

MAIB

Moldova Agroindbank

2017

RAPORT ANUAL | ANNUAL REPORT



CUPRINS | CONTENTS

Indicatori financiari la nivel de Grup	4
Financial ratios of the Group	5
Mesajul Președintelui Consiliului Băncii	6
Message by the Chairman of the Bank's Council	
Mesajul Președintelui Comitetului de Conducere al Băncii	8
Message by the Chairman of the Management Board	
Conducerea Băncii	10
Management of the Bank	
Repere 2017	12
2017 Highlights	
RAPORTUL CONDUCERII REPORT BY THE MANAGEMENT	
1. Prezentarea generală a băncii Overview	16
1.1. Misiune, Viziune și Valori Mission, Vision and Values	16
1.2. Strategia generală General business strategy	17
1.3. Guvernanța corporativă Corporate governance	18
1.4. Sistemul de control intern și managementul riscurilor	20
Risk management and internal control system	
1.5. Responsabilitatea social corporativă Corporate social responsibility	26
1.6. Resurse umane Human resources	27
1.7. Structura organizatorică Organizational structure	29
2. Mediul economic și bancar în 2017 Economic and banking environment in 2017	30
2.1. Economia națională National economy	30
2.2. Evoluția sistemului bancar Banking system development	31
3. Activitatea subunităților băncii Activity of subunits	33
3.1. Activitatea corporativă și investiții Corporate and investment operations	
3.2. Retail banking Retail Banking	33
3.3. Trezoreria, piața monetară și de capital Treasury, monetary and capital market	43
3.4. Tehnologii informaționale Information technologies	43
4. Companii - fiice Subsidiaries	47
4.1. "MAIB Leasing" SA MAIB Leasing SA	47
4.2. "Moldmediacard" SRL Moldmediacard SRL	49
SITUAȚII FINANCIARE ANUALE ANNUAL FINANCIAL STATEMENTS	
Situațiile Financiare Consolidate pentru exercițiul încheiat la 31 decembrie 2017	52
(întocmite conform Standardelor Internaționale de raportare Financiară)	
Consolidated financial statements for the financial year ended 31 December 2017	53
(prepared in accordance with International Financial Reporting Standards)	
RAPORTUL AUDITORULUI INDEPENDENT INDEPENDENT AUDITOR'S REPORT	
	57

Indicatori financiari la nivel de Grup

(În baza Situațiilor Financiare Consolidate pentru exercițiul încheiat la 31 decembrie 2017 întocmite conform Standardelor Internaționale de Raportare Financiară)

Indicatori	31.12.2017	31.12.2016
Bilanț		
Total active, mii MDL	22,295,689	19,865,076
Credite acordate clienților (net), mii MDL	9,842,927	9,652,416
Creanțe aferente leasing-ului, mii MDL	132,031	172,518
Active financiare disponibile pentru vânzare, mii MDL	1,420,720	174,095
Active financiare păstrate până la scadență, mii MDL	1,793,908	2,104,017
Datorii către clienți, mii MDL	17,535,629	15,412,375
Total capital propriu, mii MDL	3,677,143	3,262,340
inclusiv interese fără control, mii MDL	12,501	10,396
Contul de profit sau pierdere		
Venituri din dobânzi, net, mii MDL	864,471	836,779
Venituri din taxe și comisioane, net, mii MDL	297,922	254,932
Cheltuieli administrative, mii MDL	685,477	599,637
Profit net al exercițiului financiar, mii MDL	461,639	407,238
Câștiguri pe acțiune (în MDL/acțiune)	442.9	389.2
Indicatori de performanță		
Rentabilitatea activelor (ROA) după impozitare, %	2.2	2.1
Rentabilitatea capitalului (ROE) după impozitare, %	13.3	13.1
Rata cost/venit (CIR), %	50.3	45.0
Indicatori nefinanciari		
Număr angajați	2,332	2,194
Unități bancare:		
Sucursale	66	66
Agenții	120	115
Informații regulatorii (la nivel de bancă)		
Suficiența capitalului ponderat la risc, %	28.71	26.77
Lichiditatea curentă, %	49.32	44.14
Lichiditatea pe termen lung	0.71	0.72
Raportul sumei tuturor expunerilor "mari" la capitalul normativ total (<= 5 ori)	0.00	0.26
Raportul expunerii nete asumată de bancă față de o persoană sau un grup de persoane acționând concertat la capitalul normativ total (<= 15%)	9.93	13.95
Raportul expunerii totale a băncii față de o persoană afiliată și/sau un grup de persoane acționând concertat cu persoana afiliată băncii la capitalul normativ total (<= 10%)	8.27	6.84
Raportul valorii totale a investițiilor în imobilizări corporale pe termen lung la CNT (<= 50 % din CNT; %)	30.21	31.24
Raportul dintre valoarea totală a investițiilor în imobilizări corporale pe termen lung și a cotelor de participare în capitalul unităților economice la CNT (<= 100 % din CNT; %)	39.55	39.60

Financial ratios of the Group

(Based on the Consolidated Financial Statements for the fiscal year ended 31 December 2017, prepared in accordance with International Financial Reporting Standards)

Ratios	31.12.2017	31.12.2016
Balance sheet		
Total assets, 000 MDL	22,295,689	19,865,076
Loans issued to customers (net), 000 MDL	9,842,927	9,652,416
Leasing related receivables, 000 MDL	132,031	172,518
Financial assets available for sale, 000 MDL	1,420,720	174,095
Financial assets held to maturity, 000 MDL	1,793,908	2,104,017
Due to customers, 000 MDL	17,535,629	15,412,375
Total own equity, 000 MDL	3,677,143	3,262,340
Including non-controlling interests, 000 MDL	12,501	10,396
Profit or loss account		
Net interest income, 000 MDL	864,471	836,779
Net fee and commission income, 000 MDL	297,922	254,932
Administrative expenses, 000 MDL	685,477	599,637
Net profit for the year, 000 MDL	461,639	407,238
Income per share (in MDL/share)	442.9	389.2
Performance indicators		
Return on Assets (ROA) after taxation, %	2.2	2.1
Return on Equity (ROE) after taxation, %	13.3	13.1
Cost/income ratio (CIR), %	50.3	45.0
Non-financial indicators		
Number of employees	2,332	2,194
Physical distribution network:		
Branches	66	66
Agencies	120	115
Regulatory information (at the level of the bank)		
Risk-weighted capital adequacy, %	28.71	26.77
Current liquidity, %	49.32	44.14
Long-term liquidity	0.71	0.72
Ratio of all "big" exposures to total regulatory capital (<= 5 times)	0.00	0.26
Ratio of net exposure of the bank to a person or a group of persons acting in concert to total regulatory capital (<= 15%)	9.93	13.95
Ratio of the bank's total exposure to a related party and/or a group of persons acting in concert with a related party of the bank to the total regulatory capital (<= 10%)	8.27	6.84
Ratio of the value of total long-term investments in property and equipment to CNT (<= 50 % of CNT; %)	30.21	31.24
Ratio of the value of total long-term investments in property and equipment and shares of participation in the equity of economic units to CNT (<= 100 % of CNT; %)	39.55	39.60

MESAJUL PREȘEDINTELUI CONSILIULUI BĂNCII

Message by the Chairman of the Bank's Council

Stimate doamne, stimați domni,

Într-un mediu economic care este într-o permanentă schimbare, doar cele mai dinamice, inovatoare și responsabile bănci sunt capabile să-și atingă obiectivele și să realizeze în mod profesionist sarcinile stabilite de acționari. În acest context, sunt ferm convins că Moldova-Agroindbank este una dintre instituțiile financiare din această categorie. De la începutul activității sale, MAIB se clasează printre liderii pieței bancare din Republica Moldova, deținând primele poziții la toți indicatorii și ghidându-se de o filosofie corporativă specială, orientată spre client. Cu o rețea largă de sucursale, cu angajați bine pregătiți și tehnologii avansate, Moldova-Agroindbank satisface cu succes cerințele crescânde ale clienților săi.

Mă bucură faptul că cea mai mare bancă din țară demonstrează standarde înalte în toate domeniile de activitate, direcționează resurse substanțiale pentru dezvoltarea unor afaceri moderne și de succes cu un grad ridicat de responsabilitate social corporativă, an de an sporind încrederea clienților și partenerilor.

Desigur, trebuie să recunoaștem că, pentru Moldova-Agroindbank, 2017 a fost un an de test la rezistență, pe care banca l-a trecut cu succes, confirmându-și reputația de instituție sănătoasă cu performanțe financiare.

În numele acționarilor și a Consiliului băncii, aș vrea să-mi exprim recunoștința și aprecierea echipei manageriale și întregului colectiv pentru angajamentul permanent față de valorile băncii, pentru o muncă armonioasă și eficientă, pentru capacitatea de a rezista la provocările externe și de a atinge indicatorii stabiliți în condiții de concurență aprigă. Moldova-Agroindbank va continua să investească în dezvoltarea pieței financiare moldovenești, îmbunătățind calitatea produselor și serviciilor noastre și sunt sigur că, având susținerea Consiliului băncii, vor fi obținute rezultate și mai bune.

Cu stimă,

Victor Miculeț,
Președintele Consiliului Băncii



Ladies and Gentlemen,

In a constantly changing economic environment only the most dynamic, innovative and responsible banks are capable to attain their goals and fulfil in a professional and competent manner the tasks set by their shareholders. In this context, I strongly believe that Moldova Agroindbank is one of such financial institutions. Since the beginning of its activity, MAIB has ranked amongst the banking market leaders of the Republic of Moldova, holding the top positions for all ratios and being guided by a special, client-oriented corporate philosophy. Having a wide branch network in place, well trained staff and advanced technologies, Moldova Agroindbank is prepared to meet the increasing requirements of its customers.

I am delighted that the largest Bank in the country demonstrates high standards in all activity areas, channelling significant resources to develop modern and successful business with an increased degree of corporate social responsibility, boosting confidence of its customers and partners.

Of course, we need to acknowledge that 2017 was a stress test for Moldova Agroindbank, which was passed successfully, having confirmed its reputation of a healthy entity with high financial performance.

On behalf of the Bank's shareholders and Bank's Council, I would like to extend my own gratitude and appreciation to the management team and to the whole staff for their commitment towards the Bank's values, for their harmonious and efficient work, their capacity to withstand external challenges and to accomplish the tasks defined under fierce competition. Moldova Agroindbank will continue investing in the Moldovan financial market development, having improved the quality of its products and services. I am certain that it may attain greater results being backed by the Bank's Council.

Sincerely,

Victor Miculeț,
Chairman of the Bank's Council



Îmi exprim recunoștința și aprecierea față de echipa MAIB pentru o muncă armonioasă și eficientă, pentru capacitatea de a rezista concurenței și de a atinge rezultate înalte.

I express my gratitude and high appreciation to MAIB team for their efficient work and capacity to cope with competition and achieve great results.

MESAJUL PREȘEDINTELUI COMITETULUI DE CONDUCERE AL BĂNCII

Message by the Chairman of the Management Board

Doamnelor și domnilor,

Anul 2017 a fost un an de stabilizare, pe parcursul căruia s-au depus eforturi concertate atât din partea sectorului bancar, cât și din partea autorităților pentru a consolida sectorul financiar și a recăpăta încrederea societății și a partenerilor în buna funcționare a acestuia.

BC „Moldova-Agroindbank” SA, în calitate de pilon de bază al sectorului, a contribuit la acest proces, pe de o parte, asigurând continuu fluxul financiar vital pentru dezvoltarea economică a țării, iar pe de altă parte, implementând și respectând cu strictețe noile norme legislative care au dat startul unei noi epoci în istoria activității bancare din Republica Moldova.

Fiind o bancă activitatea căreia se bazează atât pe tradiții de valoare, cât și pe o viziune modernă de dezvoltare, Moldova-Agroindbank a intrat în această nouă epocă bine pregătită. Acest fapt se datorează ambiției și eforturilor echipei MAIB de a consolida poziția de lider a băncii, de a ține pasul cu noile tendințe în domeniul bancar, de a fi primii în sectorul inovațiilor, astfel încât să răspundem necesităților clienților și să fim la nivelul așteptărilor partenerilor și ale acționarilor.

Pe fundalul acțiunilor de reformare a sectorului bancar, MAIB s-a aflat în continuare sub supravegherea Băncii Naționale a Moldovei. Acest fapt a asigurat o comunicare mai strânsă cu regulatorul central, care a rezultat în sporirea eficienței și reconfirmarea poziției de lider a instituției pe care am onoarea să o conduc.

În același timp, restructurarea prin care trece întregul sistem a impus efectuarea unor schimbări interne profunde menite să ajusteze activitatea băncii la tendințele existente pe plan european. Mă refer în mod special la necesitatea centralizării și automatizării proceselor operaționale în vederea optimizării activității băncii.

Pentru a-și spori nivelul de competitivitate și securitate, MAIB a pus accentul pe implementarea celor mai moderne tehnologii. Astfel, am sporit capacitățile de prevenire a spălării banilor și a finanțării terorismului prin implementarea celor mai performante soluții AML. De asemenea, proiectele IT lansate în 2017 au permis majorarea numărului de produse și servicii accesibile în regim online și de pe dispozitive mobile.

Activitatea băncii s-a materializat în rezultate frumoase, profitul obținut depășind cifra record de 458 milioane, volumul activelor sporind până la 22 miliarde, portofoliul de credite cifrându-se la aproximativ 11 miliarde, iar volumul depozitelor depășind 17 miliarde lei.

Toate reușitele MAIB se datorează loialității clienților, devotamentului angajaților și susținerii acționarilor, în persoana Consiliului băncii. Țin să-mi exprim gratitudinea pentru încrederea investită în echipa MAIB. În același timp, vă asigur că datorită sprijinului și încrederii dumneavoastră, precum și strategiei ambițioase de dezvoltare, MAIB va face față onorabil tuturor provocărilor care deja se prefigurează în noul mediu concurențial, rămânând liderul incontestabil al sectorului bancar.

Cu respect,

Serghei Cebotari,
Președintele Comitetului de Conducere

Ladies and Gentlemen,

The year 2017 was a year of stabilization during which concerted efforts were made by both the banking sector and the authorities to strengthen the foundations for financial sector development and regain the trust of society and partners in its proper functioning.

BC Moldova Agroindbank SA, as a core pillar of the sector, contributed to this process, on the one hand, having continuously ensured the financial flow vital for the economic development of the country, and, on the other hand, having implemented and ensured strict compliance with the new legal requirements that have kick-started a new era in the banking history in the Republic of Moldova.

As a bank which activity stems both from valuable traditions and modern development vision, Moldova Agroindbank has entered this new era well-prepared. This is due to the MAIB team ambition and endeavours to strengthen the bank's lead, to keep pace with the new trends in the banking sector, to take the lead in innovations and be able to meet the customers' needs and partners' and shareholders' expectations.

Against the background of reforms in the banking sector, MAIB acted under continuous oversight of the National Bank of Moldova. This ensured closer communication with the central regulator, resulting in higher efficiency and reconfirming the leading position of the institution I have the honour to lead.

At the same time, the restructuring process the whole system is going through imposed in-house in-depth changes in order to adjust the activity of the Bank to the existing European-wide trends. I refer especially to the need of centralizing and automating the business process aimed at optimizing the Bank's activity.

To enhance its competitiveness and security level, MAIB focused on implementing cutting edge technologies. Hence, we augmented the capacities to prevent money laundering and terrorism financing via the implementation of the best designed AML solutions. Likewise, the IT projects launched in 2017 enabled us to widen the number of products and services available online and on mobile devices.

The bank's activity capitalized in tangible outcomes, with profit going beyond the record amount of MDL 458 million, the assets reaching MDL 22 billion, the loan portfolio standing at about MDL 11 billion, and deposits amounting to MDL 17 billion.

All of MAIB's achievements are mainly due to our customers' loyalty, staff commitment and shareholders' support, as well as to the guidance of the Bank's Council. I wish to express my gratitude for trusting the MAIB team. I also assure you that thanks to your support and trust, as well as to the ambitious development strategy, MAIB will be capable of meeting all challenges that have started to emerge in the new competitive environment, having undeniably retained its leading position in the Banking Sector.

Sincerely,

Serghei Cebotari,
Chairman of the Management Board

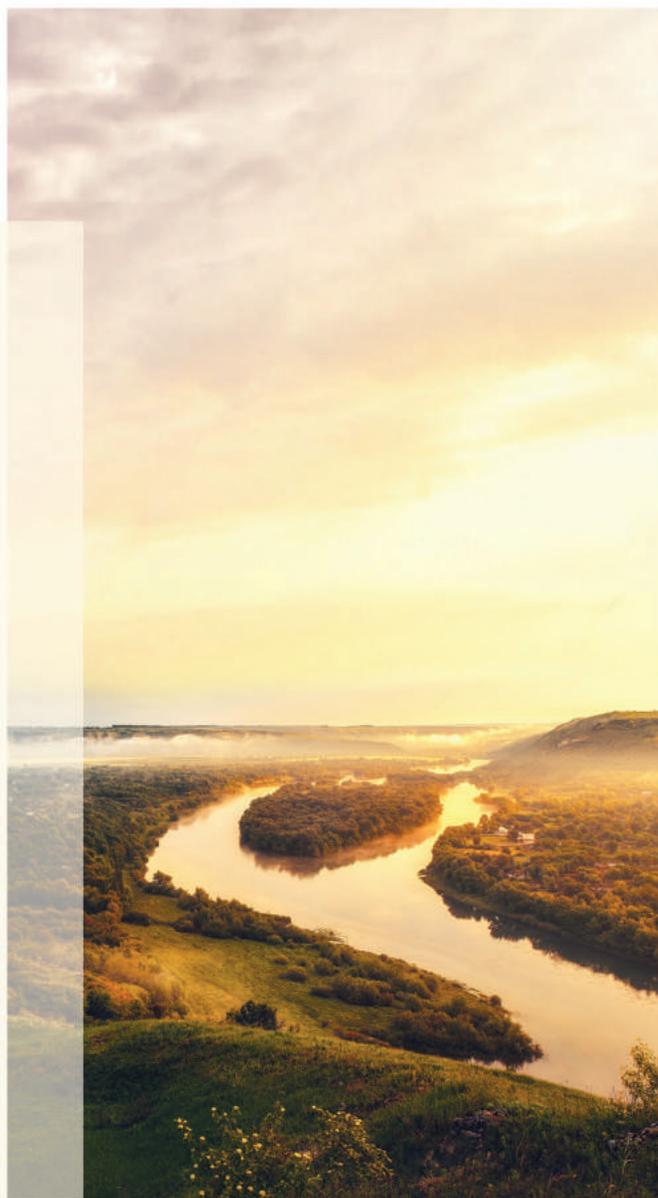


Toate reușitele MAIB se datorează loialității clienților, devotamentului angajaților și susținerii acționarilor, în persoana Consiliului băncii.

All of MAIB's achievements are mainly due to our customers' loyalty, staff commitment and shareholders' support, as well as to the guidance of the Bank's Council.

MEMBRII CONSILIULUI BĂNCII

MEMBERS OF THE COUNCIL OF THE BANK



VICTOR MICULEȚ

Președinte
al Consiliului
băncii

Chairman of
the Council
of the Bank

NATALIA VRABIE

Vicepreședinte
al Consiliului
băncii

Vice Chairwoman
of the Council
of the Bank

VALENTINA BADRAJAN

Membru
al Consiliului
băncii

Member
of the Council
of the Bank

VASILE CARAUȘ

Membru
al Consiliului
băncii

Member
of the Council
of the Bank

ANATOLIE ȚURCANU

Membru
al Consiliului
băncii

Member
of the Council
of the Bank

ION BOSTAN

Membru
al Consiliului
băncii

Member
of the Council
of the Bank

GRIGORE BELOSTECINIC

Membru
al Consiliului
băncii

Member
of the Council
of the Bank



MEMBRII ORGANULUI EXECUTIV AL BĂNCII

MEMBERS OF THE EXECUTIVE BODY OF THE BANK

SERGHEI CEBOTARI

Președinte al
Comitetului
de Conducere | Chairman of
the Management
Board



OLEG PAINGU

Vicepreședinte
al Comitetului
de Conducere | Vice Chairman
of the Management
Board



MARCEL TELEUCĂ

Vicepreședinte
al Comitetului
de Conducere | Vice Chairman
of the Management
Board



VICTOR IURAȘ

Vicepreședinte
al Comitetului
de Conducere | Vice Chairman
of the Management
Board



LEONID BEJENARI

Vicepreședinte
al Comitetului
de Conducere | Vice Chairman
of the Management
Board



EUGENIU JOSAN

Membru
al Comitetului
de Conducere | Member of the
Management
Board



VITALIE LUNGU

Director
financiar
al băncii | Finance
Director



REPERE 2017 HIGHLIGHTS

IANUARIE

JANUARY

Moldova-Agroindbank se lansează și în anul 2017 în Programul Național de Abilitare Economică a Tinerilor, derulat din 2008, deținând cel mai mare număr de proiecte finanțate - 877 de proiecte (52.3% din numărul total de subproiecte finanțate).

Moldova Agroindbank embarked again on the National Program for Economic Empowerment of Youth, unrolled since 2008, holding the largest number of financed projects – 877 projects (52.3% of the total number of financed subprojects).

Comitetul Național Olimpic și Sportiv a acordat băncii diplomă de înaltă recunoștință pentru susținerea echipei naționale la Jocurile Olimpice de la RIO 2016.

The National Olympic Committee awarded the Bank with the Diploma of Highest Consideration in recognition of the support provided to the national team during the Olympic Games held in RIO 2016.

FEBRUARIE

FEBRUARY

Pentru al cincilea an consecutiv, Moldova-Agroindbank este declarată drept „Cea mai bună bancă comercială din Moldova”, ediția anului 2017 a prestigioasei reviste internaționale „Global Banking & Finance Review”. Premiul este o recunoaștere a calității serviciilor și a prezenței puternice a MAIB în Republica Moldova.

For the fifth consecutive year Moldova Agroindbank was declared the “Best Commercial Bank of Moldova”, the 2017 edition of the prestigious international magazine Global Banking & Finance Review. The award recognizes the services quality and strong presence of MAIB in the Republic of Moldova.

MAIB a fost distinsă cu diplomă de onoare din partea Fundației Filantropice “Angelus Moldova” pentru finanțarea proiectelor caritabile.

MAIB was awarded with the Diploma of Honor by Angelus Moldova Charity Foundation for funding charity projects.

Moldova-Agroindbank a primit premiul Agenției de Intervenție și Plăți în Agricultură - “Cea mai cooperantă bancă în susținerea producătorilor agricoli”.

