans.

5. Capital adequacy

Capital adequacy is calculated by dividing the Bank's capital to assets, off balance liabilities and other risk weighted items in order to reflect their relative risk.

The Bank calculates the capital adequacy based on the Regulation of National Bank of Moldova on capital adequacy, dated 17 October 2001.

5. Capital adequacy (continued)

Assets are weighted accordingly to the notional credit risk, by applying a risk weight calculated based on the necessary amount of capital that would cover it. There are four categories (0%, 20%, 50% and 100%). For example, cash and money market instruments are weighted at zero rate, i.e. there is no need for capital to cover the risk for those assets. Unsecured loans and non-interest bearing loans, as well as property and equipment are applied with a risk weight of 100%. Other asset categories have an intermediary weight

For the liabilities categorized to the off balance credit items, forward and derivative instruments, different factor categories for risk conversion are applied, they are used to transfer these elements into balance equivalents. Credit equivalent elements are subsequently weighted at credit risk using the same coefficients as for balance assets.

Tier I capital includes ordinary shares into circulation, retained earnings and reserves, less intangible assets.

Tier II capital is zero as of 31 December 2007 (31 December 2006: zero).

6. Liquidity

The liquidity is the capacity of the Bank to ensure at any moment the fulfillment of its commitments and is calculated according to the two principles established by the National Bank of Moldova in the Regulation on bank's liquidity, dated 8 August 1997.

Principle I Long-term liquidity: the Bank's total assets with 2 years maturity and more should not exceed the sum of its corresponding financial resources.

Principle II Current liquidity: liquid assets to total assets ratio must be higher than 20%.

7. Geographical segments

The Bank's geographical concentration of assets and liabilities is set out in the table below:

	2007		2006	
	Total assets	Total liabilities	Total assets	Total liabilities
	MDL'000	MDL'000	MDL'000	MDL'000
Moldova	1,035,594	817,955	645,067	528,997
Other countries	22,937	57,608	35,007	12,905
	1,058,531	875,563	680,074	541,902

The Bank activates only in one corporative business segment, the banking field and its activity are focused exclusively in the Republic of Moldova.

BC ENERGBANK SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2007

8. Fair value of financial assets and liabilities

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

	2007			2006		
	Carrying value MDL'000	Fair value MDL'000	Unrecognized gain / (loss) MDL'000	Carrying value MDL'000	Fair value MDL'000	Unrecognized gain / (loss) MDL'000
Financial assets						
Due to banks	73,878	73,878	-	24,031	24,031	-
Loans and receivables for financial leasing	613,630	610,570	(3,060)	429,192	428,412	(780)
Investment securities	56,185	56,185	-	33,649	33,649	-
Financial liabilities						
Due to banks	77,517	77,517	-	3,445	3,445	-
Other borrowings	56,550	54,376	2,174	26,039	20,194	5,845
Due to customers	700,209	689,745	10,464	478,701	473,312	5,389
Total unrecognized gain			9,578			10,454

Loans and advances to banks

Loans and advances to banks include inter-bank placements and loans. The fair value of floating rate placements and overnight deposits approximates their carrying amount. The estimated fair value of fixed interest bearing placements is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

Securities

Investment securities include only interest-bearing assets held to maturity, as held for trading securities are measured at fair value. Fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Borrowings, including due to other banks and due to customers

The fair value of floating rate borrowings approximates their carrying amount. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

9. Risk management

a. Market risk

The economy of the Republic of Moldova continues to display characteristics of an emerging market. The characteristics include, but are not limited, the presence of a currency which is not convertible outside country's borders, a low liquidity level for the public and individual instruments as well as pf the equity market, and enhanced inflation rate.

Additionally, the financial sector in the Republic of Moldova is vulnerable towards currency fluctuations and economic conditions.

The forecasts for the Republic of Moldova depend on the efficiency of the economic measures undertaken by the Government, together with the development within the legal and regulation framework.

b. Exposure to credit risk

In its lending activity, the Bank is exposed to credit risk, i.e. the risk of non-payment of receivables. It is associated with the Bank's balance sheet accounts – loans granted, interest bearing securities and other off-balance accounts. Credit risk concentration could result in significant losses for the Bank, if significant economic negative factors affect the economy of the Republic of Moldova. The relevant analysis is presented in the corresponding notes and in the table below:

	Notes	2007 MDL'000	2006 MDL'000
Current accounts and deposits with banks	11	73,878	24,031
Balances with National Bank	12	109,773	54,823
Overnight placements	13	5,714	13,327
Investment securities	14	56,185	33,649
Loans and receivables on financial leasing	15	613,630	429,192
Accrued interest receivable	17	5,785	4,416
Other assets	18	35,948	23,226
		900,913	582,664
Letters of credit	32	-	516
Guarantees	32	52,254	14,032
Financing commitments and other	32	107,421	16,081
		159,675	30,629
Total maximum credit risk exposure		1,060,588	613,293

BC ENERGBANK SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2007

9. Risk management (continued)

c. Major Debtors and Creditors

Concentration of net exposure of Nostro accounts and deposits with other banks:

	2007	2006
	MDL'000	MDL'000
<i>Nostro accounts</i>		
BC „Victoriabank” SA	2,759	2,345
Comerzbank AG	14,891	18,292
	17,650	20,637
<i>Deposits</i>		
BC „Banca Comerciala Romana” Chisinau SA	28,600	-
RAIFFEISEN ZENTRALBANK	20,056	-
	48,656	-
	66,306	20,637