Moldova Agroindbank received the Prize from the Agency for Interventions and Payments in Agriculture as the “Most Cooperating Bank in Supporting Agricultural Producers”.

MARTIE

MARCH

MAIB, în parteneriat cu Centrul de Informații Universitare, a oferit 30 de burse a câte 6 mii lei studenților din familiile social-vulnerabile, în cadrul programului „Burse pentru Viitorul Tău!”, ediția 2017.

MAIB in partnership with the Educational Advising Centre provided 30 scholarships worth MDL 6,000 each to students coming from socially-vulnerable families under the “Scholarships for Your Future!” Program, the 2017 edition.

Moldova-Agroindbank a lansat o platformă de comunicare față-în-față cu clienții. În decurs de o lună, echipele de profesioniști ai MAIB au desfășurat întreveneri cu clienții din toată țara, au prezentat soluții financiare, oferte noi și răspunsuri la cele mai diverse întrebări ce țin de produsele și serviciile bancare.

Moldova Agroindbank launched a face-to-face communication platform with its customers. Throughout a month, MAIB professional teams conducted meetings with customers across the country, putting forward financial solutions, new offers and answering questions related to banking services and products.

Moldova-Agroindbank a fost desemnată drept cea mai bună bancă din Republica Moldova, de către revista internațională „Global Finance”, în baza indicatorilor analizați: creșterea activelor, profitabilitatea, relațiile strategice și produsele inovative.

Moldova Agroindbank was declared the Best Bank of Moldova by the international magazine Global Finance based on the reviewed indicators, such as increase in assets, profitability, strategic relations and innovative products.

REPERE 2017 HIGHLIGHTS

APRILIE

MAIB a susținut desfășurarea Săptămânii Internaționale a Educației Financiare. Angajații băncii, împărțind din experiența lor profesională au susținut ore de educație financiară în mai multe instituții de învățământ din Chișinău.

Banca a lansat prima etapă de implementare a proiectului de reconstrucție a clădirilor aferente complexului hotelier „Codru”, în care va fi reamplasat oficiul central al băncii. În noul oficiu vor fi create condiții prielnice de muncă pentru aproximativ 950 de angajați.

APRIL

MAIB supported traditionally Global Money Week; thus, financial education lessons were conducted in many education institutions in Chisinau, during which the Bank's staff shared their professional experience.

The Bank launched the first stage of the Project aimed to refurbish the buildings of Codru Hotel Compound to host the Bank Headquarters. Conducive work conditions will be created for about 950 employees.

MAI

50 dintre cei mai buni studenți din țară de la instituțiile de învățământ superior au intrat în posesia „Bursei de Merit”. Proiectul „Burse de Merit” este susținut financiar de Moldova-Agroindbank de aproape 20 de ani.

MAY

The best 50 students studying at higher education institutions received Merit Scholarships. The Merit Scholarships Project has been financially supported by Moldova Agroindbank for almost 20 years.

IUNIE

Mai mulți angajați ai băncii au fost decorați cu distincții de către Asociația Bancilor din Moldova, fiind desemnați drept cei mai buni lucrători din sectorul bancar.

În cadrul Galei Businessului Moldovenesc, MAIB a fost apreciată cu cele mai înalte distincții ale concursurilor „Marca comercială a anului 2016” și „Premiul pentru realizări în domeniul calității”.

JUNE

Many Bank employees were awarded with distinctions by the Moldovan Banks Association, being designated as the best workers of the banking sector.

During the Moldovan Business Gala, MAIB won Grand Prizes of “Trademark of the Year 2016” and “Quality Achievement Award” contests.



BC “Moldova Agroindbank” S.A.
The World's Best Emerging Markets Banks
in Central & Eastern Europe 2017



BC “Moldova Agroindbank” S.A.
BEST COMMERCIAL BANK
MOLDOVA 2017



BC “Moldova Agroindbank” S.A.
TOP 100 BANKS RANKING 69 place
in The Biggest Banks in Southeast Europe
published by SeeNews



BC “Moldova Agroindbank” S.A.
Premiul CNOS Cîna Olimpică
MOLDOVA 2017



REPERE 2017 HIGHLIGHTS

IULIE JULY

Moldova-Agroindbank a fost desemnată de către revista britanică „Capital Finance International” drept “Bancă cu cel mai mare impact social în Moldova” (Best Social Impact Bank – Moldova 2017), fiind recunoscută implicarea activă a băncii în susținerea unor proiecte de rezonanță socială de lungă durată.

Moldova Agroindbank was designated by the British magazine Capital Finance International as the “Best Social Impact Bank – Moldova 2017”, thus acknowledging the Bank’s active involvement in supporting long-term social responsibility projects.

Pentru clienții băncii a fost lansat un nou serviciu, disponibil în cadrul sistemului de remitere de bani “Zolotaya Korona” - expedierea remiterilor de bani încasate în monedă națională.

A new service was launched for the Bank’s customers available under the Money Transfer System “Zolotaya Korona” – sending remittances collected in national currency.

MAIB a participat la Festivalul Internațional „Cucuteni International Art Camp 2017”, promovând tradițiile și valorile culturale.

MAIB participated in the International Festival “Cucuteni International Art Camp 2017”, promoting cultural traditions and values.

AUGUST AUGUST

Zilele Diasporei au fost organizate cu suportul financiar al MAIB - prima bancă din țară, care a elaborat și oferă un set de servicii și produse bancare destinate lucrătorilor migranți și rudelor acestora.

Diaspora Days were conducted with the financial support provided by MAIB – the first Moldovan bank to develop and provide a package of services and products intended for migrant workers and their relatives.

SEPTEMBRIE SEPTEMBER

Recunoscând arta și cultura drept domenii de excelență, MAIB tradițional a fost partener al celei mai importante manifestări culturale din Republica Moldova - Festivalului Internațional de Operă și Balet “Maria Bieșu”.

Recognizing the arts and culture as areas of excellence, MAIB was traditionally the partner of one of the most important cultural events in Moldova – International Opera and Ballet Festival “Maria Bieșu”.

Moldova-Agroindbank a lansat aplicația Mobile MAIB pentru acces rapid la serviciile Mobile Banking și Internet Banking.

Moldova Agroindbank launched Mobile MAIB application granting rapid access to Mobile Banking and Internet Banking services.



BC “Moldova Agroindbank” S.A.
Best Social Impact Bank 2017
WINNER MOLDOVA



BC “Moldova Agroindbank” S.A.
Laureat al concursului
“Pentru realizări în domeniul calității”



BC “Moldova Agroindbank” S.A.
Premiul Mare învingătorul concursului
“Marca comercială a anului”



BC “Moldova Agroindbank” S.A.
Gold Award BACEE 2016 Annual Report
Competition (Banking Association for CEE)

REPERE 2017 HIGHLIGHTS

OCTOMBRIE

OCTOBER

Banca a urcat trei poziții în TOP 100 SEE comparativ cu anul 2015, situându-se pe locul 69 dintre 100 cele mai mari bănci din Europa de Sud-Est, ranking întocmit anual de agenția financiară internațională SEE News.

The Bank went up three positions in TOP 100 SEE relative to 2015, ranking 69th out of 100 largest banks of Southeast Europe. The ranking is prepared on an annual basis by the International Financial Agency SEE News.

MAIB a participat la Expoziția - Târg Internațională Specializată „Farmer”, aflată la cea de-a XX ediție.

MAIB participated traditionally in the Exhibition – International Specialized Fair “Farmer”, the 20th edition.

NOIEMBRIE

NOVEMBER

Moldova-Agroindbank a inaugurat primul Centru pentru Tineret „MAIB Studio Avanti” în domeniul financiar-bancar din Republica Moldova, pentru a participa la formarea tinerilor, de a-i face cunoscuți cu noțiunile de bază ale lumii financiare moderne, serviciile și produsele bancare inovative, fiind utilizate tehnologiile informaționale de ultimă generație.

Moldova Agroindbank opened the first Moldovan Center for Youth “MAIB Studio Avanti” in the financial and banking area to contribute in educating the young people, making them acquainted with the basic terms of the modern financial world, innovative banking services and products, using cutting edge information technologies.

Banca continuă proiectul amplu de rebranding al rețelei de distribuție, fiind renovate și modernizate Sucursala Nr.3 Chișinău, Sucursala Ungheni și Sucursala Râșcani. Redesignul include amenajarea modernă, schimbarea mobilierului și modernizarea procesului tehnologic de prestare a serviciilor.

The Bank continued its large-scale distribution network rebranding project under which Branch No.3 Chisinau, as well as the branches in Ungheni and Rascani were renovated and upgraded.

DECEMBRIE

DECEMBER

Moldova-Agroindbank a semnat un acord de parteneriat benefic cu agenția de turism Amadeus Travel Lufthansa City Center, în baza căruia aceasta a devenit agenția de turism a deținătorilor de card American Express de la MAIB.

Moldova Agroindbank signed a mutually beneficial partnership agreement with Amadeus Travel Lufthansa City Center, becoming the personal tourism agency of holders of American Express cards issued by MAIB.

MAIB în parteneriat cu Universitatea Agrară de Stat din Moldova a organizat o conferință națională în cadrul căreia au fost prezentate informații și analize economice și practice, care le sunt utile tinerilor antreprenori pentru administrarea mai eficientă și durabilă a propriilor afaceri, precum și ofertele de creditare.

MAIB in partnership with the Agricultural University of Moldova organized a national conference under which useful information, economic and practical analyses were presented to help young entrepreneurs to manage their own business in a more efficient and sustainable way.

1. PREZENTAREA GENERALĂ A BĂNCII

OVERVIEW

1.1. MISIUNE, VIZIUNE ȘI VALORI

MISIUNE

Misiunea noastră este să oferim cele mai calitative și accesibile servicii financiare, pentru a aduce plus valoare stakeholderilor noștri. Inspirăm încredere și siguranță în ziua de mâine, creând noi oportunități.

VIZIUNE

Ne propunem să devenim un grup financiar cu prezență regională, să ne afirmăm ca lider pe piețele țintă și să fim banca de primă opțiune pentru clienți și parteneri.

VALORI

Orientare către client

Clienții reprezintă cea mai importantă valoare a băncii. Ne construim relațiile în mod onest și deschis, oferim experiența care ne diferențiază.

Spirit de echipă

Suntem siguri că doar în echipă, într-o atmosferă de încredere reciprocă și respect, putem avea succes. Susținem și credem în oamenii cu care lucrăm.

Integritate

Pentru MAIB, integritatea este o valoare sine-qua-non, care se materializează în corectitudine, transparență, profesionalism și respectarea principiilor etice.

Responsabilitate

Administram businessul într-o manieră de înaltă responsabilitate social-corporativă, pentru a crea o valoare durabilă în interesul comunității.

Exelență

Suntem întotdeauna cu un pas înainte pe piața financiară, pentru a pune la dispoziția clienților cele mai inovative și eficiente soluții. Calitatea de lider ne alimentează puterea și ne motivează să atingem noi performanțe.

1.1 MISSION, VISION AND VALUES

MISSION

Our mission is to provide the highest-quality and most accessible financial services in order to add value to our stakeholders. We inspire confidence in tomorrow's day and provide a sense of security by creating new opportunities.

VISION

We strive to become a regional financial group, assert ourselves as a leader on the target markets and be the first choice for our customers and partners.

VALUES

Customer-focused approach

Customers are the most important value of our Bank. We build our relations in an honest and open manner and share our experience that makes the difference.

Team spirit

We are confident that we can succeed only as a team and only in an atmosphere of mutual confidence and respect. We back and trust the people we work with.

Integrity

To MAIB, integrity is a sine-qua-non value that translates into correctness, transparency, professionalism and respect for ethical principles.

Responsibility

We conduct our business in a socially responsible way in order to create sustainable value in the best interests of the community.

Excellence

We are always one step ahead on the financial market so as to provide our customers with the most innovative and efficient solutions. The leader status boosts our power and motivates us to reach new performance highs.

1.2. STRATEGIA GENERALĂ

Strategia MAIB pentru 2017-2019 este o continuare a procesului amplu de transformare a băncii într-o instituție modernă și este orientată spre dezvoltarea organică a afacerii, sporirea profitabilității și eficienței, consolidarea poziției de lider incontestabil al sectorului bancar autohton.

Realizarea misiunii băncii și implementarea proiectului de transformare, implică o restructurare substanțială a modelului de business, actualizarea bazei tehnologice și aplicarea unor noi mecanisme manageriale și motivaționale. Pentru a atinge aceste obiective, dezvoltarea băncii se va concentra pe patru dimensiuni principale:

- **Performanță financiară**

Vom spori rentabilitatea financiară a afacerii noastre, asigurând o gestionare mai eficientă a costurilor și a raportului dintre risc și rentabilitate. Vom îmbunătăți sistematic și previzibil productivitatea și eficiența pentru a spori rentabilitatea capitalului băncii.

- **Relațiile cu clienții**

Vom consolida relațiile cu clienții oferindu-le o calitate înaltă a deservirii și dezvoltând produse și servicii noi, care să întrunească și să depășească așteptările și necesitățile. Prin orientarea către client și sporirea satisfacției, vom majora volumul total al afacerii băncii și ne vom consolida pozițiile pe principalele segmente ale pieței.

- **Eficiență**

Vom asigura bazele creșterii calitative prin dezvoltarea sistemelor moderne de management și implementarea proceselor de afaceri inovative. Vom finaliza modernizarea proceselor actuale și vom adapta schimbărilor modelul de business al băncii.

- **Capital uman și tehnologii**

Vom perfecționa sistemul de management al capitalului uman, asigurând un nivel superior de responsabilitate și guvernare corporativă și menținând cele mai înalte standarde profesionale și etice. Ne vom afirma drept unul dintre cei mai buni și cei mai solicitați angajatori pe piața locală, oferind un mediu de lucru sigur și motivant. Vom continua dezvoltarea infrastructurii tehnologice a băncii prin implementarea sistemelor informatice moderne și a soluțiilor de business inteligente, garantând un nivel maxim de funcționalitate și siguranță.

1.2 GENERAL STRATEGY

MAIB strategy for 2017-2019 comes as a continuation of the process of deep transformation of the Bank into a modern institution and is geared towards organic business development, higher profitability and efficiency and towards ensuring status of indisputable leader of the national Banking sector.

The fulfilment of the Bank's mission and implementation of the transformation process imply a significant restructuring of the business pattern, updating the technological basis and putting in place new management and motivational mechanisms. To meet these goals, the Bank will focus on four main dimensions:

- **Financial performance**

We will enhance the financial profitability of our business, ensuring a more efficient cost management and risk/profitability ratio. We will improve systematically and predictably productivity and efficiency to increase the Bank's return on equity.

- **Relations with customers**

We will step up relations with customers by providing high quality services and developing new products and services, meeting and exceeding their expectations and needs. By sticking to our customer-focused approach and taking measures to enhance customers' satisfaction, we will increase the total business volume of the Bank and will consolidate our positions on the main market segments.

- **Efficiency**

We will ensure a quality growth by developing modern management systems and implementing innovative business processes. We will complete the upgrade of existing processes and will adjust the Bank's business pattern to changes.

- **Human capital and technologies**

We will improve the human capital management system so as to ensure a higher level of responsibility and corporate governance and to preserve the highest professional and ethical standards. We will assert ourselves as one of the best and most demanded local employers, providing a safe and motivating working environment. We will further develop the technological basis of the Bank by implementing cutting-edge information systems and smart business solutions, thus guaranteeing a high functionality and safety level.

1.3 GUVERNANȚA CORPORATIVĂ

Guvernanța corporativă reprezintă un cadru creat din principii, reguli și norme interne, ce asigură administrarea responsabilă, eficientă și transparentă de către organele de conducere ale unei bănci a activității acesteia în interesul stakeholder-ilor săi (acționari, personal, clienți, comunitate). O bună structură a guvernanței corporative înseamnă un sistem eficient de stabilire a obiectivelor, de luare a deciziilor, precum și gestionarea adecvată, prin control și monitorizare continuă, a executării deciziilor luate în scopul atingerii obiectivelor propuse.

O guvernanță corporativă sustenabilă a fost și continuă să reprezinte o condiție fundamentală pentru asigurarea stabilității și eficienței BC „Moldova-Agroindbank” SA. Banca conștientizează acel grad major de responsabilitate pe care îl are față de acționari, față de membrii organelor de conducere, angajați, clienți și partenerii de afaceri ai băncii, organele de supraveghere și societatea per ansamblu, urmărind în acest sens în permanență formarea și menținerea încrederii în modul de administrare a activității băncii, controlul și reducerea riscurilor, menținerea sporirii constante a indicatorilor financiari.

Administrarea și Conducerea băncii

Adunarea generală a acționarilor este organul suprem de conducere al băncii prin intermediul căruia acționarii își realizează dreptul de participare la conducerea activității băncii.

Cadrul existent al guvernanței corporative a băncii asigură un tratament echitabil pentru toți acționarii băncii, inclusiv pentru cei minoritari.

Consiliul Băncii este organul de administrare, cu atribuții de reglementare și supraveghere a afacerii băncii, inclusiv a faptului cum sunt realizate obiectivele strategice, a modului în care banca își organizează activitatea, gestionează riscurile, se conformează la cerințele legislației și la reglementările în vigoare.

Responsabilitățile de bază ale Consiliului băncii sunt asigurarea dezvoltării afacerii și a solidității financiare a băncii, supravegherea implementării strategiei de risc, precum și a modului în care activitățile băncii sunt organizate și reglementate.

Consiliul monitorizează și evaluează periodic eficacitatea cadrului de administrare a activității băncii, inclusiv principiile de guvernanță și adoptă măsurile adecvate pentru remedierea eventualelor deficiențe.

Consiliul menține o relație eficientă de colaborare a băncii cu autoritățile de supraveghere, prin implicarea activă în problemele majore ale băncii și ținerea pasului cu schimbările semnificative în activitatea acesteia și a mediului social-economic, acționând în scopul protejării intereselor băncii.

1.3 CORPORATE GOVERNANCE

Corporate governance refers to a set of principles, rules and internal procedures ensuring a responsible, efficient and transparent administration by the Bank's managing bodies of its activity in the best interest of its stakeholders (shareholders, staff, customers, community). Well-structured corporate governance represents an efficient system, where goals are set and decisions are made. To reach these goals, corporate governance provides for an adequate management of the enforcement of decisions, through continuous control and monitoring.

Sustainable and efficient corporate governance was and continues to be a fundamental condition for the stability and efficiency of BC Moldova Agroindbank SA. The Bank is aware of the high degree of responsibility towards its shareholders, members of the managing bodies, employees, customers and business partners, supervisory bodies and society as a whole. In this respect, the Bank constantly aims at building and sustaining the trust in the Bank's management, controlling and reducing risks, maintaining constant growth in the Bank's financial indicators.

Management and Leadership of the Bank

The General Assembly of Shareholders is the supreme governing body of the Bank, through which the shareholders exert their right to participate in the management of the Bank.

The current corporate governance framework ensures a fair treatment for all shareholders of the Bank, including the minority shareholders.

The Bank's Council is the managing body that regulates and supervise the business of the Bank, including the implementation of strategic objectives, the way the Bank organizes its activity, manages risks, complies with the legislation and regulations in effect.

The main responsibilities of the Bank's Council reside in ensuring the development of the business and financial strength of the Bank, monitor the implementation of the risk strategy, as well as the way the Bank's activity is organized and regulated.

The Council monitors and regularly assesses the efficacy of the management framework of the Bank's activity, including the governance principles, and adopts the appropriate action to address any deficiencies.

Through its active involvement in the major issues of the Bank and by keeping up with significant changes in the Bank's activity and social-economic environment, the Council ensures that the Bank keeps an efficient working relationship with supervisory authorities, working towards protecting the interests of the Bank.

Consiliul decide cu privire la constituirea unor comitete specializate, formate exclusiv din membri ai Consiliului băncii, majoritatea acestora fiind independenți. Comitetele specializate ale Consiliului raportează direct Consiliului băncii.

Comitetul de Conducere este organul executiv colegial al Moldova-Agroindbank care exercită funcția de conducere curentă a băncii sub supravegherea directă a Consiliului și gestionează eficient și prudent activitatea băncii într-un mod corespunzător cu strategia și cadrul de administrare a activității băncii, aprobate de Consiliu. Componenta, dimensiunea și competențele organelor de conducere ale băncii (ale Consiliului și ale Comitetului de Conducere) sunt adecvate în raport cu dimensiunea și complexitatea activității băncii.

Membrii organelor de conducere ale băncii îndeplinesc condițiile și criteriile de eligibilitate necesare administrării eficiente a băncii:

- a) Dispun de o bună reputație și expertiză necesară pentru exercitarea responsabilităților în conformitate cu regulile unor practici bancare prudente și sănătoase;
- b) Dispun de experiența profesională adecvată naturii, mărimii și complexității activității băncii și responsabilităților încredințate;
- c) Dezvoltă și mențin un nivel adecvat al competenței astfel încât banca să se extindă ca dimensiune și complexitate a afacerii;
- d) Alocă suficient timp și energie pentru a-și onora responsabilitățile în calitate de membri ai organelor de conducere.

Pentru a asigura organizarea și activitatea eficientă a organelor de conducere ale băncii, pe lângă Comitetul pentru Numiri și Remunerații, Comitetul de Risc și Comitetul de Achiziții, în cadrul băncii activează de asemenea Comitetul pentru Credite și Comitetul pentru Administrarea Activelor și Pasivelor, a căror împuterniciri, ordine de constituire și de activitate sunt aprobate de Consiliul băncii.

Reglementarea conflictului de interese

Banca dispune de politici și reglementări interne privind gestionarea situațiilor cu conflict de interese. Fiecare angajat al băncii are responsabilitatea să-și desfășoare activitatea de o manieră prin care să evite apariția situațiilor cu conflict de interese, iar organele de conducere ale băncii dispun de un sistem de control intern și de proceduri interne adecvate, care ar permite identificarea și gestionarea situațiilor cu conflict de interese.

Politica privind conflictul de interese este adusă la cunoștința angajaților băncii care urmează să o respecte necondiționat.

The Council makes decisions on establishing specialized committees, made up exclusively of the Bank's Council members, most of them being independent. The Council's specialized committees report directly to the Bank's Council.

The Management Board is the collective executive body of Moldova Agroindbank, which performs the day-to-day management of the Bank under the direct supervision of the Council and manages in an efficient and prudent way the Bank's activity in line with the strategy and the Bank's activity administration framework, approved by the Council. The composition and competencies of the Bank's governing bodies (Bank's Council and Management Board) are appropriate to the size and complexity of the Bank's activities.