Concentration of net exposure as at 31 December 2007 for the first ten debtor clients, presented in groups or individually:

	2007	2006
	MDL'000	MDL'000
„Monicol” SRL	28,700	17,005
SC „Maestro-Nut” SRL	28,456	13,556
„Electrosistem” SA	26,344	14,296
„Produse cerealiere” SA	25,011	19,774
„Octopus-Plus” SRL	23,086	-
„Basarab-Vin” SA	20,101	20,778
„Calacras” SRL	19,000	-
„Alianta-Vin” SRL	17,554	18,025
„Parșe-Tutun” SRL	16,553	12,456
BC „Investprivatbank” SA	16,000	-
	220,805	115,890

BC ENERGBANK SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2007

9. Risk management (continued)

c. Major Debtors and Creditors (continued)

Concentration of the exposure at current and deposit accounts of clients, which exceeds 5% out of own Bank's funds, calculated in accordance with accounting principles of the Republic of Moldova:

	2007	2006
	MDL'000	MDL'000
Hostex Establishmant	36,700	12,905
„Banca Comerciala Romana Chisinau” SA	36,284	-
BC „Mobiasbanca” SA	16,979	-
„Business Clasic” SRL	16,100	-
„I.C.S. S and T MOLD” SRL	12,867	-
BC „Investprivatbank” SA	9,848	-
„Magnic Metal” SRL	-	10,716
„Verilarproiect” SA	-	8,910
„Combustibil Solid” SA	-	8,707
„S.B-Fainex” SRL	-	8,000
	128,778	49,238

d. Currency risk

The Bank complied with opened currency position to the total capital ratio as established by the National Bank of Moldova as at 31 December 2007. Established limits by the National Bank of Moldova were observed.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The tables below summarize the Bank's exposure to foreign currency exchange rate risk as at 31 December 2007 and 31 December 2006. Included in the tables are the Bank's assets and liabilities at carrying amounts, categorized by currency.

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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2007

9. Risk management (continued)

d. Currency risk (continued)

	As of 31 December 2007				
	Total	MDL	USD	EUR	Other
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Assets					
Cash on hand	79,172	31,396	24,805	20,485	2,486
Current accounts and deposits with banks	73,878	28,126	6,263	16,270	23,219
Balances with National Bank	109,773	64,255	18,441	27,077	-
Overnight placements	5,714	-	5,714	-	-
Investment securities	56,185	56,185	-	-	-
Loans and receivables on financial leasing	613,630	344,987	159,166	109,477	-
Property and equipment, net	78,442	78,442	-	-	-
Accrued interest receivable	5,785	4,419	873	493	-
Other property	4	4	-	-	-
Other assets	35,948	10,093	18,842	6,169	844
Total assets	1,058,531	617,907	234,104	179,971	26,549
Liabilities					
Due to banks	77,517	0	52,292	25,225	0
Dues to customers	700,209	422,131	93,119	162,195	22,764
Overnight borrowings	3,000	3,000	-	-	-
Other borrowings	56,550	8,910	38,684	8,956	-
Accrued interest payable	8,277	4,842	1,477	1,844	114
Other liabilities	30,010	7,231	15,924	6,213	642
Total liabilities	875,563	446,114	201,496	204,433	23,520
Gap	182,968	171,793	32,608	(24,462)	3,029

BC ENERGBANK SA
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9. Risk management (continued)

d. Currency risk (continued)

	As of 31 December 2006				
	Total MDL'000	MDL MDL'000	USD MDL'000	EUR MDL'000	Other MDL'000
Assets					
Cash on hand	50,216	21,618	17,770	9,217	1,611
Current accounts and deposits with banks	24,031	-	2,759	19,899	1,373
Balances with National Bank	54,823	35,111	11,933	7,779	-
Overnight placements	13,327	-	13,327	-	-
Investment securities	33,649	33,649	-	-	-
Loans and receivables on financial leasing	429,192	257,974	115,800	55,418	-
Property and equipment, net	46,828	46,828	-	-	-
Accrued interest receivable	4,416	3,349	804	263	-
Other property	366	366	-	-	-
Other assets	23,226	7,123	13,833	2,186	84
Total assets	680,074	406,018	176,226	94,762	3,068
Liabilities					
Due to banks	3,445	-	3,420	25	-
Due to customers	478,701	279,572	120,941	78,090	98
Overnight borrowings	-	-	-	-	-
Other borrowings	26,039	1,519	16,633	7,887	-
Accrued interest payable	7,010	3,658	2,115	1,237	-
Other liabilities	26,707	3,285	18,135	4,953	334
Total liabilities	541,902	288,034	161,244	92,192	432
Gap	138,172	117,984	14,982	2,570	2,636

Other currencies include British Pound, Russian Ruble, Ukrainian Hrivna and Romanian Leu.

e. Interest rate risk

The tables below provide information on the extent of the Bank's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market interest rate before maturity, the next re-pricing date. It is the policy of the Bank to manage its exposure to fluctuations in net interest income arising from changes in interest rates by the degree of re-pricing mismatch in the balance sheet.