Members of the Bank's management bodies meet the eligibility conditions and criteria for an efficient management of the Bank:

- a) They have a good reputation and the necessary expertise to exert their responsibilities in accordance with sound and prudent Bank regulations;
- b) Their professional experience is appropriate to the nature, size and complexity of the Bank's activity and responsibilities assigned to them;
- c) They develop and maintain an appropriate proficiency level so that the Bank extends in dimension and complexity of the business;
- d) They allot sufficient time and energy to fulfil their responsibilities as members of the management bodies.

MAIB also has an Appointments and Benefits Committee, Risk Committee and a Procurement Committee, which alongside the Credit Committee and the Asset and Liability Committee ensure the organization and efficient activity of the Bank's management bodies. Their powers, status and regulations are approved by the Bank's Council.

Settlement of Conflicts of Interest

The settlement of conflicts of interest is regulated by the Bank's internal policies and regulations. All Bank's employees shall avoid conflicts of interest, whereas the management of the Bank needs to make sure the Bank has an internal control system and adequate internal procedures, able to identify and settle conflicts of interest.

The Bank ensures that all its employees are informed about the conflict of interest policy and follow it.

Transparența și dezvăluirea informației

Banca dezvăluie în mod permanent și veridic informația privind activitatea sa, familiarizând publicul larg cu structura și activitățile băncii, cu politicile corporative și performanțele în corespundere cu standardele de etică și de protecție a mediului înconjurător. Aceasta contribuie la atragerea capitalului și menținerea/creșterea încrederii față de bancă, precum și la realizarea eficientă de către acționari a drepturilor sale de proprietari, bazându-se pe această informație.

În anul 2017 banca și-a consolidat poziția de lider al sistemului bancar, demonstrând că modelul de guvernare corporativă aplicat de bancă este eficient, iar managementul băncii este pregătit să reacționeze prompt la diferite provocări.

Guvernanța corporativă va rămâne și în continuare una dintre prioritățile băncii, menită să asigure transparența decizională și a proceselor operaționale în bancă, inclusiv în relațiile cu acționarii, partenerii și clienții băncii.

Codul de guvernare corporativă al MAIB are drept scop stabilirea unor principii de lucru, atribuții și responsabilități ale organelor de conducere ale băncii, pe care acestea trebuie să le urmărească și care ar servi drept ghid în aplicarea unor principii eficiente de administrare și supraveghere a activității băncii.

Codul de guvernare corporativă poate fi accesat pe site-ul web al băncii în cadrul paginii ce dezvăluie informația privind guvernanța băncii, împreună cu Declarația de guvernare corporativă "Conformare sau justificare".

1.4. SISTEMUL DE CONTROL INTERN ȘI MANAGEMENTUL RISCULUI

Gestionarea riscurilor constituie o prioritate în cadrul tuturor proceselor decizionale și de afaceri din cadrul băncii, și are drept scop asigurarea stabilității și performanței durabile a băncii.

Banca aplică un sistem de management al riscurilor, bazat pe cele mai bune practici, cerințe ale BNM, recomandările Comitetului Basel pentru Supraveghere Bancară, recomandările societății de audit extern, consultația experților externi, pe expertiza proprie corelată cu disponibilitatea de expunere la risc, exprimată prin apetitul de risc al băncii.

Banca aplică o politică prudentă pentru identificarea, evaluarea, monitorizarea, controlul și atenuarea riscurilor care pot avea un impact semnificativ asupra rezultatelor băncii, dezvoltând și adaptând în permanență procedurile, mecanismele și instrumentele utilizate, adecvate condițiilor pieței și modelului de afaceri al băncii.

Strategia băncii în managementul riscurilor este concentrată pe atingerea următoarelor obiective:

Information Transparency and Disclosure

The Bank always discloses truthful information about its activity. This gives the general public knowledge and understanding of the Bank's structure and activities, corporate policies and performances, in line with ethical and environment protection standards, helps attract capital, maintain/increase confidence in the Bank and contributes to the efficient enforcement of the shareholders' property rights.

In 2017, the Bank strengthened its leading position in the Banking system, proving the efficiency of its corporate governance model, along with the readiness of its management to promptly react to various challenges.

Corporate governance will further be one of the Bank's priorities, aimed to ensure transparency in the Bank's decision-making and operational processes, including in its relations with the Bank's shareholders, partners and customers.

The Corporate Governance Code of Moldova Agroindbank is aimed at setting up a number of working mechanisms, competences and responsibilities of the Bank's management bodies and will also guide the enforcement of a number of principles of efficient management and supervision of the Bank's activity.

The Corporate Governance Code, along with the Corporate Governance Declaration entitled "Compliance or Justification," is available online, on the MAIB website, in the information disclosure section.

1.4. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Risk management represents a priority in all the decision-making and business processes within the Bank and has the purpose of protecting its sustainable development.

The Bank applies a risk management system, based on best practices, requirements of the NBM, recommendations of the Basel Committee on Banking Supervisions, recommendations of the external audit company, advice of external experts, as well as its own expertise correlated to the availability to risk exposure, expressed through the Bank's risk appetite.

The Bank applies a prudent policy on identifying, evaluating, monitoring, controlling and mitigating risks that might have a significant impact on the Bank's outcomes, continuously developing procedures, mechanisms and instruments, appropriate to the market conditions and Bank's business model.

The Bank's risk management strategy pursues the following objectives:

- implementarea standardelor internaționale Basel III (CRD IV/CRR);
 - dezvoltarea unei culturi de management al riscului bazată pe apetitul la risc al băncii;
 - îmbunătățirea calității activelor financiare;
 - îmbunătățirea procesului de recuperare a creditelor neperformante;
 - sporirea gradului de calificare în managementul riscului.
- implement international standards Basel III (CRD IV/CRR);
 - develop a risk management culture based on the Bank's risk appetite;
 - improve the quality of financial assets;
 - improve the non-performing loans recovery process;
 - enhance the risk management qualification level.

Roluri cheie în gestiunea riscurilor:

Cadrul de gestionare a riscurilor se referă la toate funcțiile și la toți angajații băncii, fiind definite următoarele roluri cheie:

- **Consiliul Băncii**, responsabil de aprobarea strategiei și a politicilor de management al riscurilor, precum și de supravegherea implementării lor;
- **Comitetul de risc**, organul cu funcții consultative și de supraveghere a implementării strategiei și politicilor de management al riscurilor, constituit prin decizia Consiliului băncii și subordonat Consiliului Băncii;
- **Funcția de administrare a riscurilor**, aflată sub directa supraveghere și responsabilitate a Consiliului Băncii, este exercitată de către șeful serviciului de administrare a riscurilor care raportează Consiliului băncii referitor la evoluțiile ce contravin toleranței la risc stabilite în strategiile și politicile băncii și comunică acest fapt membrilor Comitetului de conducere;
- **Comitetul de conducere**, responsabil de implementarea mecanismului de control intern și a sistemelor de administrare a riscurilor, precum și de punere în aplicare în conformitate cu reglementările interne primare a sistemelor de management ale riscului, de promovarea creșterii culturii de risc, eficientizarea proceselor și controalelor de administrare a riscurilor la care este expusă banca;
- **Comitetul de credite**, responsabil de aprobarea tranzacțiilor, modificarea condițiilor, aprobarea excepțiilor, prelungirea termenelor de rambursare și renegocierea datoriei la produsele expuse riscului de credit etc;
- **Comitetul de Administrare a activelor și pasivelor**, identifică, supraveghează expunerea băncii la riscul de lichiditate și asigură menținerea permanentă a unui nivel suficient de lichiditate pentru onorarea obligațiilor băncii și pentru încadrarea în normativele interne, cele stabilite de către Banca Națională a Moldovei și de către Instituțiile Financiare Internaționale;
- **Diviziunea administrare riscuri**, rolul căreia este de a identifica riscurile la care este supusă banca, de a elabora și implementa politicile de gestionare a riscurilor, de a

Key roles in risk management:

The Risk Management Framework refers to all Bank's functions and employees, having defined the following key roles:

- **Bank's Council** – responsible for the approval of the Risk Management Strategy and Policy, as well as for overseeing their implementation;
- **Risk Committee** – a standing body with advisory and oversight functions over the implementation of the Risk Management Strategy and Policy, established by the Bank's Council decision and subordinated thereto;
- **Risk Management Function**, being under the direct oversight and responsibility of the Bank's Council, it is exercised by the Head of the Risk Management Function who reports directly to the Bank's Council about the evolutions contrary to the risk tolerance set in the Bank strategies and policies, and notifies them to the Management Board members;
- **Management Board** – responsible for implementing the internal control mechanism and the risk management systems, for enforcing the risk management systems in compliance with the primary in-house regulations, promoting the enhancement of risk management literacy, making more efficient the risk management processes and controls the Bank is exposed to;
- **Loans Committee** – responsible for approving the transactions, changing the conditions, approving the exemptions, extending the reimbursement deadlines and renegotiating the debt for products exposed to loan risk, etc;
- **Assets and Liabilities Committee** – identifies, supervises the Bank exposure to the liquidity risk and ensures continuous maintenance of a sufficient level of liquidity to meet the Bank obligations and to the internal rules, those set by the National Bank of Moldova and by the International Financial Institutions;
- **Risk Management Division** – its role is to identify the risks the Bank is exposed to, develop and implement risk management policy, promote enhanced risk

promova creșterea culturii de gestionare a riscurilor în cadrul băncii, și a raportului optimal între apetitul la risc și rentabilitate, de a stresa în baza unor modele/scenarii de risc suficiența capitalului și a indicatorilor limită la evoluțiile negative ale mediului intern și extern;

- **Departamentele și subdiviziunile băncii** responsabile de gestionarea riscurilor aferente domeniului de activitate;
- **Administratorii și angajații din rețeaua de sucursale** ale băncii responsabili de desfășurarea activității cu respectarea normelor în vigoare pentru managementul riscurilor.

Procesul de management al riscurilor în cadrul Moldova-Agroindbank include următoarele etape:

- identificarea riscurilor – banca ia în considerare toate riscurile, care pot avea un impact semnificativ asupra afacerii;
- evaluarea riscurilor – analiza și măsurarea cantitativă a riscului constituie baza pentru determinarea toleranței la risc a băncii, determinarea oportunităților comerciale bazate pe risc;
- monitorizarea – procesul de observare continuă a nivelului riscurilor asumate în vederea neadmiterii depășirii limitelor stabilite precum și observarea eficacității proceselor de acoperire și de diminuare a riscurilor;
- controlul riscului – procesul de conservare, atenuare, transfer și evitare a riscurilor asumate de bancă, în cadrul apetitului de risc al băncii;
- raportarea riscurilor la care este expusă banca, în modul stabilit către conducerea băncii și/sau BNM.

Strategia băncii în domeniul managementului riscului se realizează în cadrul sistemului, care prevede divizarea funcțiilor de analiză și evaluare a riscurilor, luarea deciziilor privind limitarea riscurilor (stabilirea limitelor), desfășurarea operațiilor și controlul profilului de risc al băncii.

Principiile de management al riscurilor:

- identificarea și monitorizarea riscurilor în mod continuu atât la nivel agregat, cât și la nivel individual;
- gestionarea riscurilor trebuie efectuată prospectiv, incluzând pe lângă monitorizarea periodică a riscurilor existente și identificarea riscurilor noi sau în curs de dezvoltare;
- actualizarea permanentă a sistemului de control intern și gestionare a riscurilor ca răspuns la schimbările profilului de risc și ale mediului extern;
- gestionarea riscurilor trebuie să cuprindă toate riscurile asociate băncii, cuantificabile și necuantificabile, la nivel de grup sau debitor, produse și servicii bancare, ținând cont de corelarea între acestea;
- managementul riscului implică toate subdiviziunile băncii în evaluarea, asumarea și controlul riscului, ținând cont de conceputul celor trei linii de apărare (asumarea riscurilor (de către linia de front), managementul riscurilor

management literacy within the Bank and the optimal ratio between the risk appetite and profitability, based on risk models/scenarios, simulate the capital sufficiency and the limit indicators to negative evolutions of internal and external environment;

- **Bank Departments and Subdivisions** – responsible for managing risks related to their area of activity;
- **Administrators and employees of Bank's branch network** – responsible for carrying out the Bank activity in compliance with the current rules set for risk management.

The risk management process of Moldova Agroindbank includes the following stages:

- risk identification - the Bank takes into consideration all risks that may significantly impact its business;
- risk assessment - quantitative risk analysis and assessment serves as basis for determining the Bank's risk tolerance and risk-based commercial opportunities;
- monitoring - continuous monitoring of risk levels, in order to avoid exceeding the established limits, as well as to observe the effectiveness of risk coverage and mitigation processes;
- risk control - the process of preserving, mitigating, transferring and avoiding risks undertaken by the Bank according to the Bank's risk appetite;
- reporting - reporting to the management of Moldova Agroindbank and/or BNM, as established.

The Bank Risk Management Strategy is implemented within the system and provides for splitting the risk analysis and assessment functions, taking decisions for limiting the risks (setting the limits), carrying out the operations and controlling the Bank's risk profile.

Risk Management Principles:

- continuous identification and monitoring of risks on both individual and aggregated levels;
- risk management will be carried out prospectively, including also the identification of new or emerging risks along with periodical monitoring of existing risks;
- continuous upgrading of the internal control and risk management system in response to changes in the risk profiles and external environment;
- risk management will cover all risks associated with the Bank, quantifiable and non-quantifiable, at the level of group or debitor, Banking products and services, taking account of the correlation among them;
- risk management involves all Bank's subdivisions in risk assessment, assumption and control, taking account of the three-lines-of-defence concept (risk assumption (by the front line management), risk management (by

(de către funcția de management al riscurilor) și auditul independent (atât intern cât și cel extern);

- funcția de management al riscului este independentă de activitățile de afaceri ale băncii și joacă un rol cheie în identificarea, măsurarea și evaluarea riscurilor la care este expusă banca;
- banca trebuie să asigure și să dezvolte cultura guvernării corporative, menită să evidențieze importanța gestionării riscurilor.

Riscurile semnificative pe care banca le gestionează sunt:

- riscul de credit;
- riscul de piață, inclusiv riscul de rată a dobânzii și riscul valutar;
- riscul de lichiditate;
- riscul operațional;
- alte riscuri, inclusiv riscul de țară/transfer, riscul de concentrare, riscul strategic și riscul de contraparte (bănci partenere).

FUNCȚIA DE CONFORMITATE

Moldova-Agroindbank implementează cele mai bune practici și cele mai înalte standarde profesionale de transparență, etică și integritate pentru a asigura o guvernare corporativă sustenabilă și eficientă. Gestionarea eficientă și prudentă a băncii este asigurată prin menținerea unui sistem de control intern adecvat.

O funcție independentă de conformitate este o componentă cheie a unui sistem de control intern riguros și eficient al unei bănci.

Funcția de conformitate este responsabilă de identificarea, evaluarea, gestionarea și monitorizarea riscului de conformitate, care este asociat cu neconformarea băncii la legile, actele normative, reglementările, codurile de conduită profesională aplicabile. Funcția de conformitate propune măsuri de prevenire a expunerii la riscul de sancțiuni legale și de reglementare, riscul de pierderi financiare sau de afectare a reputației ca urmare a neconformării activității băncii la prevederile cadrului legal și de reglementare și la standardele de conduită profesională bancară.

În scopul gestionării riscurilor expuse mai sus și a conformării activității băncii practicilor internaționale și cerințelor Băncii Naționale a Moldovei, în cadrul MAIB a fost constituit și activează Departamentul Conformitate.

Departamentul Conformitate acordă asistență organelor de conducere ale băncii pentru a evalua nivelul de conformare a activității băncii cu prevederile cadrului legal și de reglementare în vigoare și cu modificările acestuia, dar și

the Risk Management Function) and independent audit (both internal and external));

- Risk Management Function is independent from the Bank's business and has a key role in identifying, measuring and assessing the risks the Bank is exposed to;
- Bank shall ensure and develop the corporate governance culture geared towards highlighting the importance of risk management.

The main risks the Bank manages are the following:

- credit risk;
- market risk, including the interest rate risk and currency risk;
- liquidity risk;
- operational risk;
- other risks, including the country/transfer risk, concentration risk, strategic risk and counterparty (partner Bank's) risk.

COMPLIANCE FUNCTION

Moldova Agroindbank is committed to the implementation of the best practices and highest professional standards of transparency, ethics and integrity to ensure sustainable and efficient corporate governance. At the same time, an adequate internal control system is put in place to ensure an efficient and prudent management of the Bank.

An independent compliance function is a key component in the Bank's rigorous and efficient control system.

The compliance function is responsible for identifying, evaluating, managing and monitoring the compliance risk associated with the Bank's non-compliance with applicable laws, bylaws, regulations and codes of professional conduct. The compliance function puts forward prevention measures against the risk of exposure to legal and regulatory sanctions, the risk of financial losses or reputational damage as a result of the Bank's failure to comply with the legal and regulatory provisions and professional Banking conduct standards.

To manage the above-mentioned risks and to ensure compliance with international practices and NBM requirements, Moldova Agroindbank has created a Compliance Department.

The Compliance Department provides assistance to the management bodies of the Bank in evaluating the Bank's compliance with the legal framework and regulatory provisions in force, as subsequently amended, as well as in

pentru a menține și dezvolta relații eficiente și de colaborare cu organele de supraveghere și control a activității băncii.

Un aspect important al conformității îl constituie elaborarea unui cadru normativ intern necesar pentru prevenirea și identificarea timpurie a fraudelor, a situațiilor cu conflict de interese sau a abuzurilor din partea angajaților băncii. Prin examinarea sesizărilor primite de la angajați și al reclamațiilor parvenite de la clienți sunt identificate procese și segmente de activitate mai vulnerabile și expuse la risc sau neeficiente.

Reglementările interne privind etica și conduita profesională a angajaților băncii și programele de instruire continuă a angajaților în domeniul conformității, contribuie la sporirea nivelului culturii corporative și încurajează angajații la o comunicare deschisă cu membrii organelor de conducere ale băncii.

Actele normative interne de bază aferente domeniului conformității sunt următoarele: Politica de conformitate, Codul de Etică, Politica privind conflictul de interese, Politica antifraudă a băncii și Politica în domeniul prevenirii și combaterii spălării banilor și finanțării terorismului.

Politica de conformitate definește elementele cheie în crearea și funcționarea cadrului de conformitate în bancă, cum ar fi: responsabilitățile Consiliului băncii și ale Comitetului de Conducere al băncii pentru asigurarea unei culturi a conformității și pentru administrarea eficientă a riscului de conformitate, care include ca subcategorii și riscul reputațional, independența și atribuțiile funcției de conformitate, și principiile de conformitate, precum respectarea și promovarea conduitei profesionale de către angajații băncii, conformarea activității acestora cu legile, actele normative, reglementările și standardele profesionale în vigoare, evitarea conflictelor de interese, asigurarea confidențialității în decursul exercitării atribuțiilor de serviciu, protejarea activelor băncii și al intereselor clienților, respectarea caracterului privat al informațiilor pe care îl dețin insiderii băncii și a transparenței tranzacțiilor efectuate de către angajații băncii pe piața financiară.

Codul de Etică are drept scop promovarea unor valori în cadrul băncii cum ar fi integritatea, confidențialitatea, transparența și diligența, în vederea îmbunătățirii calității serviciilor oferite și protejării reputației băncii. Codul definește de asemenea un set de principii și standarde etice de comportament personal și profesional al angajaților.

Politica privind conflictul de interese definește unele principii și cerințe de bază, de care se conduce banca în procesul de identificare și soluționare a situațiilor cu conflict de interese.

Politica antifraudă stabilește un cadru intern de reglementare pentru prevenirea și gestionarea cazurilor

maintaining and developing efficient cooperation relations with the bodies supervising and controlling the Bank's activity.

The compliance function is also responsible for developing the internal legal framework needed for the early prevention and identification of frauds, conflicts of interest or abuses by Bank employees. Examination of notices received from employees and customers' complaints allows identifying vulnerable and inefficient processes and activity segments that are exposed to risk.

Internal ethics and professional conduct regulations, developed by the Compliance Department, along with a number of continuous staff training programs on compliance contributes to strengthening corporate culture and encourages employees to openly communicate with the Bank management.

The Compliance Policy, Code of Ethics, Conflict of Interest Policy, Anti-Fraud Policy and the Policy on Preventing and Combating Money Laundering and Terrorism Financing, are the main internal normative documents of the Bank's Compliance Department.

The Compliance Policy defines the key elements in the establishment and functioning of the compliance framework in the Bank, namely involvement of the Bank's Council and Management Board to ensure a culture of compliance and an efficient compliance risk management, which also includes the reputational risk as a sub-category, independence and competences of the compliance function, and the compliance principles, as well as the observance and promotion of professional conduct by the staff, in line with the applicable laws, rules, regulations and professional standards, avoiding conflicts of interest, ensuring confidentiality while exercising their duties, protecting the Bank's assets and interests of customers, respecting the privacy of information and the transparency of transactions the Bank's employees make on the financial market.

The Code of Ethics is aimed at promoting certain values within the Bank, such as integrity, confidentiality, transparency and diligence, in view of improving the quality of services provided and protecting the Bank's reputation. The Code also defines a set of ethical standards and principles of employee's personal and professional behaviour.

The Conflict of Interest Policy defines the main principles and requirements, which the Bank abides by while identifying and resolving cases of conflict of interest.

The Anti-Fraud Policy establishes an internal regulatory framework to prevent and manage cases of fraud and acts

de fraudă și al actelor de corupție la nivelul băncii, reglementează instituirea unor canale de comunicare a suspiciunilor de fraudă de către angajații băncii, cu scopul de a minimiza riscurile interne și externe de fraudă și a promova standarde profesionale înalte de transparență, etică și integritate.

În anul 2017 a fost pus un accent sporit pe transparență și gradul de dezvăluire publică a informațiilor ce țin nemijlocit de activitatea băncii, contribuind la familiarizarea publicului larg cu structurile și activitățile băncii, cu politicile corporative și performanțele băncii.

Pe parcursul anului 2017 banca și-a sporit capacitatea de a asigura îndeplinirea atribuțiilor sale ce țin de domeniul prevenirii și combaterii spălării banilor și finanțării terorismului, ca parte componentă a conformității, prin revizuirea Politicii băncii în domeniul prevenirii și combaterii spălării banilor și finanțării terorismului, a procedurilor interne aferente și a implementării unor aplicații informatice dedicate aferente domeniului.