BC ENERGBANK SA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2007

As of 31 December 2007

	Total	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Non-interest bearing
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Assets							
Cash on hand	79,172	-	-	-	-	-	79,172
Current accounts and deposits with banks	73,878	36,082	28,600	-	-	-	9,196
Balances with National Bank	109,773	97,775	-	-	-	-	11,998
Overnight placements	5,714	5,714	-	-	-	-	-
Investment securities	56,185	4,472	10,972	38,021	565	-	2,155
Loans and receivables on financial leasing	613,630	39,146	71,811	276,970	207,679	1,305	16,719
Property and equipment, net	78,442	-	-	-	-	-	78,442
Accrued interest receivable	5,785	-	-	-	-	-	5,785
Other property	4	-	-	-	-	-	4
Other assets	35,948	-	-	-	-	-	35,948
Total assets	1,058,531	183,189	111,383	314,991	208,244	1,305	239,419
Liabilities							
Due to banks	77,517	40,410	36,284	-	-	-	823
Due to customers	700,209	50,470	98,121	341,489	33,145	-	176,984
Overnight borrowings	3,000	3,000	-	-	-	-	-
Other borrowings	56,550	1,197	22,210	10,296	19,605	3,242	-
Accrued interest payable	8,277	-	-	-	-	-	8,277
Other liabilities	30,010	-	-	-	-	-	30,010
Total liabilities	875,563	95,077	156,615	351,785	52,750	3,242	216,094
Interest gap	182,968	88,112	(45,232)	(36,794)	155,494	(1,937)	23,325
Cumulative interest gap		88,112	42,880	6,086	161,580	159,643	182,968

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As of 31 December 2006

	Total	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Non-interest bearing
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Assets							
Cash on hand	50,216	50,216	-	-	-	-	-
Current accounts and deposits with banks	24,031	20,618	-	-	-	-	3,413
Balances with National Bank	54,823	33,526	-	-	-	-	21,297
Overnight placements	13,327	13,327	-	-	-	-	-
Investment securities	33,649	5,202	9,054	16,942	252	-	2,199
Loans and receivables on financial leasing	429,192	30,025	64,351	196,436	123,835	-	14,545
Property and equipment, net	46,828	-	-	-	-	-	46,828
Accrued interest receivable	4,416	-	-	-	-	-	4,416
Other property	366	-	-	-	-	-	366
Other assets	23,226	-	-	-	-	-	23,226
Total assets	680,074	152,914	73,405	213,378	124,087	-	116,290
Liabilities							
Due to banks	3,445	3,226	-	-	-	-	219
Due to customers	478,701	37,040	70,806	226,081	6	4	144,764
Overnight borrowings	-	-	-	-	-	-	-
Other borrowings	26,039	428	4,081	5,633	15,897	-	-
Accrued interest payable	7,010	-	-	-	-	-	7,010
Other liabilities	26,707	-	-	-	-	-	26,707
Total liabilities	541,902	40,694	74,887	231,714	15,903	4	178,700
Interest gap	138,172	112,220	(1,482)	(18,336)	108,184	(4)	(62,410)
Cumulative interest gap		112,220	110,738	92,402	200,586	200,582	138,172

BC ENERGBANK SA
NOTES TO THE FINANCIAL STATEMENTS
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9. Risk management (continued)

f. Liquidity risk

The Bank sets limits on the minimum proportion of maturing funds available to cover withdrawals at unexpected levels of demand. The table below presents Bank's exposure to liquidity risk as of 31 December 2007 and 31 December 2006:

As of 31 December 2007

	Total	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Undefined maturity
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Assets							
Cash on hand	79,172	79,172	-	-	-	-	-
Current accounts and deposits with banks	73,878	45,278	28,600	-	-	-	-
Balances with National Bank	109,773	109,773	-	-	-	-	-
Overnight placements	5,714	5,714	-	-	-	-	-
Investment securities	56,185	4,472	10,972	38,021	565	-	2,155
Loans and receivables on financial leasing	613,630	39,146	71,811	276,970	207,679	1,305	16,719
Property and equipment, net	78,442	-	-	-	14,231	64,211	-
Accrued interest receivable	5,785	5,785	-	-	-	-	-
Other property	4	-	-	4	-	-	-
Other assets	35,948	29,714	72	20	1,112	3,724	1,306
Total assets	1,058,531	319,054	111,455	315,015	223,587	69,240	20,180
Liabilities							
Due to banks	77,517	41,233	36,284	-	-	-	-
Due to customers	700,209	218,262	98,121	341,489	33,145	-	9,192
Overnight borrowings	3,000	3,000	-	-	-	-	-
Other borrowings	56,550	4,028	19,379	10,296	19,605	3,242	-
Accrued interest payable	8,277	8,277	-	-	-	-	-
Other liabilities	30,010	30,010	-	-	-	-	-
Total liabilities	875,563	304,810	153,784	351,785	52,750	3,242	9,192
Maturity gap	182,968	14,244	(42,329)	(36,770)	170,837	65,998	10,988
Cumulative maturity gap		14,244	(28,085)	(64,855)	105,982	171,980	182,968

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For the Year Ended 31 December 2007