Politica în domeniul prevenirii și combaterii spălării banilor și finanțării terorismului asigură aplicarea măsurilor de identificare și prevenire a tentativelor de spălare a banilor, finanțare a terorismului, implicarea în infracțiuni financiare, acte de corupție și a altor tranzacții care contravin normelor și principiilor acceptabile în activitatea bancară. Politica stipulează că banca se angajează să inițieze și să mențină relații de afaceri cu clienții și partenerii săi în concordanță cu legislația aplicabilă și cu standardele din domeniu precum sunt Recomandările 40 ale Grupului de Acțiune Financiară Internațională (FATF-GAFI) și documentele Grupului Wolfsberg aferente monitorizării tranzacțiilor, relațiilor de corespondență bancară și abordării bazate pe risc în gestionarea riscurilor de spălare a banilor.

Ca suport în implementarea cu succes a politicilor și a altor reglementări interne în domeniul conformității, pe parcursul anului 2017 au fost intensificate programele de instruire pentru angajații băncii, în mod special pentru noii angajați. Aceste programe includ în mod particular instruire în domeniul antifraudă, al respectării Codului de Etică și în domeniul prevenirii și combaterii spălării banilor și finanțării terorismului.

FUNCȚIA DE AUDIT INTERN

Auditul intern este parte integrantă a sistemului de control intern al băncii, iar scopul de bază al acestuia este evaluarea independentă, imparțială și obiectivă a suficienței și eficienței cadrului de administrare în conformitate cu prevederile cadrului legal și normativ, cu regulamentele interne ale băncii, în vederea îmbunătățirii indicatorilor de activitate ai băncii. Eficiența funcției de audit intern este asigurată prin: independența sa față de managementul

of corruption with in the Bank, regulates the establishment of channels for the Bank employees to communicate fraud suspicions, with the purpose to minimizing internal and external fraud risks and promoting high professional standards of transparency, ethics and integrity.

In 2017, the Bank laid strong emphasis on transparency and the degree of public disclosure of information directly related to the Bank's activity. Appropriate disclosure facilitates the understanding and familiarization of the general public with the structure and activities of the Bank, corporate policies and results.

Throughout 2017, further efforts were taken to build the Bank's capacity to ensure the fulfilment of its obligations in the field of Preventing and Combating Money Laundering and Terrorism Financing, as part of compliance, by reviewing the Bank's Policy on Preventing and Combating Money Laundering and Terrorism Financing and related internal procedures, and by implementing dedicated IT applications in the field.

Preventing and Combating Money Laundering and Terrorism Financing Policy ensures the implementation of measures to identify and prevent attempts to launder money, finance terrorism, involve in financial crimes, acts of corruption and other transactions breaching the accepted Banking norms and principles. The policy stipulates that the Bank commits to initiate and maintain business relations with its customers and partners, in accordance with the applicable legislation and standards in the field, such as the 40 Recommendations of the Financial Action Task Force (FATF-GAFI) and the Wolfsberg Group documents on monitoring transactions, Banking correspondence relations and risk-based approach to managing money laundering risks.

In 2017, more training programs were delivered to the Bank staff, especially to the new employees, in order to support the successful implementation of policies and other internal regulations related to compliance. These programs particularly include trainings in the anti-fraud area, on the Code of Ethics, as well as on preventing and combating money laundering and terrorism financing.

INTERNAL AUDIT FUNCTION

Internal audit is an integral element of the Bank Internal Control System, which main goal is to perform independent, impartial and objective assessment of the governance framework sufficiency and efficiency in compliance with the provisions of the legal and regulatory framework, with the Bank's internal regulations aimed to improve the Bank's business indicators/ratios. The Internal Audit Function efficiency is ensured through: its independence from

operațional și raportarea directă Consiliului băncii, prin deținerea accesului deplin la informațiile despre oricare activitate a băncii, prin nivelul înalt de profesionalism al personalului, prin gradul înalt de realizare a recomandărilor înaintate de funcția de audit intern. Este de menționat faptul că în anul 2017 funcția de audit intern a băncii și-a modificat reglementările interne în corespundere cu prevederile Regulamentului Băncii Naționale a Moldovei privind cadrul de administrare a activității băncii, inclusiv și-a organizat activitatea în corespundere cu scopurile și responsabilitățile stabilite, fiind în continuu proces de perfecționare conform celor mai bune practici. Auditul intern este un element indispensabil al sistemului de control intern al băncii.

1.5 RESPONSABILITATEA SOCIAL-CORPORATIVĂ

Moldova-Agroindbank este convinsă că doar parteneriatul dintre business și societate poate deveni cheia dezvoltării durabile a oricărei instituții financiare. Astfel, pentru a se bucura de respectul cetățenilor și de a atinge noi înălțimi, comunitatea de afaceri trebuie să țină cont nu doar de interesele și preferințele clienților și partenerilor, ci și de cele ale societății în ansamblu.

MAIB este o organizație social-responsabilă și implementează anual programe de caritate pentru diferite pături social-vulnerabile, sponsorizează diverse evenimente de importanță națională și locală. Această abordare sistematică a responsabilității sociale corporative (RSC), participarea activă la proiecte sociale în domeniile economiei, culturii, sportului, educației au fost menționate cu un premiu de către revista britanică *“Capital Finance International”* (CFI), Moldova-Agroindbank fiind desemnată drept **“Bancă cu cel mai mare impact social în Moldova” (Best Social Impact Bank – Moldova 2017)**. Potrivit concluziilor Comisiei de evaluare a nominanților din cadrul CFI, Moldova-Agroindbank desfășoară businessul bancar la un nivel înalt, aplicând principiile responsabilității corporative în activitatea sa printr-un management responsabil și gestionează impactul acestei activități asupra comunității.

Moldova-Agroindbank inițiază și implementează propriile proiecte de RSC, participă și la proiecte inițiate de organizațiile non-comerciale sau guvernamentale, cum ar fi Fundația de Caritate pentru Copii *“Clipa Siderală”*, Fundația Filantropică Medico-Socială *“Angelus Moldova”*, Ministerul Culturii, Ministerul Economiei și Infrastructurii, Comitetul Național Olimpic și Sportiv etc. Astfel, sunt dezvoltate parteneriate strategice pentru activități importante în toate domeniile și pe întreg teritoriul țării noastre.

În anul 2017 MAIB a continuat să susțină un șir de evenimente importante: Festivalul Internațional *“Maria Bieșu”*, Olympic Fest, Maratonul Internațional din Chișinău, Moldova Business Week, Festivalul Internațional *“Cucuteni International Art Camp 2017”*, Poșta lui Moș Crăciun etc. Resurse financiare esențiale au fost direcționate pentru a

operational management and direct reporting to the Bank’s Council, full access to information on any Bank activity, high professional level of the staff, high degree of meeting the recommendations made by the Internal Audit Function. It is worth mentioning that in 2017 the Internal Audit Function of Moldova Agroindbank amended its in-house regulations in compliance with the National Bank of Moldova Regulation on Internal Governance and Risk Management in Banks, having organized its work in compliance with the corresponding goals and responsibilities, finding itself in a continuous improvement process as per the best practices. The internal audit is an indispensable element of the Bank Internal Control System.

1.5 CORPORATE SOCIAL RESPONSIBILITY

Moldova Agroindbank is convinced that only a partnership between business and society may become the key to sustainable development of any financial institution. Hence, to enjoy the respect of citizens and to attain new peaks, the business community shall take into account not only the interests and preferences of its customers and partners, but also of society as a whole.

MAIB is a socially responsible organization and implements charity programs for socially vulnerable categories of people on an yearly basis; it backs a variety of events of national and local importance. This systematic approach to corporate social responsibility (CSR), active participation in social projects in the area of economy, culture, sports, education were appreciated with a prize from the British magazine *“Capital Finance International”* (CFI), which designated Moldova Agroindbank as the **“Best Social Impact Bank – Moldova 2017”**. According to the conclusions made by the Commission on Nominees Evaluation under CFI, Moldova Agroindbank carried out high level Banking activity, having applied the principles of corporate responsibility in its business through responsible management and handled the impact of this activity over the community.

Moldova Agroindbank initiates and implements its own CSR projects, it takes part in projects unrolled by non-commercial or non-governmental organizations such as Charity Foundation for Children *“Clipa Siderală”*, Charity Social-Medical Foundation *“Angelus Moldova”*, Ministry of Culture, Ministry of Economy and Infrastructure, National Olympic and Sports Committee, etc. Hence, strategic partnerships have been developed with the aim to act with responsibility in all areas and throughout the territory of our country.

In 2017, MAIB continued to support such prestigious events as the International Festival *“Maria Bieșu”*, Olympic Fest, International Marathon in Chisinau, Moldova Business Week, International Festival *“Cucuteni International Art Camp 2017”*, Santa Claus Mail, etc. Significant funds were allocated to provide material

acorda ajutoare veteranilor și persoanelor în etate, copiilor rămași fără îngrijire părintească și copiilor orfani.

În parteneriat cu Centrul de Informații Universitare, pe parcursul a mai multor ani, sunt realizate două proiecte de sprijin financiar a tinerilor: Burse de Merit și Burse pentru Viitorul Tău. În cadrul primului proiect, în 2017, cei mai buni studenți și masteranzi din țară au beneficiat de 50 de burse în valoare de 12 mii lei fiecare. În cadrul proiectului "Burse pentru Viitorul Tău", destinat tinerilor din familiile social-vulnerabile, au fost acordate 30 de burse de câte 6 mii lei fiecare.

Moldova-Agroindbank susține activ inițiativele de responsabilitate socială, utilizând tehnologii moderne și mobilizând în acțiunile planificate angajații și partenerii. Având în vedere că atât dezvoltarea economică, cât și cea socială a țării depinde de nivelul culturii financiare a populației în ansamblu, la mijlocul lunii noiembrie 2017 a fost inaugurat Centrul pentru Tineret "MAIB Studio Avanti". Scopul Centrului este de a contribui la formarea tinerilor, familiarizându-i cu noțiunile de bază ale lumii financiare moderne, serviciile și produsele bancare, utilizând tehnologiile informaționale de ultimă generație. Sala de formare este dotată cu cea mai nouă aparatură video și de sonorizare, laptopuri, tablete, wi-fi și altă tehnică performantă destinată sesiunilor de instruire. Programul Centrului prevede prezentări și un dialog deschis cu experții și specialiștii din domeniu. MAIB Studio Avanti nu este parte a sistemului de învățământ, dar colaborează activ cu organizațiile de stat și cele private pentru ca activitatea acestuia să fie una benefică pentru cei care îi pășesc pragul. Astfel, din momentul lansării și până la sfârșitul anului 2017, Centrul a fost vizitat de circa 130 de liceeni, studenți, tineri antreprenori.

1.6 RESURSELE UMANE

Nevoile clienților noștri sunt din ce în ce mai sofisticate și solicitante, iar concurența devine tot mai acerbă. Aceste circumstanțe generează provocări majore pentru bancă, în special în materie de Resurse Umane.

Strategia managementului resurselor umane cuprinde următoarele priorități:

- Susținerea strategiei de business a băncii prin asigurarea cu resurse umane necesare pentru continuitatea și dezvoltarea afacerii;
- Promovarea continuă a imaginii de angajator care ar contribui la poziționarea băncii în calitatea sa de angajator preferențial;
- Dezvoltarea unei culturi corporative proactive în scopul anticipării necesităților băncii prin alinierea valorilor personale ale fiecărui angajat la valorile băncii;
- Perfecționarea continuă a calității angajaților băncii și creșterea productivității muncii;

aid to veterans and elderly persons, to children without parental care and to orphans.

At the same time, in partnership with the Educational Advising Center, two projects are unrolled for several years aimed at helping young people: Merit Scholarships and Scholarships for Your Future. Under the first project, in 2017, the best Moldovan students and Master's degree students benefited from 50 scholarships worth MDL 12,000 each. Under the Scholarships for Your Future Project intended for young people coming from socially-vulnerable families, 30 scholarships worth MDL 6,000 each were allocated.

Moldova Agroindbank is an active proponent of social responsibility initiatives, being one of the most involved Banks in this area, using modern technologies and mobilizing its employees and partners in the planned actions. Hence, having understood that both the economic and social development of the country rely on the level of financial literacy of the population as a whole, the Youth Center "MAIB Studio Avanti" was inaugurated in mid-November 2017. The center's goal is to get involved in the education of young people, to get them acquainted with the basic terms of the modern financial world, Banking services and products, using the cutting edge information technologies. The training room is fitted with the newest video and audio devices, laptops, tablets, Wi-Fi and with other best performing equipment intended for training sessions. The center's schedule comprises presentations and open dialogue with field-related experts and professionals. MAIB Studio Avanti is not part of the education system, but it actively collaborates with government and private organizations so that its work is beneficial for those who step in. Hence, since its launch and by the end of 2017, the center was visited by about 130 young people (secondary students, students, young entrepreneurs).

1.6 HUMAN RESOURCES

The needs of our customers are more and more sophisticated and demanding, while competition is becoming more gruelling. These circumstances generate major challenges for the Bank, especially in terms of Human Resources.

Human Resources Management Strategy will be mainly focused on:

- Supporting the Bank Business Strategy, having provided the human resources necessary to ensure business continuity and development;
- Further promotion of Employer's image that would boost the Bank's position as a preferential employer;
- Developing a proactive corporate culture aimed to anticipate the Bank's needs by aligning the personal values of each employee with the Bank's values;
- Continual improvement of Bank's staff quality and increasing the labour productivity;

- Fidelizarea angajaților băncii, menținerea și atragerea talentelor;
- Dezvoltarea spiritului de echipă și de implicare a angajaților băncii.

Pe parcursul anului 2017 banca a continuat angajarea și dezvoltarea personalului, pregătindu-l pentru schimbările inițiate în sistemul bancar, precum și în modelul de business al băncii. Au fost întreprinse acțiuni de fidelizare și motivare financiară a angajaților prin ajustarea nivelului de salarizare a muncii la realitățile economice și tendințele în piață.

La 31.12.2017 banca dispunea de 2,290 salariați față de 2,153 la 31.12.2016. În pofida constrângerilor pe piața forței de muncă din Republica Moldova, datorită acțiunilor operative întreprinse de conducerea băncii, rata de fluctuație a personalului băncii în anul 2017 a fost menținut la nivelul anului precedent – 13.4%. Vârsta medie a angajaților băncii la 31.12.2017 este de 36.8 ani.

Instruirea și dezvoltarea sunt procese de importanță strategică pentru bancă deoarece considerăm că angajații noștri sunt principala sursă de succes. Investiția în instruire face parte din strategia managementului schimbării, în special în contextul procesului de transformare a băncii.

- Keeping the Bank's employees, retaining and attracting talented staff;
- Developing the team spirit and involvement of Bank's employees.

Throughout 2017, the Bank continued staff recruitment and development, preparing its employees for the changes initiated in the Banking system, as well as in the Bank business model. Likewise, it carried out actions aimed at staff retaining and financial motivation by adjusting the labour remuneration to economic realities and market trends.

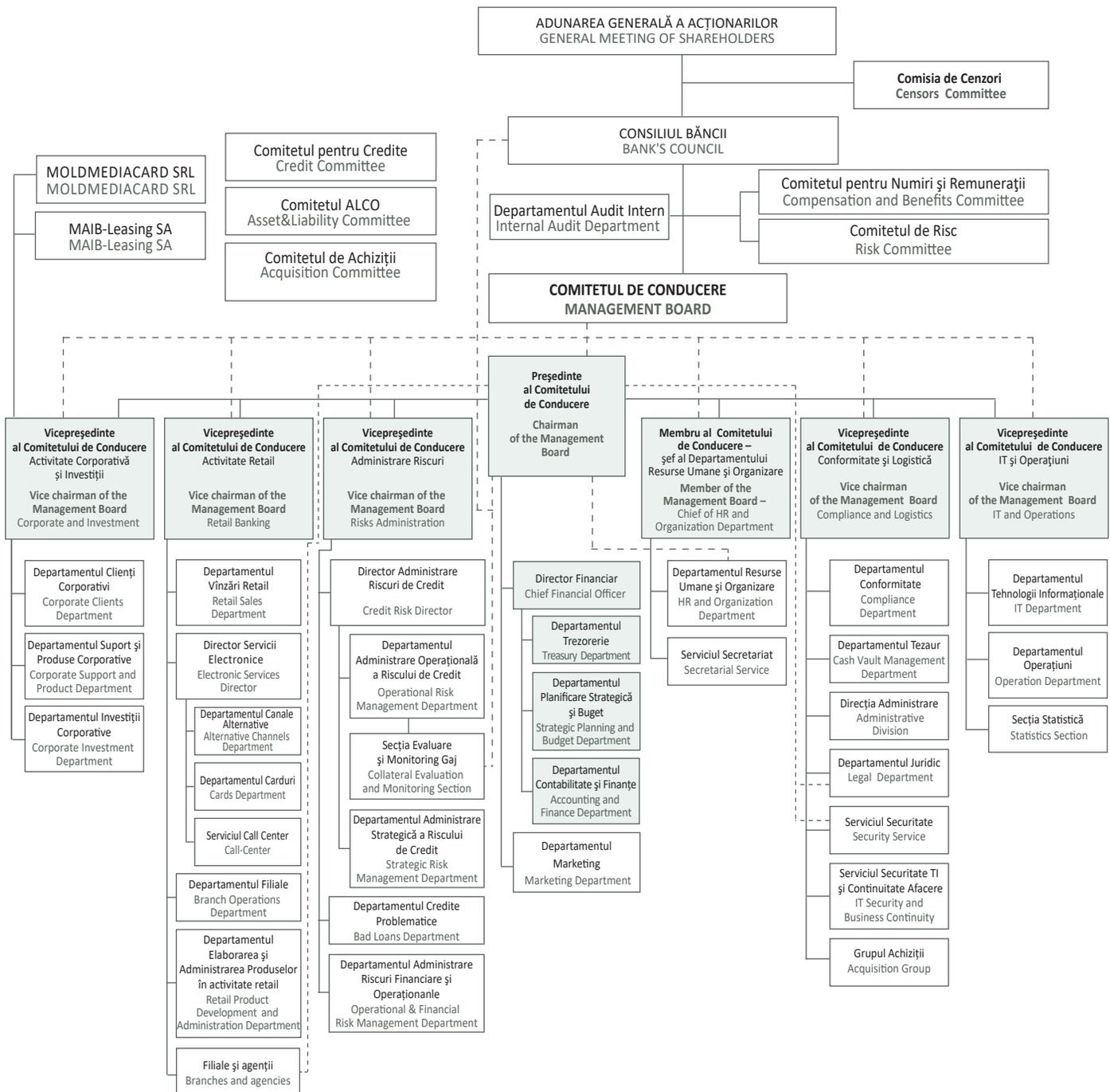
As of 31.12.2017, the total number of Bank employees was 2,290 compared to 2,153 as of 31.12.2016. Despite the Moldovan labour market constraints, thanks to the quick actions undertaken by the Bank leadership, the staff turnover in 2017 was maintained at the level of the previous year, i.e. 13.4%. As of 31.12.2017, the Bank employees' average age was 36.8 years.

Professional training and development are strategic processes of the Bank as we see the employees as the main source of our success. Investment in training is part of the Change Management Strategy, especially in the context of Bank transformation.

1.6. STRUCTURA ORGANIZATORICĂ / ORGANIZATIONAL STRUCTURE

Aprobată prin decizia Consiliului băncii din 14.03.2014

Approved by the decision
of the Bank's Council dated 14.03.2014



2. MEDIUL ECONOMIC ȘI BANCAR ÎN 2017

ECONOMIC AND BANKING ENVIRONMENT IN 2017

2.1 ECONOMIA NAȚIONALĂ

Creșterea economică a prezentat semnale de redresare în anul 2017, prezentând un avans de 4.5% față de anul 2016. În Republica Moldova s-a perpetuat modelul economic bazat pe consum, consumul privat rămânând principalul motor de creștere, cu o dinamică îmbunătățită datorită revigorării remiterilor, creșterii salariilor și indexării pensiilor.

Transferurile de mijloace bănești în favoarea persoanelor fizice prin băncile din Republica Moldova (în bază netă) s-au majorat în 2017 cu 11.2% față de 2016 și au totalizat cca 1,200 mil. USD. În structura transferurilor în bază netă, ponderea majoră revine transferurilor în USD – 49.9%, urmate de transferuri în EUR – 40.9% și în RUB – 9.2%

Sectorul industrial a atestat o creștere de 3.4% a volumului producției industriale, față de anul precedent, cu 2.8 puncte procentuale mai mare față de nivelul înregistrat în anul 2016, iar producția agricolă globală s-a majorat cu 8.6% .

În anul 2017 **comerțul exterior** de mărfuri a avut o evoluție pozitivă, atât exporturile, cât și importurile înregistrând creșteri față de anul 2016, cu 18.6% și 20.2%, respectiv.

La finele anului 2017 rata anuală a inflației a înregistrat valoarea de 7.3%, plasată peste limita superioară a intervalului țintei inflației, influențată preponderent de presiunile acumulate din partea dinamicii prețurilor la produsele alimentare, produsele nealimentare și servicii.

2.1 NATIONAL ECONOMY

According to the preliminary data of the National Bureau of Statistics, Moldova's real GDP grew by 4.5. Moldova's main economic pattern was based on consumption, with private consumption continuing to be the main growth engine; its dynamic improved due to higher remittances, increase in salaries and indexed retirement benefits.

In 2017, the net amount of **remittances** to Moldova accounted to USD 1,200 million, up by 11.2% against 2016. USD transfers held the largest share in the total net amount of remittances in 2017, reaching 49.9%, followed by EUR transfers with 40.9% and RUB with 9.2%.

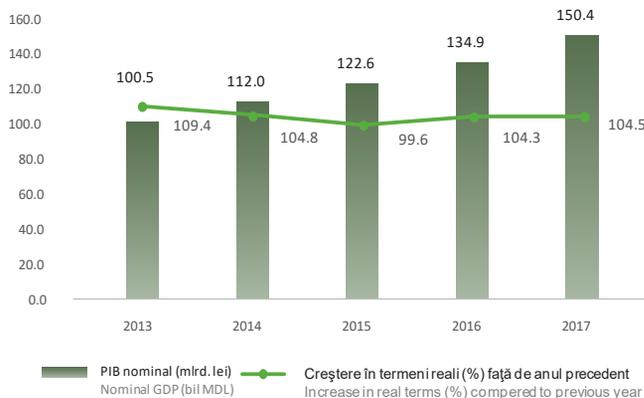
The **industrial sector** registered a 3% increase in the industrial output against 2016, which makes 2.8% more against the level recorded in 2016, and the global agricultural production went up by 8.6%.

Foreign trade saw positive dynamics, with both exports and imports going up by 18.6 and 20.2% respectively against 2016.

At the end of 2017, the annual inflation rate registered a value of 7.3%, which is above the upper limit of the inflation target interval, mostly influenced by the pressure in the food price dynamics, non-food products and services.

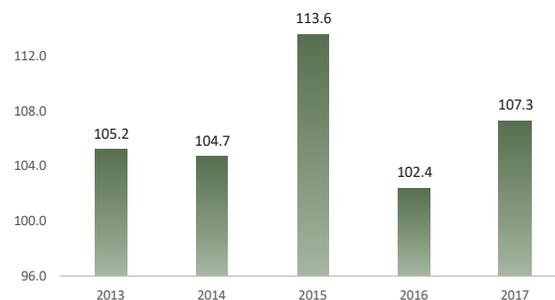
PRODUSUL INTERN BRUT

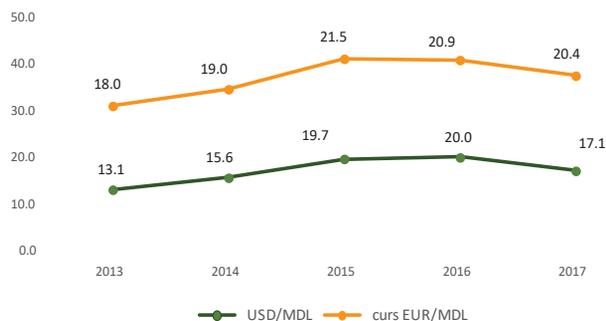
GROSS DOMESTIC PRODUCT



RATA INFLAȚIEI LA FINELE ANULUI

INFLATION RATE AT THE END OF THE YEAR





EVOLUȚIA CURSULUI DE SCHIMB
EXCHANGE RATE EVOLUTION

Banca Națională a Moldovei a calibrat gradual conduita **politicii monetare** pentru asigurarea condițiilor monetare reale adecvate susținerii creditării și economisirii, precum și adaptării mediului economic intern la volatilitățile și incertitudinile din mediul extern. Astfel, pe parcursul anului a fost redusă rata de bază aplicată la principalele operațiuni de politică monetară pe termen scurt de la 9% la începutul anului 2017 până la 6% la finele anului 2017. Norma rezervelor obligatorii din mijloacele atrase în lei moldovenesti și în valută neconvertibilă a fost majorată de la 35% până la 40% din baza de calcul. Totodată, ratele rezervelor minime obligatorii din mijloacele atrase în valută liber convertibilă a fost menținută la nivelul de 14% pe tot parcursul anului 2017.

2.2 EVOLUȚIA SISTEMULUI BANCAR

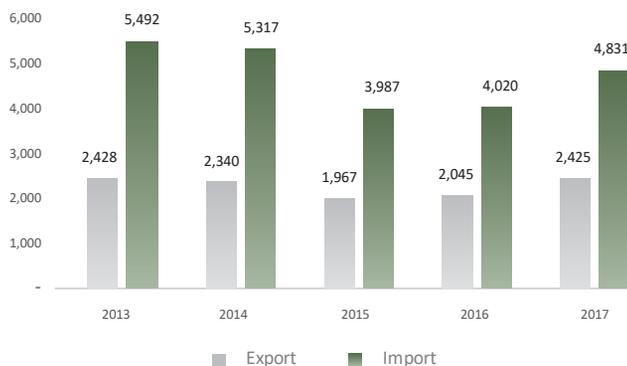
La 31.12.2017, pe piața bancară activau 11 bănci licențiate de Banca Națională a Moldovei (BNM), inclusiv 4 sucursale ale băncilor și grupurilor financiare străine.

Pe parcursul anului 2017, activele sectorului bancar au continuat să crească, suficiența capitalului s-a consolidat, băncile au o lichiditate și o profitabilitate înaltă.

Cca 90% din cota de piață la indicatorii de bază revin primelor 6 bănci (Moldova-Agroindbank, Moldindconbank, Victoriabank, Mobiasbancă, Eximbank și ProCreditBank), iar primele 3 bănci dețin cca 80%.

În anul 2017 Moldova-Agroindbank a reușit să mențină poziția de lider și a înregistrat următoarele cote de piață la 31.12.2017:

- **active – 27.9%;**
- **credite nete – 32.2%;**
- **depozite total – 29.3%;**
- **depozite persoane fizice – 31.6%;**
- **profitul net - 30.9%.**



EVOLUȚIA COMERȚULUI EXTERN AL REPUBLICII MOLDOVA
THE EVOLUTION OF FOREIGN TRADE OF REPUBLIC OF MOLDOVA

The National Bank gradually offset the **monetary policy** to ensure adequate monetary conditions to back lending and deposits and to adapt the domestic economic environment to uncertainties in the external environment. Thus, the base rate for main short-term monetary policy operations decreased from 9% in early 2017 to 6% in late 2017. The mandatory reserves for means attracted in MDL and in non-convertible currency increased from 35% to 40%. At the same time, the rate of minimal mandatory reserves attracted in freely convertible currency stood at the level of 14% throughout 2017.

2.2 BANKING SYSTEM DEVELOPMENT

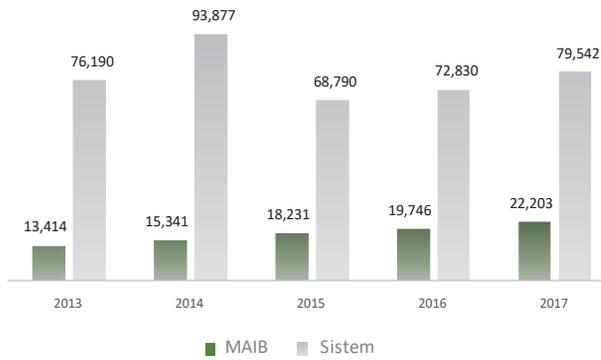
As of 31.12. 2017, the same 11 banks licensed by the National Bank of Moldova continued operating on the market, including four branches of foreign banks and financial groups.

Assets of the banking sector kept on being on the rise, capital adequacy consolidated and the banks recorded high liquidity and profitability.

Almost 90% of the market share for the main indicators belong to the first six banks (Moldova Agroindbank, Moldindconbank, Victoriabank, Mobiasbanca, Eximbank and ProCreditBank), whereas the first three ones hold almost 80% of it.

In 2017, Moldova Agroindbank kept its leading position, holding the following market shares, as of 31.12.2017:

- **assets – 27.9%;**
- **net loans – 32.2%;**
- **total deposits – 29.3%;**
- **private deposits – 31.6%;**
- **net profit - 30.9%.**



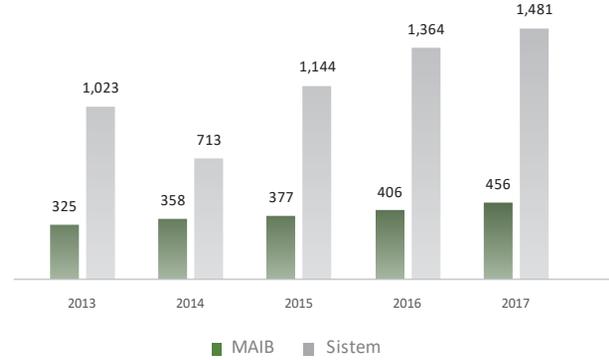
EVOLUȚIA ACTIVELOR (MIL. LEI)

DYNAMIC OF ASSETS (MLN MDL)

La 31.12.2017, profitul aferent exercițiului a însumat 1.5 mlrd. lei. Comparativ cu perioada similară a anului precedent, profitul s-a majorat cu 8.6%, în cea mai mare parte, din contul majorării veniturilor neaferele dobânzilor cu 6.8% și diminuarea cheltuielilor neaferele dobânzilor cu 7.6%. Totodată, cheltuielile aferente dobânzilor s-au diminuat cu 37.1%.

Rentabilitatea activelor și rentabilitatea capitalului la 31.12.2017 au constituit 1.8% și respectiv 11.1%, fiind la același nivel cu anul precedent.

Valoarea **indicatorului lichidității pe termen lung** (principiul I al lichidității) a constituit 0.6 (limita ≤ 1), fiind practic la același nivel cu finele anului precedent. **Lichiditatea curentă** (principiul II al lichidității) s-a majorat cu 6.18 p.p., constituind 55.48% (limita $\geq 20\%$), mai mult de jumătate din activele sectorului bancar fiind concentrate în active lichide.



EVOLUȚIA PROFITULUI NET (MIL. LEI)

DYNAMIC OF NET PROFIT (MLN MDL)

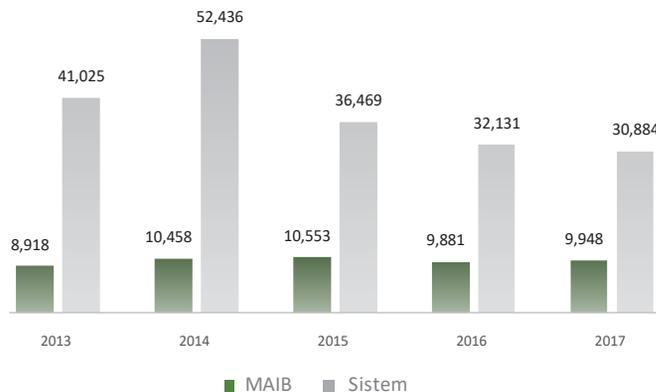
As of 31.12.2017, the banking sector recorded a profit of MDL 1.5 billion, up by 8.6% against December 2016, which was mainly due to an increase in non-interest revenues by 6.8% and decrease in non-interest expenditures by 7.6%. At the same time, interest expenditures decreased by 37.1%.

Return on assets and return on capital, as of 31.12.2017, accounted for 1.8% and 11.1%, respectively, which is the same level as in the previous year.

The **long-term liquidity ratio** (Principle I on liquidity) stood at 0.6 (limit ≤ 1), being almost at the same level as in late 2016. **Current liquidity** (Principle II of liquidity) went up by 6.18 p.p., hitting 55.48% (limit ≥ 20 percent), with more than half of the banking sector assets being concentrated in liquid assets.

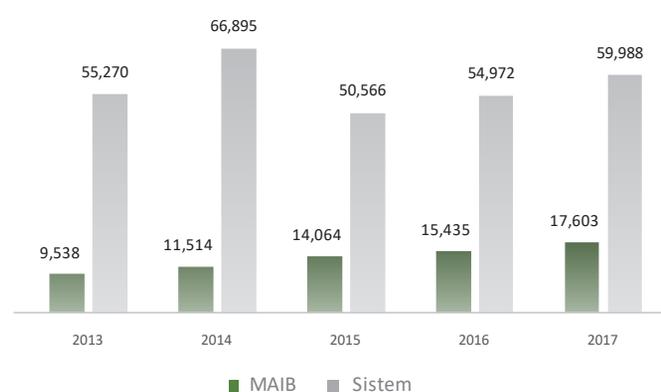
EVOLUȚIA CREDITELOR NETE (MIL. LEI)

DYNAMIC OF NET LOANS (MLN MDL)



EVOLUȚIA DEPOZITELOR TOTALE (MIL. LEI)

DYNAMIC OF TOTAL DEPOSITS (MLN MDL)



3. ACTIVITATEA SUBUNITĂȚILOR BĂNCII

ACTIVITY OF BANK SUBUNITS

3.1 ACTIVITATEA CORPORATIVĂ ȘI INVESTIȚII

Activitatea corporativă

Diviziunea Activitate Corporativă este o subunitate a băncii **dedicată clienților corporativi**, companii mari și mijlocii, care își desfășoară activitatea în diverse sectoare ale economiei naționale.

Abordarea individuală a clienților prin directorii relații clienți, accesibilitatea la finanțare prin aplicarea sistemului de limite de credit, prin produse bancare adaptabile necesităților și solicitărilor clienților sunt punctele de reper, care pe parcursul celor **15 ani de activitate** a Diviziunii au contribuit la fortificarea relațiilor cu clienții existenți și stabilirea unor parteneriate noi.

Printre clienții corporativi ai băncii se numără peste 300 companii notorii din diverse ramuri ale economiei naționale, dar și ambasade străine acreditate în Republica Moldova, instituții publice și instituții de învățământ ș.a. Circa 68% din clienții corporativi au relații stabile de parteneriat cu banca de peste 5 ani.

Coșul produselor și serviciilor bancare destinate clienților corporativi este divers, ușor adaptabil cerințelor de business ale acestora. Banca, de asemenea, acordă o atenție deosebită dezvoltării produselor electronice și sistemelor de servirea bancară la distanță.

Pe parcursul anului 2017, vânzările produselor bancare au fost marcate de un șir de factori ce au influențat activitatea clienților, cum ar fi dezvoltarea lentă a sectorului industrial, activitatea investițională inertă, intensificarea procesului inflaționist precum și comprimarea sectorului agricol din cauza condițiilor climaterice nefaste în prima jumătate a anului.

Perspectivile economice nesigure au afectat deciziile companiilor de a investi, cererea de credite din partea clienților corporativi fiind sub nivelul așteptat. Pe de altă parte, constrângerile BNM și interne de supraveghere bancară a riscului de credit, au impus măsuri/cerințe prudențiale mai stricte față de debitori, față de expunerile mari și concentrarea creditelor în anumite genuri de activitate. În aceste condiții, portofoliul de credite a înregistrat o dinamică negativă, atât la sold cât și la calitate.

Portofoliul de credite al clienților corporativi, la 31.12.2017, a constituit 6,356 mil. lei (97% față de 31.12.2016). Ponderea cea mai mare (74%) sunt creditele pe termen mediu, 71% - creditele pentru finanțarea activității curente. Genul de activitate cu cea mai mare pondere în portofoliul de credite (cca 37%) a fost comerțul, ponderi importante înregistrând, de asemenea, creditele în sectoare precum industria alimentară (30%), industria nealimentară (11%), transportul și comunicațiile (8%).

La 31.12.2017, portofoliului de credite al clienților corporativi îi revenea 58% din Portofoliul total de credite al băncii.

3.1 CORPORATE OPERATIONS AND INVESTMENTS

Corporate Operations

The Corporate Division is a Bank's subunit **dedicated to corporate customers**, large and medium-sized companies that carry out their activity in various sectors of the national economy.

Applying an approach based on individual treatment of customers through Customers' Relations Directories, accessibility of financing via the use of loan limits system, through banking products tailored to the customers' needs and requests are the benchmarks, which contributed to reinforcing the relations with the existing customers and setting new partnerships throughout the **15 years of work and endeavors** made by the Division.

The Bank's corporate customers include over 300 famous companies working in various sectors of the national economy, as well as foreign embassies accredited in the Republic of Moldova, public entities, education institutions, etc. Circa 68% of corporate customers have stable partnership relations with the Bank for more than five years.

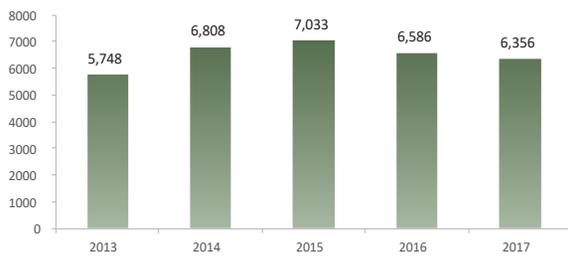
The basket of banking products and services intended for corporate customers is divers, easily adjustable to their business requirements. The Bank pays also particular attention to the development of electronic products and systems of remote banking servicing.

Throughout 2017, the sales of banking products were marked by a series of factors that impacted the customers' activity, such as slow development of the industrial sector, inert investment activity, enhancement of the inflationary process, as well as agricultural sector shrinking due to adverse weather conditions during the first half of the year.

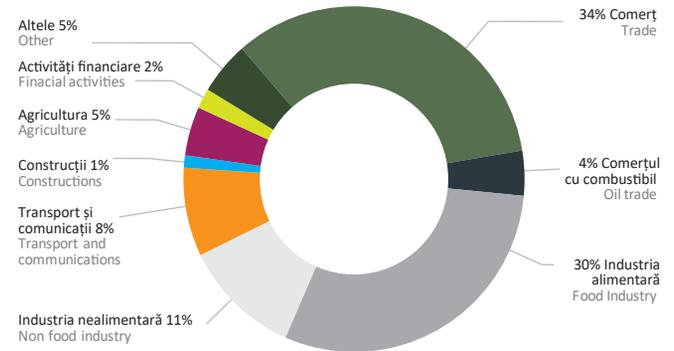
Uncertain economic perspectives affected the decisions of companies to make investments, the corporate customers' demand for loans being below the expected level. On the other hand, the constraints imposed by the NBM and the internal banking oversight constraints over the loan risks imposed stricter prudential measures/requirements towards debtors in terms of large exposures and loan concentration in certain fields of activity. Under such circumstances, the loan portfolio recorded negative dynamics both in terms of balance and quality.

The loan portfolio for corporate customers, as of 31.12.2017, amounted to MDL 6,356 million (97% relative to 31.12.2016). The largest share (74%) is held by medium-term loans, 71% - by loans for financing the current activity. Trade held the largest share in the loan portfolio (circa 37%), followed by such sectors as food processing industry (30%), non-food processing industry (11%), transports and communications (8%).

As of 31.12.2017, the corporate customer loan portfolio held 58% of the Bank total loan portfolio.



PORTOFOLIUL DE CREDITE,
CLIEŢI CORPORATIVI (MIL. MDL)
CORPORATE LOAN PORTOFOLIO (MLN. MDL)



STRUCTURA PORTOFOLIULUI DE CREDITE
DUPĂ GENURI DE ACTIVITATE
LOAN PORTOFOLIO PER INDUSTRIES

Volumul total al tranzacţiilor de Trade Finance (acreditiv documentare, garanţii bancare etc.) derulate în 2017 a constituit 39,289 mii USD (în echivalent), cu 40% mai mult faţă de volumul realizat în 2016.

Cu toate că condiţiile pieţei nu au fost tocmai favorabile unei creşteri pronunţate a vânzărilor de produse bancare, Diviziunea activitate corporativă a reuşit menţinerea portofoliului de clienţi, atragerea unor clienţi noi, dar şi atingerea obiectivelor planificate la multe din produsele neaferele creditării. Astfel, un trend crescător, comparativ cu anul precedent, au înregistrat: volumul plăţilor în MDL (119% faţă de 2016) şi VS (166%), volumul operaţiunilor de schimb valutar (128%), tranzacţiile documentare (140%).

Cota tranzacţiilor electronice efectuate de clienţii corporativi prin Internet Banking, a fost, ca şi în anii precedenţi, în continuă creştere (106% faţă de 2016) şi a constituit 92% din numărul total de tranzacţii, ceea ce denotă interesul şi încrederea tot mai mare a clienţilor faţă de deservirea bancară la distanţă. Un trend crescător a înregistrat şi volumul operaţiunilor de plăţi cu cardurile la comerţanţii băncii - clienţi corporativi (138% faţă de 2016), inclusiv prin e-commerce (106%), fapt ce corespunde tendinţei de trecere de la numerar la plăţi electronice.

Portofoliul de depozite, la sfârşitul anului 2017, a constituit 1,929 mil. lei, sau cu 297 mil. lei (cu 18%) mai mult faţă de situaţia din 31.12.2016. Depozitele la termen au constituit 19% din soldul total al depozitelor, restul fiind disponibilităţile în conturi curente. Depozitele în valută străină au înregistrat o pondere de 59%, în total, şi 74% în cazul depozitelor la termen.

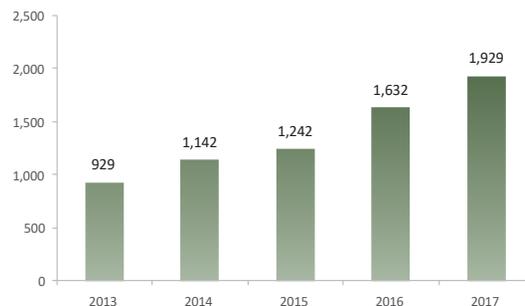
The total amount of Trade Finance transactions (documentary credits, bank guarantees, etc.) performed in 2017 amounted to USD 39,289 thousand (equivalent) or by 40% more relative to the amount recorded in 2016.

In spite of the fact that the market conditions were far from being favourable for a pronounced growth of banking product sales, the Corporate Division managed to maintain the customer portfolio, attract new customers, as well as attain the envisaged objectives set for many non-lending banking products. Hence, an upward trend in comparison with the previous year was recorded for: the amount of payments in MDL (119% relative to 2016) and in foreign currency (166%), the amount of foreign exchange operations (128%), documentary transactions (140%).

The share of electronic transactions performed by corporate customers via Internet-Banking continued to grow (106% against 2016), reaching 92% of the total number of transactions, which shows the customers' greater interest and trust in remote banking services. An upward trend was also recorded by card payments performed by Bank merchants – corporate customers (138% relative to 2016), including via e-commerce (106%), thus corresponding to the trend of switching from cash payments to electronic payments.

The deposit portfolio, by the end of 2017, amounted to MDL 1,929 million or by MDL 297 million (18%) more in comparison with the situation as of 31.12.2016. The fixed-term deposits amounted to 19% of the total deposit balance, the remaining being the resources in current accounts. The deposits in foreign currency recorded a share of 59% of the total, and 74% of the fixed-term deposits.

PORTOFOLIUL DE DEPOZITE,
CLIEŢI CORPORATIVI (MIL. MDL)
CORPORATE DEPOSITS PORTOFOLIO (MLN. MDL)



Intensificarea continuă a concurenței pe segmentul clienților corporativi, precum și transpunerea în reglementarea bancară a prevederilor Acordului Basel III, sunt noi provocări pentru bancă, impunând și în continuare o gestionare eficientă a tuturor resurselor, implementarea tehnicilor bancare moderne, precum și valorificarea performanțelor sistemului de deservire la distanță.

Pentru anul 2018, Diviziunea activitate corporativă își propune următoarele obiective:

- să fortifice relațiile cu clienții corporativi, în scopul consolidării poziției pe acest segment de clienți și creării unei valori sporite și durabile în timp;
- să intensifice activitatea de creditare, inclusiv prin identificarea și atragerea unor clienți corporativi noi;
- să întreprindă măsuri pentru recuperarea creditelor neperformante și îmbunătățirea calității portofoliului de credite;
- să asigure monitorizarea timpurie a creditelor în vederea excluderii sau diminuării riscului de neplată a creditelor la scadență;
- să asigure creșterea veniturilor neaferele dobânzilor și optimizarea ponderii cheltuielilor neaferele dobânzilor;
- să asigure creșterea utilizării de către clienți a operațiunilor de tranzacții documentare;
- să asigure menținerea profitabilității clienților corporativi și să sporească gradul de satisfacție a acestora.