As of 31 December 2006	Total	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Undefined maturity
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Assets							
Cash on hand	50,216	50,216	-	-	-	-	-
Current accounts and deposits with banks	24,031	24,031	-	-	-	-	-
Balances with National Bank	54,823	54,823	-	-	-	-	-
Overnight placements	13,327	13,327	-	-	-	-	-
Investment securities	33,649	5,202	9,054	16,942	252	2,199	-
Loans and receivables on financial leasing	429,192	30,336	66,942	205,765	126,146	3	-
Property and equipment, net	46,828	-	-	-	13,152	33,676	-
Accrued interest receivable	4,416	4,416	-	-	-	-	-
Other property	366	-	-	-	366	-	-
Other assets	23,226	17,246	1,446	1,535	2,999	-	-
Total assets	680,074	199,597	77,442	224,242	142,915	35,878	-
Liabilities							
Due to banks	3,445	3,445	-	-	-	-	-
Due to customers	478,701	181,804	70,806	226,081	6	4	-
Overnight borrowings	-	-	-	-	-	-	-
Other borrowings	26,039	428	4,081	5,633	15,894	3	-
Accrued interest payable	7,010	7,010	-	-	-	-	-
Other liabilities	26,707	7,884	-	2,833	15,990	-	-
Total liabilities	541,902	200,571	74,887	234,547	31,890	7	-
Maturity gap	138,172	(974)	2,555	(10,305)	111,025	35,871	-
Cumulative maturity gap		(974)	1,581	(8,724)	102,301	138,172	138,172

9. Risk management (continued)

g. Sensitivity analysis

Sensitivity to interest rate

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

	Increase in basic points	Sensitivity of Net Interest Income, MDL'000	Decrease in basic points	Sensitivity of Net Interest Income, MDL'000
2007	+100	1,801	-100	(1,778)
	+50	889	-50	(889)
2006	+100	1,615	-100	(1,615)
	+50	808	-50	(808)

Sensitivity analysis to currency risk

The Bank performed a sensitivity analysis to currency risk at which it is reasonably exposed at the end of the periods, showing how income statement could have been affected as a result of possible changes in currency rates.

The tables below show the currencies for which the Bank has significant exposure to currency risk as at 31 December 2007 and as at 31 December 2006, for the balance sheet items that are sensible to the currency rates' modifications. The analysis demonstrates the effect of reasonably possible changes in currency rates against Moldovan Leu with all other variables held constant:

As at 31 December 2007

	Increase in currency rates, in %	Effect on PBT MDL'000	Decrease in currency rates, in %	Effect on PBT MDL'000
EUR	+5%	(1,223)	-5%	1,223
USD	+5%	1,630	-5%	(1,630)

As at 31 December 2006

	Increase in currency rates, in %	Effect on PBT MDL'000	Decrease in currency rates, in %	Effect on PBT MDL'000
EUR	+5%	129	-5%	(129)
USD	+5%	749	-5%	(749)

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10. Cash on hand

	2007	2006
	MDL'000	MDL'000
Cash	72,956	46,468
Cash in ATM	4,928	2,578
Other	1,288	1,170
	79,172	50,216

11. Current accounts and deposits with banks

	2007	2006
	MDL'000	MDL'000
Current accounts	25,696	24,031
Deposits	48,656	-
	74,352	24,031
Less: Impairment provision	(474)	-
	73,878	24,031

Movement in allowance for impairment losses on current accounts and deposits with banks for the years 2007 and 2006 are as follows:

	2007	2006
	MDL'000	MDL'000
Balance as at 1 January	-	-
Write-offs	-	-
Recoveries	-	-
Provision charge	474	-
Balance as at 31 December	474	-

12. Balance with National Bank of Moldova

	2007	2006
	MDL'000	MDL'000
Current account	64,255	35,111
Obligatory reserves	45,518	19,712
	109,773	54,823

12. Balance with National Bank of Moldova (continued)

Current account and mandatory reserves

The National Bank of Moldova (NBM) requires commercial banks to maintain for liquidity purposes minimum reserves calculated at a certain rate of the average funds borrowed by banks during the previous 15 days including all customer deposits. Based on the decision Nr 85 of the Administrative Council of NBM dated 15 April 2004, the method for calculation and maintaining of mandatory reserves was changed. Funds attracted in Moldovan Lei (MDL) and in non-convertible currencies are reserved in MDL. Funds attracted in freely convertible currency are reserved in US Dollars (USD) and/or EURO (EUR). As at 31 December 2007, the rate for calculation of the minimum mandatory reserves in all currencies was 15% (31 December 2006: 10%).

The Bank maintains its mandatory reserves in a current account opened with the NBM in amount of 15% of funds attracted in Moldovan Lei and non-convertible currencies. 15% reserves on funds denominated in USD and EUR are held in a special mandatory reserve account with NBM.

As at 31 December 2007 the balance reserved in the current account held with the NBM amounted to MDL'000 63,123 (31 December 2006: MDL'000 27,408) This balance included mandatory reserves on funds attracted in Moldovan Lei and non-convertible currencies. The balance reserved on USD and EUR mandatory reserve accounts amounted to USD'000 1,629 and EUR'000 1,627 respectively (31 December 2006: USD'000 925 and EUR'000 458).

The interest paid by NBM on the mandatory reserves during 2007 varied between 0.4% and 0.6% per annum for reserves in foreign currency and 2% for reserves in MDL (for 2006: 0.5% - 1.3% in foreign currencies and 2.5% - 3.2% in MDL).

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

13. Overnight placements

Overnight placement represent a placement at Bank of New York amounted to USD'000 505 (equivalent to MDL'000 5,714) (31 December 2006: USD'000 1,033 (equivalent MDL'000 13,327)). Interest rate for overnight placements constituted at the end of the year 2.25% (2006: 3.25%).

14. Investment securities

	2007	2006
	MDL'000	MDL'000
Certificates issued by the National Bank of Moldova	-	920
State securities	54,030	30,530
Investments in shares	622	622
Investments in subsidiaries	1,577	1,577
	<hr/>	<hr/>
	56,229	33,649
Less: Impairment provision	(44)	-
	<hr/> 56,185 <hr/>	<hr/> 33,649 <hr/>

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NOTES TO THE FINANCIAL STATEMENTS
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14. Investment securities (continued)

Investments in state securities and certificates issued by the NBM

Investments in state securities as at 31 December 2007 represent MDL treasury bills of 3 to 360 days maturity, issued by the Ministry of Finance of the Republic of Moldova, with an interest rate between 11.00% and 17.10% p a., as well as MDL state bonds with floating interest rate issued by the Ministry of Finance of 37 to 714 days maturity, and with an interest between 12.83% and 18.98% p a.

As of 31 December 2007 the Bank did not hold state investment bonds as mortgage for loans with banks amounted to MDL'000 31,828 (31 December 2006: zero).

Investments in shares and subsidiaries

As of 31 December 2007 and 2006, the Bank held shares and participation quotes in following commercial societies:

	Activity	Ownership, %	2007 MDL'000	2006 MDL'000
<i>Investments in shares</i>				
„Fondul de garantare” SRL	Guarantying of deposits	9.00	440	440
„Sanis-Vin” SA	Winery	9.71	126	126
„Donaris Group” SA	Insurance	0.59	40	40
Other		2.56	16	16
			<u>622</u>	<u>622</u>
<i>Investiții în întreprinderi fiice</i>				
„Electrosistem” SA	Leasing	66.67	1,500	1,500
„Oldex” SA	Brokerage	51.00	77	77
			<u>1,577</u>	<u>1,577</u>
			<u>2,199</u>	<u>2,199</u>

Movement in allowance for impairment losses on securities for 2007 and 2006 are presented below:

	2007 MDL'000	2006 MDL'000
Balance as at 1 January	-	-
Write-offs	-	-
Recoveries	-	-
Provision charge	44	-
Balance as at 31 December	<u>44</u>	<u>-</u>

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15. Loans and receivables on financial leasing

	2007	2006
	MDL'000	MDL'000
Loans	643,643	446,501
Less: Impairment provision	(30,013)	(17,309)
	613,630	429,192

As of 31 December 2007 the gross portfolio of the loans includes the accrued amounts of MDL'000 35,082 (2006: MDL'000 24,947).

	2007	2006
	MDL'000	MDL'000
Up to one year	14,912	24,947
Between one and five years	20,170	-
Over five years	-	-
	35,082	24,947

As at 31 December 2007 the gross book value of loans on which nominal interest rate is not being accrued, or is suspended, amounted to MDL'000 31,819 (2006: MDL'000 21,662).

Analysis of loan portfolio by industries is presented below:

	2007	2006
	MDL'000	MDL'000
Commerce and industry	352,915	253,494
Agriculture and food industry	166,512	124,914
Individuals	68,800	45,422
Real estate	12,983	2,070
Loans granted to banks	16,000	1,075
Other	26,433	19,526
	643,643	446,501

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15. Loans and receivables on financial leasing (continued)

The average interest rate during the year for loans granted in MDL is 17.94% (2006: 17.81%), in foreign currency 10.44% (2006: 10.48%).

Movement in allowance for impairment losses on loans for the years 2007 and 2006 are as follows:

	2007	2006
	MDL'000	MDL'000
Balance as at 1 January	17,309	8,480
Write-offs	(1,433)	-
Recoveries	10,337	-
Provision charge	3,800	8,829
Balance as at 31 December	30,013	17,309

Large loans

	2007	2006
	MDL'000	MDL'000
Top 10 loans granted, net	200,523	143,181
Top 10 loans to Bank's loan portfolio	32.68	33.36

The maximum established limit for the top 10 loans to the total Bank's loan portfolio is 50% (2006: 50%).

Single client exposure ratio must not exceed 25% (2006: 25%) of the Bank's total capital.

Loans to related parties

	2007	2006
	MDL'000	MDL'000
Total amount of loans granted to related parties	51,415	36,905
Interest rate (min/max)	9.5% - 20.0%	10.5% - 21.0%
Total amount of loans granted to related parties to total shareholders' equity	28.10	26.71

Single related party exposure ratio and/or of group of persons acting together with the related party must not exceed 20% (2006: 20%) of the Bank's total capital.

Aggregated related parties exposure ratio and/or of group of persons acting together with the related parties must not exceed the Bank's tier I capital.

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16. Property and equipment, net

	Land	Buildings	Furniture and equipment	Motor vehicles	Assets under construction	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Cost						
Balance as at 1 January 2007	1,514	24,361	21,618	2,749	8,165	58,407
Additions	2	26	3,569	464	20,123	24,184
Transfers	-	4,278	86	-	(4,364)	-
Revaluations	-	10,249	-	-	-	10,249
Disposals	-	(104)	(216)	(140)	-	(460)
Balance as at 31 December 2007	1,516	38,810	25,057	3,073	23,924	92,380
Accumulated depreciation						
Balance as at 1 January 2007	-	364	9,855	1,360	-	11,579
Charge for the year	-	362	2,742	263	-	3,367
Revaluations	-	(684)	-	-	-	(684)
Disposals	-	(3)	(206)	(115)	-	(324)
Balance as at 31 December 2007	-	39	12,391	1,508	-	13,938
Net book value						
At 31 December 2007	1,516	38,771	12,666	1,565	23,924	78,442
At 31 December 2006	1,514	23,997	11,763	1,389	8,165	46,828

As at 31 December 2007 the cost of fully depreciated property and equipment amounted to MDL'000 2,254 (as at 31 December 2006: MDL'000 2,015).