Activitatea de investiții – realizări și perspective

Activitatea profesionistă pe piața de capital a Moldova-Agroindbank a fost asigurată de licența de Societate de Investiții de categoria “C”, acordată băncii în anul 2015 de către Comisia Națională a Pieței Financiare pe un termen nelimitat, cu dreptul de a desfășura un spectru larg de servicii și activități de investiții.

Activitatea operațională a băncii în decursul anului 2017 a demarat având la bază Politica Investițională aprobată pentru această perioadă. Pentru anul curent, a fost prevăzută aplicarea unei strategii flexibile de administrare a portofoliului în funcție de conjunctura pieței. Participarea băncii la piața de capital prin efectuarea investițiilor financiare urmează un obiectiv de diversificare a operațiunilor

Continuous strengthening of competition in the segment of corporate customers, as well as transposing Basel III provisions in the Banking regulations have brought new challenges for the Bank, requiring efficient management of all resources, implementing modern Banking techniques and employing the results attained by the remote Banking service system.

For 2018, the Corporate Division has set the following goals:

- to strengthen the relations with corporate customers to ensure a stronger position on this segment and create added and sustainable values over time;
- to expand the lending activity, including through the identification and attraction of new corporate customers;
- to undertake measures aimed at recovering bad loans and improving the quality of loan portfolio;
- to ensure early monitoring of loans with the purpose to eliminate or mitigate the risk of loan non-repayment on maturity;
- to ensure the growth of non-interest revenues and optimize the share of non-interest expenditures;
- to increase the use of documentary transactions by customers;
- to maintain the profitability of corporate customers and increase the level of their satisfaction.

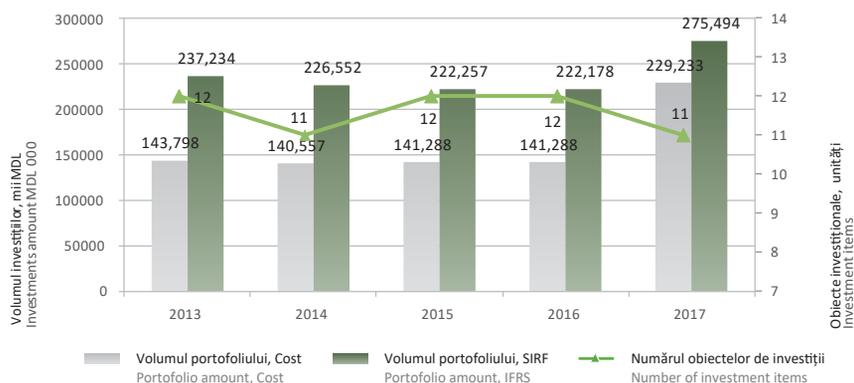
Investment Activity – Accomplishments and Perspectives

The professional activity of Moldova Agroindbank on the capital market was performed in compliance with the licence it has been issued as an investment company of category “C” by the National Commission for Financial Markets in 2015 for unlimited period, with the right to carry out a wide range of services and investment activities.

The Bank’s operational activity in 2017 was based on the Investment Policy approved for that period. For the current year it has been envisaged to use a flexible strategy for managing the portfolio depending on the market environment. The Bank’s participation in the capital market through financial investments pursues the goal to diversify the Bank active operations via the employment of alternative

DINAMICA PORTOFOLIULUI DE INVESTIȚII

DYNAMIC OF INVESTMENTS PORTFOLIO



active ale băncii prin valorificarea surselor alternative de venituri. La finele anului de gestiune portofoliul investițional, în conformitate cu Standardele Internaționale de Raportare Financiară, a înregistrat valoarea de 275,495 mii lei, situație în care banca deține cote de participare în 11 companii din diverse sectoare ale economiei mondiale, dintre care 9 companii sunt participanți ai economiei naționale și 2 companii sunt participanți ai unor economii externe (SUA și Belgia).

Pe parcursul anului 2017 Banca a comercializat investiția deținută în capitalul social al ÎM „Suedzucker Moldova” SA la prețul de comercializare de 47,915 mii lei, astfel diferența dintre valoarea de cost a acestei investiții și valoarea sa de comercializare a constituit 36,008 mii lei.

În vederea minimizării riscului investițional, banca a aplicat în măsura oportunităților investiționale oferite de piața autohtonă de capital strategia de diversificare a portofoliului. Cea mai însemnată cotă din portofoliul băncii revine investițiilor în compania fică „MAIB-Leasing” SA, iar ponderi semnificative sunt deținute de valorile mobiliare ale întreprinderilor din industria prelucrătoare a produselor din sticlă, precum și în societăți ale căror activitate este clasificată drept alte intermediari financiare.

Scopul primordial al politicii investiționale l-a constituit monitorizarea activității obiectelor de investiții, prin promovarea unor metode de management al întreprinderilor, care are ca obiectiv contribuirea la influențarea dinamică și constructivă, astfel încât managementul unităților economice să se manifeste în activitatea sa prin transparență și profesionalism. Materializarea acestui deziderat conduce la sporirea eficienței activității acestor entități și, implicit, poate avea ca efect majorarea valorii de piață a cotelor de participare deținute de bancă, administrarea eficientă a obiectelor de investiții prin promovarea unor modele de management al întreprinderilor, care au ca obiectiv capitalizarea permanentă a obiectelor investiționale și obținerea veniturilor.

O atenție deosebită în realizarea politicii investiționale a băncii a fost acordată prestării de servicii pe piața de capital, accentul fiind pus pe calitatea și eficiența serviciilor prestate. Astfel, în anul 2017, Departamentul investiții corporative (DIC) și-a desfășurat activitatea pe piața de capital în direcția prestării și promovării serviciilor de executare a ordinelor privind instrumentele financiare în numele clienților și în cont propriu.

revenue sources. By the end of the reporting year, the investment portfolio, in compliance with the International Financial Reporting Standards (IFRS), recorded the value of MDL 275,495 thousand, where the Bank holds participation shares in 11 companies from various sectors of the national economy, of which nine companies are participants of the national economy and two companies are participants of foreign economies (the USA and Belgium).

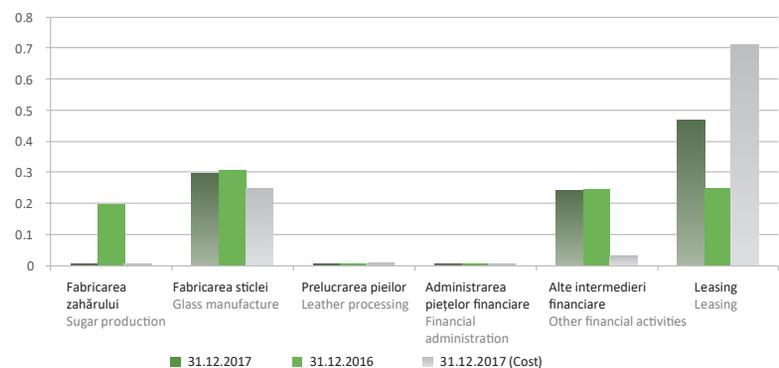
During 2017 the Bank sold its investment held in the social capital of “Sudzucker Moldova” SA at the sales price of MDL 47,915 thousand; hence, the difference between the investment cost and the sales price amounted to MDL 36,008 thousand.

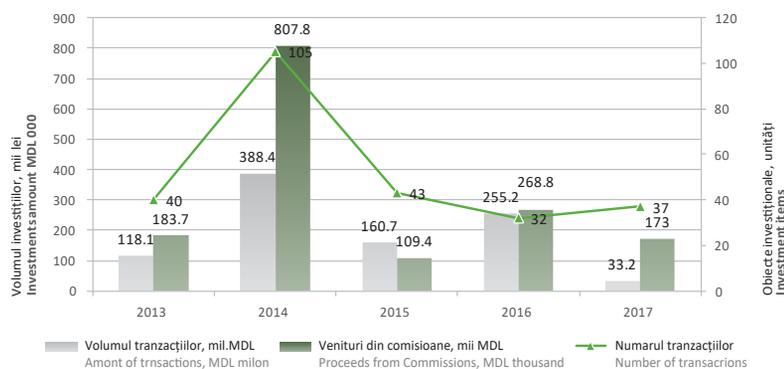
In order to minimize investment risks, the Bank applied the strategy of diversifying the portfolio to the extent allowed by investment opportunities offered by the local market. The highest quota in the Bank’s portfolio is held by investments in the daughter company “MAIB-Leasing” SA. Enterprises dealing with glass production and societies dealing with financial intermediation hold significant quotas in the Bank’s investment portfolio.

The primary goal of investment policy is to monitor the activity of investment items through the promotion of some enterprise management approaches, which are aimed at influencing them in a dynamic and constructive manner so that the management of economic units would be transparent and professional. Achieving this requirement leads to greater efficiency in those entities activity and, implicitly, may result in increasing the market value of participation shares held by the Bank, effective administration of investment items through the promotion of certain enterprise management models, which are aimed to continuously capitalize the investment items and derive income.

A particular attention in carrying out the Bank investment policy was paid to providing services on the capital market, focusing on service quality and efficiency. Hence, in 2017, the Corporate Investment Department (CID) carried out its activity on the capital market, providing and promoting services for enforcing the orders on financial instruments on behalf of customers and by the Bank itself.

**DINAMICA STRUCTURII
PORTOFOLIULUI INVESTIȚIONAL**
BREAKDOWN OF INVESTMENT PORTOFOLIO





DINAMICA INDICATORILOR DE BAZĂ

DINAMIC OF MAIN RATIOS

Pe parcursul anului de gestiune, volumul total al tranzacțiilor bursiere înregistrat la Bursa de Valori a Moldovei de către Departamentul investiții corporative, în condițiile prestării serviciilor de investiții pe piața de capital, a însumat cca 33,162 mii lei.

În 2017, Banca a fost în continuare în calitate de Societate de Investiții pentru vânzarea acțiunilor proprietate publică la Bursa de Valori a Moldovei, fiind desemnată în urma câștigării concursului anunțat de Agenția Proprietate Publică și organizat de către comisia de selectare (de concurs) în anul 2016.

Oportunități sporite se asociază cu serviciile de intermediere la subscrierea/plasamentul instrumentelor financiare și de consultanță de investiții, care în condițiile atingerii unui nivel de dezvoltare a pieței de capital conferă emitenților posibilitatea atragerii mijloacelor financiare necesare pentru realizarea unor proiecte, iar investitorilor – noi instrumente financiare pentru investire.

În 2017 banca a prestat serviciul Agent de plată pentru „Sudzucker Moldova” SA referitor la distribuirea mijloacelor bănești aferente procedurii de retragere obligatorie a acțiunilor (serviciul nominalizat urmează a fi prestat în următorii 3 ani consecutivi).

Diversificarea și universalitatea gamei de servicii prestate va permite băncii să sporească calitatea deservirii și satisfacerii nevoilor clienților săi, contribuind în mare măsură la menținerea poziției de lider al sistemului bancar autohton. De asemenea, activitatea investițională a băncii va fi orientată spre lărgirea infrastructurii băncii, creșterea veniturilor și realizarea unei politici adecvate în acest domeniu.

Operațiuni cu acțiunile băncii

La 31 decembrie 2017 capitalul statutar cuprindea 1,037,634 acțiuni ordinare nominative, valoarea nominală a unei acțiuni fiind de 200 de lei (la 31 decembrie 2016: 1,037,634 acțiuni). Pe parcursul anului 2017 banca a declarat dividende din profitul net al anului încheiat la 31 decembrie 2016 câte 84 lei pe acțiune, care au fost distribuite în sumă de 51,347 mii lei (2016: 166,021 mii lei sau 160 lei pe acțiune).

Anterior anului de raportare, două grupuri de acționari, care acționau concertat, au dobândit cote substanțiale în capitalul social al Băncii în mărime de 3.53% și, respectiv, 39.58% fără permisiunea prealabilă a Băncii Naționale a Moldovei. Conform deciziilor CE al BNM nr. 157 din 23.12.2015 și nr. 43 din 02.03.2016 acestor acționari le-au

During the reporting period, the total amount of stock-market transactions recorded at Moldova Stock Exchange by Corporate Investment Department, under the conditions of providing investment services on the capital market, amounted to circa MDL 33,162 thousand.

In 2017, the Bank acted further as an investment entity for selling the public property shares at Moldova Stock Exchange, being appointed as a result of winning the tender announced by the Public Property Agency and conducted by the Selection Commission in 2016.

Increased opportunities are associated with the underwriting and investment consulting services, which in an appropriate development level reached by the capital market, give the Issuers the possibility to attract financial resources required to implement certain projects and new financial tools for investments to investors.

In 2017 the Bank rendered the Paying Agent service for “Sudzucker Moldova” SA regarding the distribution of financial means afferent to the procedure of compulsory withdrawal of shares (the aforementioned service is to be rendered during the next three consecutive years).

The diversification and universality of the range of services will enable the Bank to improve the quality of servicing and meet its customers’ needs, making possible to retain its leading position in the national Banking system. Likewise, the Bank investment activity will be aimed at scaling up the Bank infrastructure, increasing the revenues and implementing the appropriate policy in this area.

Operations with the Bank shares

On 31 December 2017, the statutory capital comprised 1,037,634 ordinary nominative shares, the share par value being MDL 200 (31 December 2015: 1,037,634). During 2017 the Group declared and distributed dividends from the net profit of the year ended 31 December 2016, in the amount of MDL’000 51,347 or MDL 84 per share (2016: MDL’000 166,021 or MDL 160 per share)

Before the reporting period, two groups of shareholders who acted in concert acquired significant shares in the Bank share capital, in the amount of 3.53% and 39.58%, accordingly, without having the NBM preliminary written authorization. Under decision No. 157 dated 23.12.2015 and No. 43 dated 02.03.2016 issued by the NMB EC, the right to vote of these

fost suspendate drepturile exercitării dreptului de vot și aceste companii au fost obligate să înstrăineze cotele ce le dețineau în capitalul băncii în termen de 3 luni din data intrării în vigoare a deciziilor BNM. Luând în considerație că aceste acțiuni nu au fost înstrăinate în termenul stabilit de legislația în vigoare, acțiunile au fost anulate și au fost efectuate emisiuni suplimentare de acțiuni ale Moldova-Agroindbank. Acțiunile nou emise au fost provizoriu înscrise pe numele băncii.

Aceste acțiuni reprezintă 2 pachete de acțiuni și anume:

- 1) pachetul unic de 36,605 (treizeci și șase mii șase sute cinci) acțiuni ordinare nominative nou emise de clasa I;
- 2) pachetul unic de 389,760 (trei sute optzeci și nouă mii șapte sute șazeci) acțiuni ordinare nominative nou emise de clasa I.

La data de 08.02.2018 Comitetul de Conducere al băncii a decis să expună în continuare spre vânzare aceste două pachete de acțiuni, prin intermediul pieței reglementate a Bursei de Valori a Moldovei.

3.2 RETAIL BANKING

Diviziunea Retail în anul 2017 și-a fortificat pozițiile prin creșterea business-ului, care este orientat spre persoanele fizice și întreprinderile mici și mijlocii (IMM-uri), cu accent pe rețeaua de distribuție, produse și servicii, pe calitatea servirii și satisfacția clienților, implementarea noilor tehnologii etc.

MAIB a continuat să-și optimizeze rețeaua de distribuție, care la finele anului a atins numărul de 186 de oficii (66 de sucursale și 120 de agenții), din care 78 de oficii în Chișinău și Bălți. În plus, banca și-a crescut și numărul de ATM-uri bancare (cu 25 unit.), inclusiv numărul bancomatelor de tip Cash In/Cash Out, atingând numărul total de 280 de unități. Acest fapt a asigurat băncii o cotă de piață de 25.5% după numărul de ATM deținute, în creștere cu 1.1 p.p. față de 2016. Peste 80 din bancomatele MAIB oferă posibilitatea de eliberare a numerarului inclusiv în valuta EUR și USD. Acum, deținătorii de carduri bancare pot efectua rapid și sigur operațiuni de depunere și retragere de numerar, precum și operațiuni de schimb valutar cu monedă națională și valută străină, USD/EUR. La cele 20 de bancomate de tip Cash In/Cash Out a fost implementat Serviciul CARDLESS, care oferă posibilitatea persoanelor fizice de a suplini cu numerar cardurile proprii sau ale persoanelor terțe, emise de MAIB, fără utilizarea propriu-zisă a cardului bancar la efectuarea tranzacției.

În contextul creșterii calității nivelului de servicii și a calității serviciilor prestate, MAIB tinde să simplifice procesele de prestare a serviciilor și să ofere accesul la serviciile bancare unui număr cât mai mare de clienți. Astfel, banca dezvoltă Centrele de autoservire 24/24 și a majorat numărul acestora până la 8, la finele anului 2017. Tot în aceste scopuri, banca a deschis Centrul MAIB Studio AVANTI, care oferă programe de educație financiară tinerilor, inclusiv copiilor cu vârstă preșcolară. Seminarele organizate în cadrul MAIB Studio AVANTI oferă participanților consultanță personalizată în condiții de confort, discuții și dezbateri pe teme inițiate de clienți. MAIB Studio AVANTI este deschis în premieră de MAIB pe

shareholders was suspended and they were obliged to sell their shares within three months following the NBM decisions. Taking into account the fact that those shares were not sold within the term prescribed by the legislation in effect, the shares were repealed, and an additional issuance of shares was carried out. In compliance with the provisions of the Decision No. 15/2 dated 7 April 2016, issued by the National Commission for Financial Markets, the shares issued additionally were provisionally registered in the Bank's name.

The shares registered provisionally in the Bank's name refer to two share packages, namely:

- 1) Single package comprising 36,605 new ordinary nominative shares issued as Class I.
- 2) Single package comprising 389,760 new ordinary nominative shares issued as Class I.

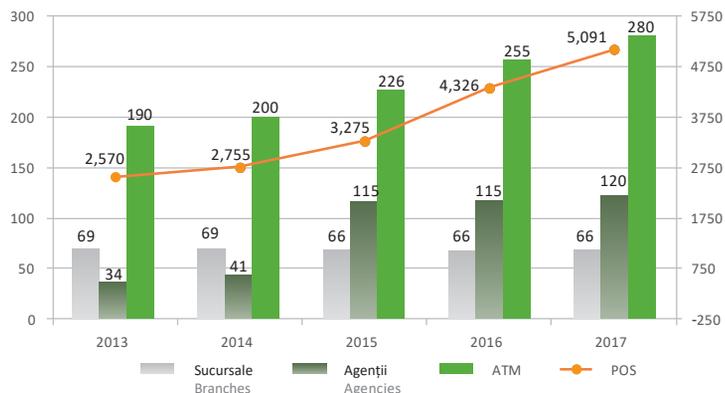
On 08.02.2018 The Management Board of the Bank decided to further offer for sale these two blocks of shares through the Moldovan Stock Exchange.

3.2 RETAIL BANKING

In 2017, the Retail Division strengthened its position through business growth focused on individuals and on small and medium-sized enterprises (SMEs), putting a specific emphasis on the distribution network, products and services, quality of servicing and customers' satisfaction, new technology implementation, etc.

MAIB optimized further its distribution network, which by the end of the year comprised 186 offices (66 branch offices and 120 agencies), of which 78 offices were located in Chisinau and Balti. Moreover, the Bank augmented the number of ATMs (by 25 units), including the number of Cash In/Cash Out ATMs, reaching a total number of 280 units. This fact enabled the Bank to hold a market share of 25.5% by the number of its ATMs (more by 1.1 p.p. against 2016). Over 80 of MAIB ATMs give the possibility to dispense cash in MDL, EUR and USD. Nowadays, the holders of Bank cards are able to carry out quick and safe operations, such as cash withdrawals, deposits, as well as foreign exchange operations with MDL and USD/EUR. The CARDLESS Service was implemented at those 20 Cash In/Cash Out ATMs, which offered the possibility to individuals to fill their own cards or the cards of third persons issued by MAIB, without using the Bank cards for the transaction.

In the context of improving the level of customer servicing and the quality of rendered services, MAIB is turning to streamlining the service delivery processes and granting access to Banking services to as many customers as possible. Hence, the Bank developed Self-service Centers 24/24 and increased their number to eight by the end of 2017. For the same purpose, the Bank opened the MAIB Studio AVANTI Center, which is focused on providing financial education programs to young people, including pre-school children. Seminars conducted within the MAIB Studio AVANTI Center offered the participants customized advisory in comfortable environment, discussions and debates on topics picked up by customers. MAIB Studio AVANTI is the first center of such type



EVOLUȚIA REȚELEI DE VÂNZĂRI DEVELOPEMENT OF SALES NETWORK

piața locală, fiind unicul de acest fel în sistemul bancar. În luna noiembrie 2017, MAIB a lansat cardurile Visa Classic AVANTI Contactless destinate tinerilor cu vârsta până la 35 de ani, cardurile sunt disponibile în 3 valute (MDL/EUR/USD) și se emit gratuit. În cadrul Centrului, banca va dezvolta permanent programe de educație financiară a tinerilor.

Eforturile băncii au fost răsplătite prin creșterea numărului de clienți retail activi până la 478 de mii, inclusiv a persoanelor fizice cu 36.2 mii clienți, numărul cărora a atins cifra de 453 mii. Banca acordă o atenție deosebită segmentului de persoane fizice, acesta fiind cel mai mare, ca număr de clienți. Satisfacția clienților este un obiectiv stabilit de bancă, măsurat prin indicatorul NPS (Net promoter score sau Scor promoter net) pentru persoane fizice. Nivelul acestuia în anul 2017 a fost de 39%, față de 32% în anul precedent.

Banca dezvoltă și îmbunătățește produsele/serviciile existente, dar promovează în mod special produsele bazate pe tehnologii moderne, prin intermediul cărora va ajunge la acei clienți care pun preț pe timp și eficiență. Pentru a simplifica procesul de lucru în sucursale au fost optimizate coșurile de produse creditare, au fost dezvoltate și îmbunătățite produsele creditare existente care să asigure obținerea avantajelor concurențiale. Astfel, portofoliul de credite retail în anul de gestiune a înregistrat o creștere de 10.3%, în valoare absolută o creștere cu 420 mil. lei, atingând soldul de 4,517.8 mil lei. Această creștere a fost bazată pe portofoliul de credite al persoanelor fizice, care a crescut cu 19.5% , sau cu 428.5 mil lei, atingând soldul de 2,624.3 mil lei, din contul majorării atât a soldului creditelor de consum cât și a creditelor imobiliare. Cota de piață a băncii pe sistem la soldul creditelor persoanelor fizice a avut o evoluție pozitivă și a atins nivelul de 34.43%, la finele anului 2017, fiind în creștere cu 0.19 p.p. față de anul 2016.