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17. Accrued interest receivable

	2007	2006
	MDL'000	MDL'000
Loans and advances to customers	4,922	3,952
Current accounts and deposits in banks	208	-
Investment state securities	45	9
Other	610	455
	5,785	4,416

18. Other assets

	2007	2006
	MDL'000	MDL'000
Receivables from Western Union and other money transfer international systems	24,812	16,031
Capital investments debtors	4,457	1,491
Intangible assets	2,186	2,214
Stock of goods and materials	1,203	664
Anticipated expenses	453	250
Debts with individuals and enterprises	217	727
Assets under possession	-	719
Other	2,774	1,130
	36,102	23,226
Less: Impairment provision	(154)	-
	35,948	23,226

Movement in allowance for impairment losses on other assets for 2007 and 2006 is presented below:

	2007	2006
	MDL'000	MDL'000
Balance as at 1 January	-	-
Write-offs	-	-
Recoveries	-	-
Provision charge	154	-
Balance as at 31 December	154	-

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18. Other assets (continued)

Intangible assets

Movement in intangible assets during the year ended 31 December 2007 is presented in the table below:

	Software MDL'000	Other intangible assets MDL'000	Total MDL'000
Cost			
Balance as at 1 January 2007	3,139	1,265	4,404
Additions	218	283	501
Disposals	(70)	-	(70)
Balance as at 31 December 2007	3,287	1,548	4,835
Accumulated amortization			
Balance as at 1 January 2007	1,543	647	2,190
Charge for the year	327	202	529
Disposals	(70)	-	(70)
Balance as at 31 December 2007	1,800	849	2,649
Net book value			
At 31 December 2007	1,487	699	2,186
At 31 December 2006	1,596	618	2,214

As at 31 December 2007 the cost of fully amortized intangible assets amounted to MDL'000 607 (as of 31 December 2006: MDL'000 678).

19. Deposits

	2007 MDL'000	2006 MDL'000
Due to banks		
Bank's Loro accounts	823	219
Short-term placements	76,694	3,226
	77,517	3,445
Due to individuals		
Current accounts	16,991	12,434
Term deposits	425,929	294,716
	442,920	307,150
Due to enterprises		
Current accounts	172,821	137,927
Term deposits	84,468	33,624
	257,289	171,551
	777,726	482,146

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19. Deposits (continued)

Due to banks

The tables below present the term deposits of banks as at 31 December 2007 and 31 December 2006:

As of 31 December 2007

Bank	Agreement date	Amount	Currency	Amount in MDL	Interest rate	Term
BC „Investprivatbank” SA	02.10.2007	370	USD	4,188	7.0%	09.01.2008
BC „Investprivatbank” SA	26.09.2007	500	USD	5,659	4.0%	24.01.2008
BC „Mobiasbanca” SA	21.05.2007	1,000	USD	11,319	7.8%	15.01.2008
BC „Mobiasbanca” SA	20.07.2007	500	USD	5,659	7.6%	03.01.2008
BC „Comertbank” SA	07.12.2007	400	USD	4,528	7.5%	10.01.2008
BC „Mobiasbanca” SA	21.08.2007	300	USD	3,396	7.6%	24.01.2008
BC „Investprivatbank” SA	26.06.2007	500	USD	5,660	7.0%	09.01.2008
„BCR Chisinau” SA	28.08.2007	500	EUR	8,322	6.7%	28.02.2008
„BCR Chisinau” SA	28.11.2007	500	EUR	8,322	7.0%	03.03.2008
„BCR Chisinau” SA	07.12.2007	500	EUR	8,322	7.8%	07.03.2008
„BCR Chisinau” SA	24.12.2007	1,000	USD	11,319	8.6%	24.03.2008
Total				76,694		

As of 31 December 2006

Bank	Agreement date	Amount	Currency	Amount in MDL	Interest rate	Term
BC „Comertbank” SA	21.04.2006	250	USD	3,226	5.0%	31.01.2007
Total				3,226		

Annual interest rates granted by the Bank for deposits in MDL and foreign currency for individuals and enterprises varied as follows:

	2007				2006				
	MDL		FCY		MDL		FCY		
	%	%	%	%	%	%	%	%	
Enterprises									
Demand deposits	-	-	-	-	-	-	-	-	-
Term deposits up to 3 months	3.0	-	8.0	-	-	-	7.0	-	7.0
Term deposits >3 months< 1 year	7.5	-	17.0	6.8	-	8.0	9.0	-	15.0
Term deposits over 1 year	13.5	-	15.0	-	-	-	-	-	-
Individuals									
Demand deposits	0.0	-	5.0	0.0	-	3.0	0.0	-	5.0
Term deposits up to 3 months	8.0	-	10.0	3.0	-	3.0	7.0	-	8.0
Term deposits >3 months< 1 year	0.5	-	18.5	0.3	-	9.5	0.5	-	16.0
Term deposits over 1 year	13.0	-	18.0	6.0	-	9.0	13.0	-	13.0

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20. Other borrowings

	2007	2006
	MDL'000	MDL'000
Overnight borrowings		
BC „Unibank” SA	3,000	-
	3,000	-
Borrowings from:		
BC „Comertbank” SA	2,830	3,226
Raiffeisen Bank	17,628	-
DLC	30,794	22,118
ICIP-IFAD	5,298	695
	56,550	26,039
Maturity:		
Up to one year	20,458	3,226
From one to five years	27,494	21,293
Over five years	8,598	1,520
	56,550	26,039