Portofoliul de credite persoane juridice a constituit 1,893.4 mil. lei. În condițiile unui apetit de finanțare conservator manifestat de persoanele juridice, pe segmente de clienți IMM s-au înregistrat următoarele rezultate:

- businessul mijlociu, în creștere cu 22.3 mil. lei,
- businessul micro, în creștere cu 132.4 mil. lei,
- businessul mic, în descreștere cu 162.9 mil. lei.

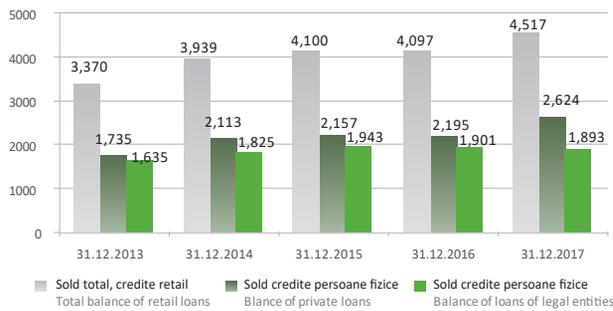
opened by MAIB on the local market, being the sole center of this type in the Banking system. In November 2017, MAIB launched VISA CLASSIC AVANTI Contactless cards intended for young people aged up to 35 years, the cards being available in three different currencies (MDL/EUR/USD) and issued free-of-charge. The Bank will further focus on developing financial education programs for the youth within the Center.

The Bank endeavours bore fruit as the number of active retail customers increased to reach 478 thousand, including individuals, whose number went up by 36.2 thousand, their overall number reaching 453 thousand. The Bank has enhanced focus on individuals, as this is the largest number of its customers. Customers' satisfaction is a goal set by the Bank, which is measured by the indicator NPS (Net Promoter Score) for individuals. The NPS level in 2017 equalled to 39% compared to 32% during the previous year.

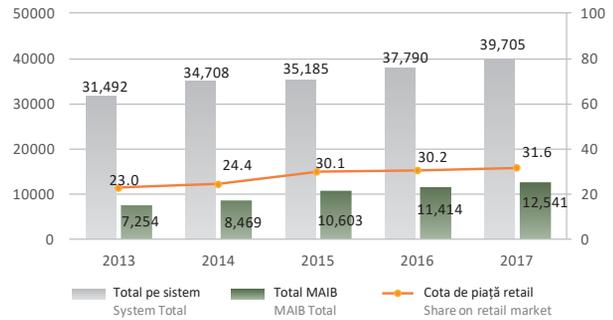
The Bank develops and improves the products/services already in place, putting a particular emphasis on products based on advanced technologies, through which it should outreach those customers who value the time and efficiency. In order to streamline the branch office working processes, the Bank optimized the baskets of lending products, developed and improved the existing loan products with the aim to ensure competitive advantages. Hence, during the reporting period, the portfolio of retail loans recorded a 10.3%-growth or MDL 420 million, reaching the balance of MDL 4,517.8 million. This growth was stemming from the loan portfolio for individuals, which grew by 19.5% or by MDL 428.5 million, reaching the balance of MDL 2,624.3 million, at the expense of raising both the balance of consumer loans and real estate loans. The Bank market share in terms of loans issued to individuals had a positive evolution, reaching the level of 34.43% by the end of 2017, recoding a 0.19 p.p. increase relative to 2016.

The loan portfolio for legal entities amounted to MDL 1,893.4 million. Against the background of a relatively conservative financing appetite amongst legal entities, the SME customers recorded the following results:

- medium-sized business, on increase by MDL 22.3 million,
- micro business, on increase by MDL 132.4 million,
- small business, on decrease by MDL 162.9 million.



DINAMICA PORTOFOLIULUI DE CREDITE RETAIL, (MIL. MDL)
DYNAMIC OF RETAIL LOANS PORTFOLIO (MLN MDL)



SOLDUL DEPOZITELOR PERSOANE FIZICE ȘI COTA ÎN SISTEM (MIL. MDL)
BALANCE OF PERSONAL DEPOSITS AND SYSTEM SHARE (MLN MDL)

Este de menționat faptul că, portofoliul de credite retail a înregistrat o calitate destul de bună a creditelor neperformante de 2.6% din portofoliu Retail.

MAIB acordă o atenție sporită întreprinderilor mici și micro din sectorul agricol. În scopul susținerii producătorilor agricoli, în cadrul produsului „Credite pentru finanțarea capitalului circulant” a fost implementată o opțiune unică pentru clienții băncii - Opțiunea Multiannuală. Această opțiune permite reînnoirea anuală a limitei de credit, după finalizarea unui ciclu de producere și rambursarea anuală a sumei creditului.

Portofoliul de depozite retail a avut o evoluție ascendentă, înregistrând o creștere a soldului cu 13.3%, și a atins nivelul de 15,606.7 mil. lei, în special din contul creșterii pe segmentul de persoane fizice. Portofoliul depozitelor persoane fizice la finele anului a fost de 12,541 mil. lei, cu o cotă de piață de 31.6% (30.2% în a. 2016).

Proiectele de amploare lansate în Diviziunea retail în anul 2015 (deservirea Trezoreriilor Teritoriale, a Serviciului Vamal și a Casei Naționale de Asigurări Sociale) au adus deja rezultate tangibile și vor fi dezvoltate în continuare. Proiectul de Bancassurance a fost dezvoltat cu noi opțiuni de asigurare și oferă tot mai multe oportunități clienților.

Diviziunea retail dezvoltă cu succes sucursala Private Banking MAIB, care oferă o gamă de servicii și produse exclusiviste, adresate clienților persoane fizice cu venituri înalte: consultanță financiară, soluții personalizate de creditare și produse de economisire, acces la deservire individuală calificată etc.

În anul 2017 a continuat **Proiectul de transformare a băncii** într-o bancă modernă. A fost creat *Departamentul de Operațiuni* și a avut loc centralizarea procesării încasărilor în monedă națională și valută străină, precum și centralizarea plăților respective, concomitent cu sporirea și fortificarea controlului centralizat. Prin aceste transformări, forța de vânzare din sucursale este orientată mai mult spre client, concentrată pe calitate.

Actualmente se pune accentul tot mai mult pe promovarea serviciilor electronice precum Internet și Mobile Banking, pe deservirea prin intermediul Centrelor de autoservire, care necesită mai multe consultații și implicare din partea angajaților băncii. MAIB a continuat efortul de dezvoltare

It is worth mentioning that the portfolio of retail loans recorded a good quality level, i.e. 2.6% of bad loans.

MAIB has been paying increasing attention to small and micro enterprises from the agricultural sector. To support the farmers, the Bank implemented a unique option for its customers – the Multiannual Option within the product “Loans to fund the working capital”. This option enables the annual renewal of loan limits following the completion of one production cycle and the annual repayment of the loan amount.

The portfolio of retail deposits showed an upward trend, recording a 13.3% balance increase and amounting to MDL 15,606.7 million, in particular, because of expanding the segment of individual customers. The portfolio of retail deposits of individuals amounted to MDL 12,541 million at the end of the year, with a market share of 31.6% (30.2% in 2016).

Large-scale projects launched by the Retail Division in 2015 (servicing the accounts of Territorial Treasuries, Customs Service and of the National Social Insurance Office) brought tangible outcomes and will be further boosted. The Bancassurance product was developed, comprising new insurance options and offering more opportunities to customers.

The Retail Division successfully developed Private Banking MAIB, which provides a range of exclusive services and products intended to high-income individual customers: financial advisory, customized lending solutions and savings products, access to individual qualified servicing, etc.

In 2017 the Bank continued the large-scale **Project aimed at transforming the Bank** into a modern entity. Hence, the *Operations Department* was created, and the processing of money collected in national and foreign currency was centralized, having also centralized the corresponding payments along with the enhancement of centralized control. Following such transformations, the branch sales force has become more customer-oriented and focused on quality.

At present, electronic services, such as Internet and Mobile Banking, are extensively promoted, rendering services through Self-service Centers, which require more consultations and involvement of Bank staff. MAIB developed further the Internet Banking through the implementation of

a serviciului Internet Banking prin implementarea unor noi oportunități: achitarea în lot a facturilor pentru utilități, a plăților în valută străină etc. Numărul clienților care s-au abonat la serviciul Internet Banking s-a majorat cu 20% în anul 2017 față de 2016.

Apelând la serviciile electronice, clienții băncii beneficiază de costuri mai reduse la aceleași servicii și economisesc timp. În cadrul Diviziunii Retail a fost creat *Departamentul Canale Alternative*, care dezvoltă canalele digitalizate și oferă clienților cele mai avansate servicii.

Odată cu diversificarea ofertei de produse și servicii oferite de bancă, dar și cu majorarea numărului de clienți, se constată creșterea continuă a apelurilor la Serviciul Call Center. Pe parcursul anului 2017, Serviciul Call Center a acordat consultanță și asistență pentru 239 mii de clienți cu 8.2% mai mult de cât în anul 2016, prin canalele disponibile de comunicare: cca 89% de clienți au fost consultați prin telefon, 4% prin email, 5% prin chat online, disponibil pe pagina web a băncii. Circa 2% din apelurile telefonice de la Serviciul Call Center au fost efectuate pentru a oferi asistență postvânzare utilizatorilor de Internet Banking.

Serviciul Call Center participă la identificarea necesităților clienților, astfel încât oferta băncii să satisfacă doleanțele și cerințele consumatorilor de produse și servicii bancare.

Moldova-Agroindbank continuă să acorde o atenție deosebită dezvoltării businessului cu carduri prin implementarea serviciilor noi și prin migrarea treptată a portofoliului de carduri către tehnologia **Contactless**.

MAIB este unicul membru principal în Republica Moldova a trei sisteme internaționale de plăți: **Visa, Mastercard și American Express** și deține cel mai vast portofoliu de produse de card. Ponderea numărului cardurilor MAIB aflate în circulație pe piața bancară la sfârșitul anului 2017 a constituit **cca 30%**. La finele anului 2017, numărul cardurilor în circulație deținute de Moldova-Agroindbank a constituit **490,183 de carduri**.

Pe piața locală este în creștere dinamica plăților fără numerar, efectuate prin intermediul cardurilor bancare, însă volumul tranzacțiilor de retragere de numerar rămâne a fi încă

new opportunities, such as batch settlement of invoices for utilities, payments in foreign currency, etc. The number of customers that subscribed to Internet Banking increased by 20% in 2017 relative to 2016.

By resorting to electronic services, the Bank customers benefit from lower costs for similar services, time saving, and the comfort of not being forced to visit the Bank. Hence, the *Alternative Channel Department* was created within the Retail Division, pursuing the goal to develop digital channels and provide the most advanced services to customers.

As the Bank's products and services get increasingly diversified and the customers' base expands, the customers call the Bank's Call Center Service more often via various communication channels. Hence, during 2017, the Call Center Service provided advisory and assistance services to 239 thousand customers or by 8.2% more than in 2016, through the available communication channels: approximately 89% of customers were advised by phone, 4% – by email, 5% – by chat online available on the Bank web page. Circa 2% of phone calls made by the Call Center Service were aimed at providing post-sale advisory to Internet Banking users.

The Call Center Service, being in direct contact with customers, took part in identifying their needs so that the Bank offers could meet their expectations and requests of Banking products and services.

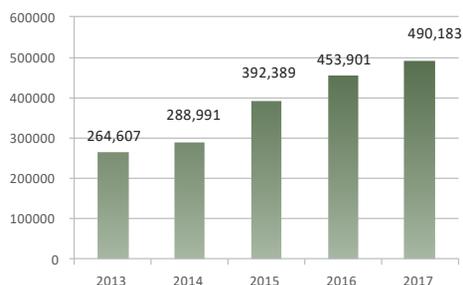
Moldova Agroindbank further pays a great deal of attention to the development of card business by implementing new services and ensuring gradual migration of card portfolio towards **Contactless technology**.

MAIB is the only main Moldovan member of three international payment systems: **Visa, MasterCard and American Express**. It holds the largest portfolio of card products. The share of MAIB card number in circulation on the Banking market reached approximately 30% at the end of 2017. Also, the number of Bank cards in circulation issued by Moldova-Agroindbank reached **490,183**.

Cashless payments, made by using Bank cards, keep on registering an upward trend on the local market, but the number of cash withdrawal transactions remains at a high

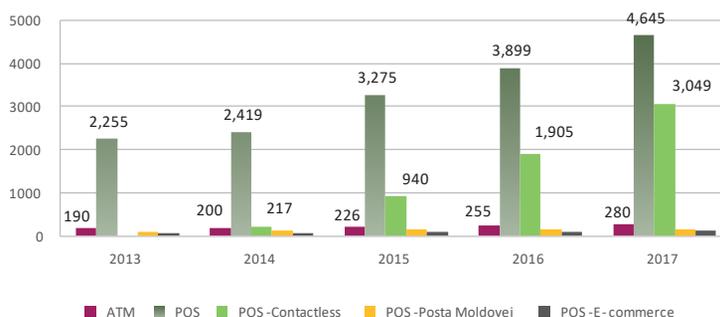
DINAMICA CARDURILOR ÎN CIRCULAȚIE

DYNAMICS OF CARDS IN CIRCULATION



DINAMICA DEZVOLTĂRII REȚELEI DE ATM-URI ȘI POS-TERMINALE

DEVELOPMENT OF ATM AND POS NETWORK



destul de înalt. Creșterea volumului plăților fără numerar s-a obținut prin promovarea activă a plăților cu cardul, organizarea unor campanii de motivare a deținătorilor de carduri de a utiliza cardul ca instrument de plată, campanii de educație financiară, precum și de creștere a numărului de locații care acceptă cardul spre plată etc.

Pentru a oferi servicii calitative și accesibile clienților săi, banca și-a extins și a îmbunătățit rețeaua de bancomate și POS-terminale, a asigurat cu un număr optim de puncte de deservire necesare pentru a satisface necesitățile clienților retail.

De asemenea, în anul 2017 a fost modernizată rețeaua de terminale POS bancare instalate în sucursalele și agențiile băncii. MAIB este unica din Republica Moldova care deține integrarea cu soluția de Core banking a terminalelor POS multifuncționale dotate cu funcțional contactless și auto-deservire clienți.

Numărul de POS terminale instalate la comercianți a constituit 4,645 la finele anului 2017, iar 66% dintre acestea sunt dotate cu tehnologia Contactless. În rețeaua de acceptare, volumul tranzacțiilor acceptate a înregistrat în anul 2017 valoarea de 16.2 mldr. lei, o creștere de 14% față de anul 2016.

De asemenea a fost extinsă semnificativ rețeaua de acceptare a cardurilor American Express, numărul de POS - terminale care acceptă spre plată cardurile American Express fiind de 2,446 de unități instalate în 1,801 de puncte comerciale. Cardurile American Express sunt acceptate în toate sucursalele, agențiile și bancomatele MAIB.

Moldova-Agroindbank promovează și dezvoltă activități în domeniul comerțului electronic (E-commerce) prin colaborarea cu companii-lideri la nivel național (Air Moldova, Zbor.md, Orange SA, Moldcell SA, Moldtelecom, StarNet etc) și cu organizații de stat (Egov).

Se constată o creștere dinamică a volumelor tranzacționale înregistrate la comercianții din domeniul comerțului electronic. Dezvoltarea și creșterea dinamică a afacerii / businessului Retail este una dintre prioritățile strategice și pentru perioada următoare.

level. The increase in the cashless payments is due to active promotion of card payment, conducting campaigns that motivate the card holders to use their cards as a payment tool, organizing financial education campaigns as well as raising the number of locations accepting Bank cards to settle payments, etc.

In order to provide qualitative and affordable services to its customers, the Bank further expanded and improved its ATM and POS network to ensure an optimal number of service points and to meet the needs of retail customers.

Likewise, in 2017 the POS network installed within the MAIB branch offices and agencies was refurbished. Hence, MAIB is the only Moldovan Bank to have Core Banking solution integrated in its multifunctional POS-terminals equipped with functional contactless and self-servicing options.

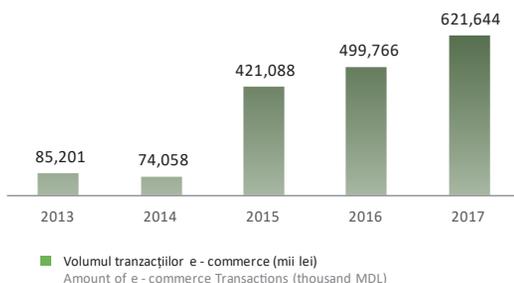
The number of POS-terminals installed at Bank's merchants reached 4,645 at the end of 2017, of which 66% were equipped with Contactless technology. Hence, in the acceptance network, the amount of accepted transactions recorded the value of MDL 16.2 billion in 2017 or a 14%-increase relative to 2016.

Also, the network for accepting American Express cards was expanded significantly, while the number of POS-terminals that accept American Express cards for payment reached 2,446 units, which are installed in 1,801 commercial points. American Express cards are accepted by all MAIB branch offices, agencies and ATMs.

E-commerce fostering and boosting is among the MAIB priorities. To meet this goal, the Bank cooperates with the leading Moldovan companies to include Air Moldova, Zbor.md, Orange SA, Moldcell SA, Moldtelecom, StarNet, etc., as well as state entities (e-Government Center).

Hence, dynamic growth of the amount of e-commerce transactions registered by merchants was notified.

VOLUMUL TRANZACȚIILOR E-COMMERCE (MII LEI)
AMOUNT OF E-COMMERCE TRANSACTIONS (THOUSAND MDL)



3.4 TREZORERIA, PIAȚA MONETARĂ ȘI DE CAPITAL

MAIB a continuat să promoveze servicii de trezorerie competitive după preț și calitate, asigurând o legătură esențială între piețele financiare și cerințele complexe ale clienților.

Activitatea de trezorerie a inclus efectuarea tranzacțiilor pe piața valutară (FX Market), pe piața monetară (Money Market), pe piața instrumentelor de datorie (Capital Market), atragerea împrumuturilor și contractarea liniilor de credit de la bănci și alte instituții financiare internaționale.

MAIB este principalul market-maker pe piața financiară locală, urmărind țelul de menținere și consolidare a acestei poziții în viitor prin creșterea continuă a volumului și numărului tranzacțiilor efectuate și prin lărgirea spectrului de instrumente oferite.

Banca a continuat să pună la dispoziția clienților săi diverse produse de trezorerie, cum ar fi operațiuni de schimb valutar, depozite, titluri de stat, operațiuni la termen, operațiuni forward etc. Pentru clienții cu un volum și rulaj mare de operațiuni au fost prevăzute produse de trezorerie personalizate care prevăd negocierea și încheierea tranzacțiilor direct între client și dealerii autorizați ai băncii.

Operațiuni de schimb valutar

Volumul operațiunilor de schimb valutar (FX) pe piața internă și internațională în anul 2017 a constituit 4,473 mil. USD, în creștere cu 18.1% față de anul 2016.

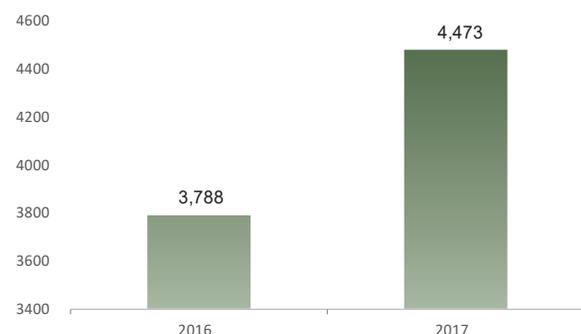
Pe parcursul perioadei gestionare banca a efectuat activ operațiuni de cumpărare-vânzare a bancnotelor pe piața interbancară atât internă, cât și externă.

Volumul operațiunilor prin birourile de schimb valutar ale băncii în perioada gestionară a constituit echivalentul a 527.5 mil. USD, față de echivalentul a 504.2 mil. USD în anul 2016. Creșterea de 4.6% reflectă creșterea volumelor pentru USD și pentru EUR cu respectiv +5.4%.

Veniturile realizate din operațiuni de schimb valutar în anul 2017 au constituit 230.3 mil. lei, în creștere cu 6.3% față de anul 2016. Majorarea volumelor operațiunilor de schimb valutar, paralel cu o creștere moderată a marjei au contribuit la o profitabilitate sporită în cele 12 luni ale anului 2017. Pentru anul 2017 cota de piață a veniturilor totale de la operațiunile de schimb valutar ale băncii a crescut cu 2.2 p.p., constituind 27%.

VOLUMUL OPERAȚIUNILOR FOREX (MIL. USD)

FOREX TRANSACTIONS (MLN USD)



3.4 TREASURY, MONETARY AND CAPITAL MARKETS

MAIB continued to promote competitive treasury services in terms of price and quality, ensuring an essential link between financial markets and complex requirements from customers.

Treasury operations included transactions on the currency market (FX Market), on the money market (Money Market), on the market of debt instruments (Capital Market), attraction of loans, and credit lines from banks and other international financial institutions.

MAIB is the main market-maker on the local financial market, targeting to preserve and strengthen this position, by ensuring a continuous increase in the amount and number of transactions and by extending the range of instruments provided.

The Bank provided various treasury products to its customers, such as foreign exchange transactions, deposits, state bonds, FX spot and forward transactions, etc. Tailored treasury products have been offered to customers conducting a higher amount of operations, which allow for negotiating and concluding transactions directly between customers and the bank's authorized dealers.

Foreign Exchange Transactions

Foreign exchange transactions (FX) on the national and international markets accounted for USD 4,473 mln, in 2017, up by 18.1% against 2016.

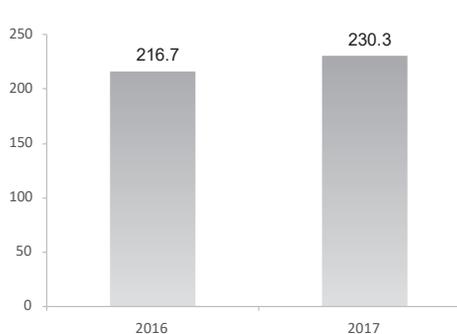
In 2017, the Bank continued to actively buy and sell national and foreign currency on the internal and external interBank markets.