The table below presents the borrowings from International Financial Organizations, warranties and interest rates:

Creditor	Final maturity	Original currency	Amount in the original currency ('000)	Warranty type	Interest rate, %	Amount (MDL'000)
BC”Comertbank”SA	19.02.2008	USD	250	cession	7.50	2,830
Raiffeisen Bank	20.02.2008	USD	1,557	deposit	6.50	17,628
						20,458
DLC:						
PDSP	30.11.10	USD	1,538	-	7.40	17,411
PDSP	30.10.10	EUR	538	-	6.27	8,956
RISP 1	01.10.22	MDL	3,300	-	11.82	3,300
FIDA 2	15.01.11	MDL	312	-	11.45	312
FIDA 3	15.01.11	USD	72	-	6.89	815
						30,794
UCIP-IFAD:						
FIDA 2	15.01.17	MDL	2,808	-	10.80	2,809
FIDA 3	15.07.14	MDL	2,489	-	10.80	2,489
						5,298
Total						56,550

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21. Accrued interest payable

	2007	2006
	MDL'000	MDL'000
Interest bearing deposits from individuals	7,555	6,474
Other borrowings	722	536
	8,277	7,010

22. Other liabilities

	Note	2007	2006
		MDL'000	MDL'000
Not clarified amounts		22,200	23,019
Deferred tax liability	23	3,905	1,615
Current income tax liability		672	1,055
Pending amounts		589	405
Creditor payables		369	338
Payable dividends		148	148
Other		33	127
		27,916	26,707

23. Taxation

	2007	2006
	MDL'000	MDL'000
<i>Current income tax</i>		
Current income tax	6,202	3,700
	6,202	3,700
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	160	4
	160	4
Income tax expense for the year	6,362	3,704

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23. Taxation (continued)

The standard income tax rate in 2007 was 15% (2006: 15%). Starting with 1 January 2008, the income tax rate will be 0%.

The reconciliation between income tax expense reflected in the financial statements and the amounts calculated at the standard tax rate of 15% (2006: 15%) is as follows:

	2007	2006
	MDL'000	MDL'000
Accounting profit before tax	42,268	23,379
At Moldovan statutory income tax rate of 15% (2006: 15%)	6,340	3,507
Fiscal effect of permanent differences	(138)	193
Fiscal effect of temporary differences	160	4
At effective income tax rate of 15.1% (2006: 15.8%)	6,362	3,704

The deferred income tax was calculated applying the 2007 standard tax rate of 15% (2006: 15%).

	2007	2006
	MDL'000	MDL'000
<i>Deferred tax asset</i>		
Balance as at 1 January	44	-
Income statement credit (charge)	571	44
Balance as at 31 December	-	-
<i>Deferred tax asset</i>	615	44
<i>Deferred tax liability</i>		
Balance as at 1 January	(1,615)	(1,278)
Income tax reserve	(2,130)	(333)
Income statement credit (charge)	(160)	(4)
Balance as at 31 December	(3,905)	(1,615)

Deferred tax relates to the following:

	2007	2006
	MDL'000	MDL'000
Accelerated depreciation for tax purposes	629	469
Revaluation of assets	2,638	1,079
Revaluation of investment property	23	23
	3,290	1,571

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23. Taxation (continued)

Deferred income tax relates to the following:

	2007	2006
	MDL'000	MDL'000
Accelerated depreciation for tax purposes	160	4
	160	4

24. Share capital

Share capital as at 31 December 2007 and 2006 respectively represents 1,600,000 ordinary shares authorized and issued with the nominal value of MDL 50 per share.

Structure of Bank's shareholders

Name of shareholder	As at 31-Dec-2007		As at 31-Dec-2006	
	Participation quota MDL	Participation quota %	Participation quota MDL	Participation quota %
Shareholders (enterprises), which quote exceeds 1%				
ICS RED UNION FENOSA SA	7,981	9.98	7,981	9.98
Hostex Establishment	7,695	9.62	7,695	9.62
Esperan Property Cosultans Limited	7,683	9.60	7,683	9.60
Eurotrade Marketing Corporation	7,594	9.49	7,594	9.49
IM Compania Dima-Holding SRL	6,898	8.62	6,898	8.62
Sfinx-Impex SA	6,886	8.61	6,886	8.61
Enteh SA	6,475	8.10	6,475	8.10
Balcolcom SA	6,070	7.59	6,070	7.59
Evident-Electro SA	5,861	7.33	5,861	7.33
IM Moldo-Bulgara Dunav SA	4,859	6.07	4,859	6.07
Panfermag Energy SA	3,800	4.75	3,800	4.75
WGD INT S.R.O	3,075	3.84	3,075	3.84
PCF Sarm SRL	2,283	2.85	2,283	2.85
	77,160	96.45	77,160	96.45
Shareholders which quote does not exceed 1%				
Individuals (total 28 persons)	2,840	3.55	2,840	3.55
	2,840	3.55	2,840	3.55
Total	80,000	100.00	80,000	100.00

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25. Cash and cash equivalents

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

	2007	2006
	MDL'000	MDL'000
Cash on hand	79,172	50,216
Current accounts and deposits with banks	74,352	24,031
Balances with National Bank	64,255	35,111
Overnight placements	5,714	13,327
	223,493	122,685

26. Income (loss) from foreign currency operations, net

	2007	2006
	MDL'000	MDL'000
Operations on foreign currency trading	29,277	15,401
(Loss)/income form favorable / unfavorable exchanging rate, net	(4,107)	71
	25,170	15,472

27. Commission income

	2007	2006
	MDL'000	MDL'000
Commission on client accounts	32,628	24,496
Commissions on issued warranties	1,372	576
Commission on operations with cards	468	376
Other	1,251	844
	35,719	26,292

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28. Expenses related to fixed assets

	2007	2006
	MDL'000	MDL'000
Depreciation	3,367	3,047
Utilities and rent	2,950	2,478
Safeguarding of assets and insurance costs	1,351	997
Repairs and maintenance	524	413
Other	51	50
	8,243	6,985

29. Other non-interest expenses

	2007	2006
	MDL'000	MDL'000
Commissions and taxes	2,870	2,543
Postage and telecommunication	1,964	1,844
Transportation	1,245	1,199
Amortization of intangible assets	1,158	730
Advertising expenses	940	675
Office supplies	677	625
Maintenance of intangible assets	430	186
Contributions to Deposit Guarantee Fund	425	378
Charity expenses	209	294
Staff expenses	156	113
Representation	93	73
Other	3,374	1,542
	13,541	10,202

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30. Capital adequacy

	2007	2006
	MDL'000	MDL'000
Tier 1 capital	168,546	133,095
Tier 2 capital	-	-
Total capital	168,546	133,095
Total risk weighted assets	570,692	332,022
Capital adequacy	29.53%	40.09%

According to the NBM Regulation on the capital adequacy, banks must hold and maintain the capital adequacy ratio at minimum 12%. In order to hold the type "B" license the lower limit of share capital as at 31 December 2007 was MDL'000 100,000 (2006: MDL'000 100,000).

31. Liquidity of the Bank

	2007	2006
	MDL'000	MDL'000
Principle I		
1 Assets with the maturity of 2 years and more	234,843	140,523
2 Financial liabilities with maturity of 2 years and more	243,374	170,522
Ratio ½	0.96	0.82
Principle II		
Cash and precious metals	79,172	50,216
Due from NBM	109,773	54,823
Liquid Government Bonds	25,533	32,856
Add/less net inter-banking loans (with maturity less than 1 month)	55,061	33,913
Total liquid assets	269,540	171,808
Total assets	1,058,531	680,075
Liquid assets ÷ total assets x 100%	25.46%	25.26%
Minimal liquidity ratio	20%	20%

32. Contingencies and other financial commitments

Taxation risk

The taxation system in Moldova is subject to varying interpretations and to constant changes, which may be retroactive. In certain circumstances the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late penalties. Although the income tax may be minimal, the penalties can be considerable. In the Republic of Moldova, the Bank's records are open to inspection by tax authorities for up to 6 years.

Legal cases

As at 31 December 2007, the Bank is a defendant in a number of lawsuits arising out of normal corporate activities. In the opinion of Management, the probability of loss is remote.

Capital commitments

There were no capital commitments as at 31 December 2007.

Financial commitments

The aggregate amounts of outstanding guarantees, commitments, and other off balance sheet items as of 31 December 2007 and 2006 are:

	2007	2006
	MDL'000	MDL'000
Letters of credit	-	516
Guarantees	53,259	14,032
Financing commitments and other	108,510	16,081
Forward agreements	59,739	12,389
	<u>221,508</u>	<u>43,018</u>
Less: Impairment provision	(2,094)	k-
	<u>219,414</u>	<u>43,018</u>

Movement in allowance for impairment losses on conditional commitments for 2007 and 2006 is presented below:

	2007	2006
	MDL'000	MDL'000
Balance as at 1 January	-	-
Write-offs	-	-
Recoveries	-	-
Provision charge	2,094	-
	<u>2,094</u>	<u>-</u>
Balance as at 31 December	<u>2,094</u>	<u>-</u>

Financing engagement do not obligatory require a future cash disposal, considering the fact that many of these engagements will expire without being financed.

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33. Earnings per share

	Ordinary issued shares	Profit for the year MDL'000	EPS MDL
As at 31 December 2006	1,600,000	19,675	12
As at 30 December 2007	1,600,000	35,817	22

34. Related parties

During 2007, the Bank entered into a number of banking transactions with related parties in the normal course of the business. The interest charged to and by related parties are at normal commercial rates. The volumes of related party transactions outstanding balances at year-end, and relating expense and income for the year were as follows:

	Directors and Executive Management		Related entities	
	2007 MDL'000	2006 MDL'000	2007 MDL'000	2006 MDL'000
Assets				
Loans and pre-payments granted	1,426	2,083	49,989	34,822
Liabilities				
Deposits	2,919	5,386	42,612	-
Profit and loss accounts				
Interest income	184	94	5,779	1,749
Interest expenses	15	245	314	-
Extra-balance sheet e accounts				
Financing engagements	-	-	4,080	1,582
Issued warranties	-	-	8	-
			4,088	1,582

As of 2007 payments for the executive of the Bank amounted at MDL'000 1,148 (2006: MDL'000 1,429).

35. Events after balance-sheet date

National currency

National currency continued to appreciate after 31 December 2007. As at 24 March 2008 the official exchange rate was USD 1 = MDL 10.6114 as compared to USD 1 = MDL 11.3192 as at 31 December 2007 and Euro 1 = MDL 16.3756 as compared to EUR 1 = MDL 16.6437 as at 31 December 2007.