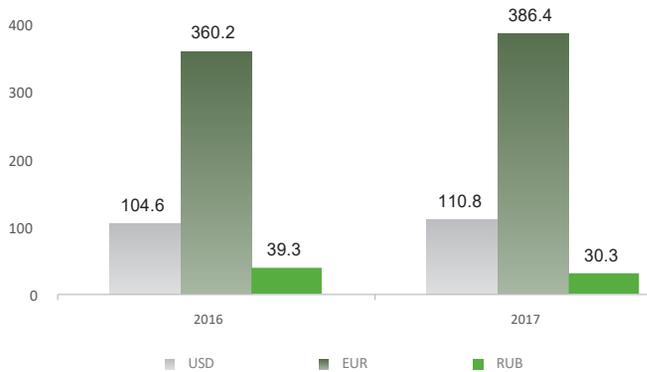
Foreign trade transactions through the exchange offices of the Bank stood at USD 527.5 million, in 2017, against USD 504.2 million in 2016. The increase by 4.6% was due to the increase in amounts for USD and for EUR by +5.4%, respectively.

Income from foreign exchange operations stood at MDL 230.3 million, in 2017, up by 6.3% against 2016. The increase in foreign exchange transactions together with a moderate growth of the spread contributed to a better profitability over the 12 months of 2017. In 2017, the market share of total revenues from the Bank's foreign exchange transactions went up by 2.2 p.p., accounting for 27%.

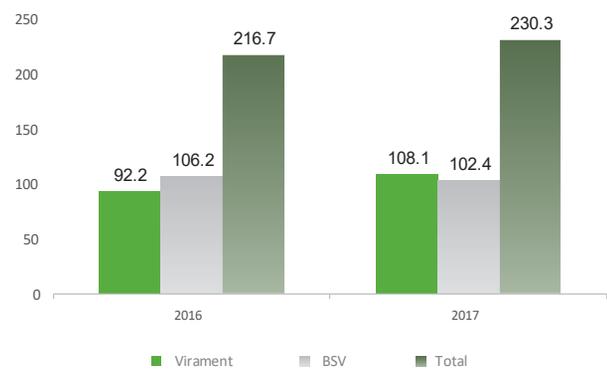
VENIT OPERATIUNI FOREX (MIL. MDL)

INCOME FROM FOREX OPERATIONS (MLN MDL)





VOLUM FOREX BSV, ECHIVALENT ÎN USD (MIL)
TRANSACTIONS AT FOREIGN EXCHANGE OFFICES (MLN USD)



REPARTIZAREA VENITURILOR FOREX (MIL. MDL)
DISTRIBUTION OF FOREX INCOME (MLN MDL)

Piața monetară

Moldova-Agroindbank a fost și în anul 2017 un participant activ la efectuarea operațiunilor Money-Market.

Pentru a-și administra eficient activele sale, și a-și menține corelația lichiditate-profitabilitate la un nivel adecvat, banca a continuat să investească resursele disponibile în active lichide generatoare de dobânzi, utilizând următoarele instrumente: Certificatele Băncii Naționale (CBN), Valorile Mobiliare de Stat, depozite la Banca Națională a Moldovei.

Volumul investițiilor în Valori Mobiliare de Stat pe piața primară în 2017 din contul băncii a constituit 1,781 mil. lei, în creștere cu 38.17% față de 2016, în care a constituit 1,289 mil. lei, iar volumul investițiilor în Certificatele Băncii Naționale în 2017 a constituit 34,880 mil. lei, în creștere cu 13,350 mil. lei față de 2016.

Majorarea semnificativa a volumului de investiții în CBN s-a datorat excesului de lichidități în monedă națională în urma diminuării volumului de credite acordate.

Plasamentele overnight la Banca Națională a Moldovei în monedă națională au înregistrat în anul 2017 valoarea de 24.06 mlrd. lei, cu 5.62 mlrd. mai mult decât în 2016.

Volumul tranzacțiilor de plasare a mijloacelor bănești în valută străină la băncile străine a constituit 429.44 mil. EUR, comparativ cu 230.63 mil. EUR plasate în 2016.

Monetary Market

In 2017, Moldova Agroindbank was traditionally an active participant in the Money-Market transactions.

To efficiently manage its assets and keep an adequate liquidity/profitability ratio, the Bank continued investing available resources in interest-generating liquid assets, using the following instruments: Certificates of the National Bank of Moldova (CNB), State Securities, and deposits at the National Bank of Moldova.

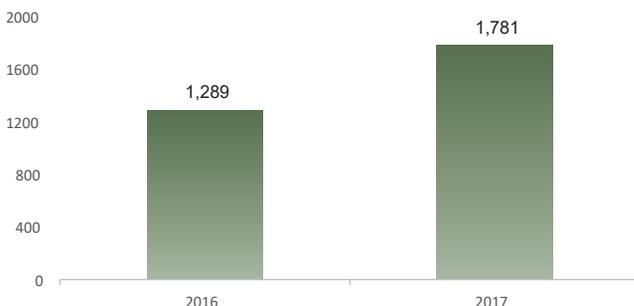
In 2017, the Bank invested MDL 1,781 million in State Securities, up by 38.17% against 2016, when investments reached MDL 1,289 million. Investments in CNB amounted to MDL 34,880 million in 2017, up by MDL 13,350 million against 2016.

Such a significant increase in investments in CNBs was due to the excess liquidity in the national currency caused by a decrease in the amount of loans granted.

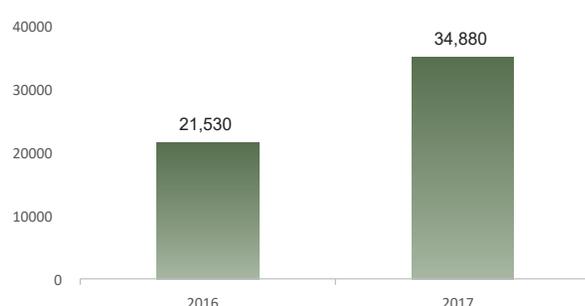
In 2017, overnight placements at the National Bank of Moldova in national currency reached MDL 24.06 billion, up by MDL 5.62 billion against 2016.

In 2017, Moldova Agroindbank placed EUR 429.44 million with foreign Banks, compared to EUR 230.63 million in 2016.

VOLUMUL INVESTITIILOR ÎN VMS (MIL. MDL)
THE VOLUME OF TRANSACTIONS WITH STATE SECURITIES (MLN MDL)



VOLUMUL INVESTITIILOR ÎN CBN (MIL. MDL)
THE VOLUME OF TRANSACTIONS IN NBC (MLN MDL)



Atragerea împrumuturilor de la instituții financiare

Banca a continuat valorificarea resurselor speciale în cadrul acordurilor semnate în anii precedenți, având în vedere satisfacerea cerințelor clienților și asigurarea finanțării necesare activității de creditare.

Optimizarea rețelei de conturi corespondente

Pentru a satisface cât mai bine cerințele clienților și a efectua eficient operațiunile proprii ale băncii, banca a menținut pe parcursul anului o rețea optimă de conturi corespondente.

În anul 2017 nu au avut loc mișcări în rețeaua conturilor corespondente (NOSTRO) ale băncii.

Mai jos este prezentată lista băncilor corespondente ale Moldova-Agroindbank la situația din 31.12.2017:

Loans Attracted from Financial Institutions

The Bank continued developing special resources under the Agreements signed over the previous years, in order to satisfy customers' requirements and to ensure the proper funding of its lending activity.

Optimization of Correspondent Accounts Network

To meet its customers' requirements in the best way possible and to properly carry out the Bank's operations, MAIB maintained an optimal network of correspondent accounts in 2017.

In 2017, no activities were registered in the correspondent account network (NOSTRO) of the Bank.

Bellow is the List of active correspondent banks of Moldova Agroindbank, as of 31.12.2017:

LISTA BĂNCILOR CORESPONDENTE

LIST OF CORRESPONDENT BANK

Austria Austria	*	Raiffeisen Bank International AG	Vienna Vienna
Belarus Belarus	*	Priorbank JSC	Minsk Minsk
Belgia Belgium	*	KBC Bank NV	Brusels Brussels
Germania Germany	*	Commerzbank AG	Frankfurt / Main Frankfurt / Main
Italia Italy	*	Intesa Sanpaolo SpA	Torino Torino
	*	UniCredit SpA	Milano Milano
România Romania	*	Raiffeisen Bank SA	București Bucharest
Rusia Russia	*	JSC VTB Bank	Moscova Moscow
	*	Sberbank of Russia	Moscova Moscow
SUA USA	*	The Bank of New York Mellon	New York New York
Ucraina Ukraine	*	PJSC CB 'Privatbank'	Dnipropetrovsk Dnipropetrovsk

3.5 TEHNOLOGIILE INFORMAȚIONALE

În corespundere cu planurile de afaceri ale băncii și planul de acțiuni al DTI, cerințele subunităților business ale Centralei băncii, cerințele regulatorii cu ale BNM, modificări în legislație și altele, pe parcursul anului 2017, Departamentul Tehnologiei Informaționale a executat lucrări de automatizare, mentenanță, implementare, dezvoltare infrastructură tehnică, telecomunicativă și de rețea.

O atenție deosebită a fost acordată dezvoltării serviciilor de acces la distanță: în soluția Bank Flex, Multichannel, Canalele Internet și Mobile Banking a fost realizată și implementată funcționalitatea de achitări plăți pentru servicii în pachet. Prin aceste soluții, doar prin câteva clickuri, clienții abonați la Internet Banking pot să achite toate facturile pentru perioada respectivă.

În soluția Internet Banking pentru clienți juridici a fost realizat și pus la dispoziția clienților un API EASI (Application Program Interface, Enterprise Accounting System Interface), care asigură acces direct la sistemul băncii din sistemele automatizate ale clienților. Deja câțiva clienți ai băncii au integrat și utilizează Bank Flex EASI în interacțiune cu sistemul băncii. De menționat că, soluția Bank Flex EASI este o implementare unică în Republica Moldova.

De asemenea, a fost elaborată și implementată aplicația Mobile MAIB, plasată pe Google Play și Apple Store, care asigură funcționalitățile de acces de pe telefonul mobil la Bank Flex Personal Internet Banking, localizare sucursală, agenții, ATM-uri, contacte și contactare directă a Serviciului Call Center al băncii. Aplicația Mobile Banking va fi și în continuare dezvoltată, iar în 2018 va fi lansată o nouă versiune a acesteia.

Au continuat lucrările de creare a noi centre de autoservire disponibile 24/24 și Zone de autoservire pentru clienți. La sfârșitul anului 2017 erau disponibile pentru clienți 8 Centre de autoservire 24/24 și 65 Zone de autoservire.

Pentru a se conforma la cerințele legislației și regulatorii banca a implementat soluția AML (Anty Money Loundering) în componența modulelor KYC AML și Embargo.

În cadrul proiectului de transformare a băncii au fost executate lucrări de automatizare a Back Office-ului, ceea ce a permis crearea Departamentului Operațiuni, centralizarea operațiunilor de încasări plăți în monedă națională și valută străină, procesarea plăților recepționate prin sistemele automatizate de deservire la distanță, asigurând excluderea acestora din sucursale și optimizarea lucrului cu clienții.

Pentru a optimiza procesele și a reduce cheltuielile, banca a elaborat și a implementat **proiectul de Management al documentelor și proceselor de afaceri, platforma Directum, modulul Cancellarie**, a implementat **IP Telefonie** în Centrala băncii și sucursalele din Chișinău. În 2018, IP telefonie va fi implementată în toate sucursalele și agențiile din teritoriu.

Departamentului Resurse Umane și Organizare a elaborat și a implementat Sistemul de susținere în format electronic a examenelor de calificare de către salariații băncii, care contribuie substanțial la optimizarea activității angajaților.

3.5 INFORMATION TECHNOLOGIES

In compliance with the Bank business plans, the Action Plan of the IT Department, the requests made by the business subunits of the Bank Headquarters, the NBM regulatory requirements, the amendments and addenda operated in the legislation etc., during 2017, the IT Department carried out automation, maintenance, implementation works, developed the technical, telecommunication and network infrastructure.

Extended consideration was given to the development of remote access services; hence, the Bank Flex, Multichannel, Internet Channels and Mobile Banking solutions incorporated the functionality of settling payments for service package. This allows the customers subscribed to Internet Banking to pay all their invoices for the respective period by making several clicks.

The Internet Banking for legal entities was upgraded to display an API EASI (Application Program Interface, Enterprise Accounting System Interface) for its customers, which ensures direct access to the Bank system from the automated systems of customers. Several Bank customers already integrated and use Bank Flex EASI in interaction with the Bank system. It is worth mentioning that the Bank Flex EASI is a unique solution implemented in the Republic of Moldova.

Likewise, Mobile MAIB software was developed and implemented, displayed on Google Play and Apple Store, which ensures access functionalities from mobile phones to the Bank Flex Personal Internet Banking, locating the branch office, agencies, ATMs, contacts and direct contacting the Bank Call Centre Service. Mobile Banking software will be further developed, and its new version will be launched in 2018.

MAIB continued working on establishing Self-service centres available 24/24 and Self-service areas for customers. Hence, by the end of 2017, eight Self-service centres 24/24 and 65 self-service areas for customers were available.

In order to comply with the legal and regulatory requirements, the Bank implemented the AML (Anti-Money Laundering) solution in KYC AML and Embargo modules.

Back Office automation works were carried out under the Bank Transformation Project, thus, having enabled the establishment of an Operation Department, centralizing the processing of payments made in national and foreign currency, processing the payments made via the automated systems for remote servicing and their elimination from branch offices and optimizing the work with customers.

To optimize the Bank processes and cut down the incurred costs, MAIB developed and implemented the **Document and Business Process Management Project, the Directum Platform, Cancellery Module, IP Telephony** in the Bank Headquarters and Chisinau branch offices. In 2018, IP Telephony will be implemented in all Bank territorial branch offices and agencies.

In order to optimize the work of Human Resources and Organization Department staff, the Bank developed and implemented the "System of computer-based qualification exams for Bank employees".

Pentru a se conforma cu reglementările Băncii Naționale a Moldovei, au fost executate lucrări de automatizare și migrare de la IAS 39 la IFRS 9. În anul 2018, lucrările de conformare cu cerințele BASEL III vor continua.

O atenție deosebită în anii următori va fi acordată implementării serviciilor digitale înalt tehnologizate pentru clienți, implementării soluțiilor ERP, CRM, Business Intelligence și altora, atât pentru diversificarea și îmbunătățirea serviciilor acordate clienților, cât și automatizării continue și optimizării lucrului angajaților băncii.

Acțiunile întreprinse în domeniul Tehnologiei informaționale asigură în continuare disponibilitatea maximă a componentelor sistemului automatizat al băncii și respectiv deservirea operativă și calitativă a clienților băncii.

In order to comply with the National Bank of Moldova regulations, automation and migration works were carried out to ensure switching from EAS 39 to IFRS 9. In 2018, the works ensuring compliance with BASEL III requirements will be continued.

Special attention will be paid during the years to come to implement high-tech digital services for customers, having applied ERP, CRM, Business Intelligence and other solutions both for diversifying and improving the services rendered to customers and for further automation and optimization of works carried out by Bank staff.

The measures undertaken in the area of IT have ensured and will ensure maximal availability of Bank's automated system components and, respectively, rapid and efficient servicing of Bank's customers.

4. COMPANII – FIICE SUBSIDIARIES

4.1 "MAIB-LEASING" SA

"MAIB-Leasing" S.A. este o companie-fică a BC "Moldova-Agroindbank" SA, fondată în septembrie 2002, prima societate de leasing din Republica Moldova. Având în vedere importanța implementării unor noi mecanisme financiare, compania și-a asumat misiunea de a promova acest serviciu practic inutilizabil în acea perioadă, oferind soluții de finanțare corespunzătoare necesităților și exigențelor fiecărui client și astfel dezvoltarea acestui segment al pieței financiare locale. Totodată, pe parcursul anului 2017, compania a continuat procesul de perfecționare a ofertei sale, implementând produse și servicii noi, conform cerințelor actuale ale pieței de leasing.

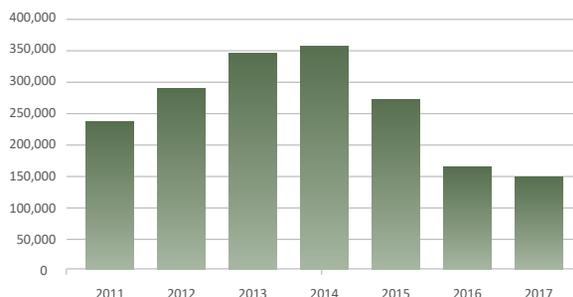
La 20.12.2017 a fost realizată majorarea capitalului social al companiei fiice (subsidiară) „MAIB – Leasing” S.A. cu 99,852 mii lei prin mărirea valorii nominale a acțiunilor nominale cu drept de vot de la 100 lei/acțiune la 157 lei/acțiune.

4.1 "MAIB-LEASING" SA

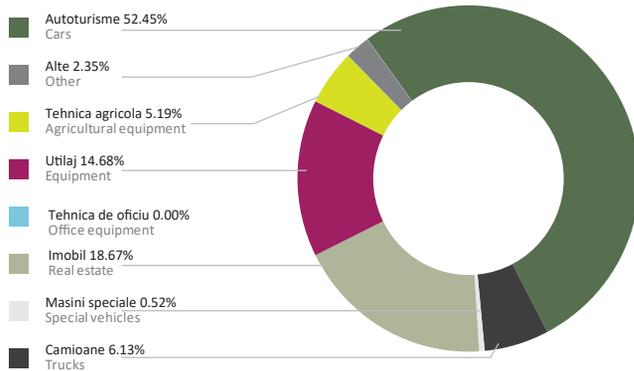
Founded in September 2002, the joint stock company "MAIB-Leasing" SA, a subsidiary of Moldova Agroindbank, is the first leasing company in Moldova. Aware of the importance of implementing new financial mechanisms, the company assumed the mission of promoting this service, which back then did not exist on the market, by providing financing solutions meeting the needs and expectations of every customer, and thus contributing to the development of this segment of the local financial market. Furthermore, in 2017, the company continued improving its offer, by implementing new products and services, adjusted to the current requirements of the leasing market.

On 20 December 2017, the share capital of "MAIB-Leasing" SA was increased by MDL 99,852 thousand as a result of an increase in the nominal value of nominal shares with voting rights from MDL 100/share to MDL 157/share.

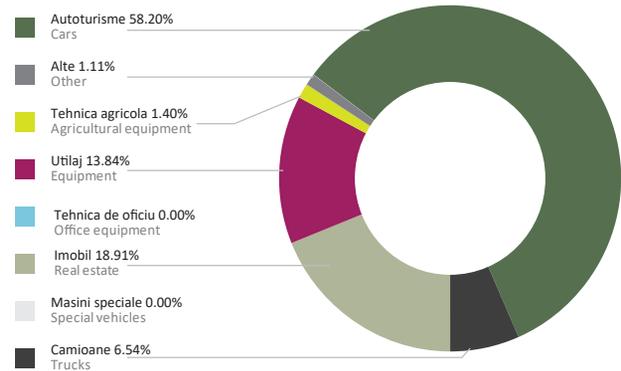
DINAMICA PORTOFOLIULUI DE FINANȚĂRII (MII MDL) DYNAMICS OF FINANCING PORTFOLIO, THOUSAND MDL



2016



2017



STRUCTURA PORTOFOLIULUI LA 31.12.2016 (DUPĂ VALOAREA CONTRACTELOR)

THE STRUCTURE OF PORTFOLIO AS OF 31.12.2016 (BY VALUE OF CONTRACTS)

STRUCTURA PORTOFOLIULUI LA 31.12.2017 (DUPĂ VALOAREA CONTRACTELOR)

THE STRUCTURE OF PORTFOLIO AS OF 31.12.2017 (BY VALUE OF CONTRACTS)

Valoarea totală a portofoliului net constituia 149.6 mil. lei la data de 31.12.2017. Pe parcursul anului 2017, „MAIB-Leasing” a încheiat 162 contracte în sumă de 87.2 mil. lei (în 2016 au fost definitive 59 de contracte, în sumă totală de 45.9 mil. lei).

Ponderea dominantă în structura portofoliului de leasing continuă să fie deținută de autoturisme, urmată de contractele ale căror obiect îl constituie imobilul. Astfel, se poate concluziona că activitatea principală a companiei o constituie finanțarea în sistem de leasing acordată cu prioritate autoturismelor, imobilului și utilajelor, ca răspuns la cerințele pieței. Pentru finanțarea necesităților clienților actuali și potențiali, „MAIB-Leasing” S.A. își extinde continuu gama de instrumente financiare, care reprezintă un obiectiv major în dezvoltarea pe termen lung.

„MAIB-Leasing” S.A. și-a demonstrat capacitatea de a opera cu succes într-un cadru economic și financiar dificil, influențat de efectele crizei economice globale. Aplicând condiții prudentiale în cadrul procesului de acordare a leasingului, societatea și-a asigurat o poziție importantă în sectorul serviciilor de leasing, cu o concurență în continuă creștere.

Din perspectiva desfășurării activităților în interiorul societății, compania își propune să valorifice efectele strategiei manageriale. Un alt element important al strategiei companiei vizează asigurarea unei baze de finanțare care să asigure corespondența dintre sursele de finanțare și expuneri.

„MAIB-Leasing” S.A. are relații de colaborare bine stabilite atât cu reprezentanți ai business-ului mic și mijlociu, cât și cu persoane fizice. Asigurarea serviciilor complete în concordanță cu cerințele și așteptările clienților - este și va fi prioritatea companiei pe termen lung.

As of 31.12.2017, the company's total net portfolio was MDL 149.6 million. In 2017, MAIB-Leasing concluded 162 contracts worth MDL 87.2 million (compared with 59 contracts worth MDL 45.9 million concluded in 2016).

Vehicles continue holding the largest share in the structure of the leasing portfolio, followed by real estate, which means that the main activity of the company is to finance lease for vehicles, real estate and equipment, as a response to the market needs. To finance the needs of its current and potential clients, MAIB-Leasing SA continuously expands its spectrum of financial instruments, this being a major long-term development target.

MAIB-Leasing SA has shown its capacity to successfully operate in a challenging economic and financial environment, influenced by consequences of the global economic downturn. Applying prudential requirements, the company gained a stable leadership position in the leasing services sector, where competition is constantly on the rise.

Regarding its internal activity, the company intends to capitalize the effects of its management strategy. Another important element of the company's strategy refers to intention to secure a financing basis ensuring the correlation between exposures and financing sources.

MAIB-Leasing SA has developed cooperation relations with small and medium-sized enterprises with individuals. Providing complete services, meeting the needs and expectations with customers, will further be one of the company's main long-term priorities.

4.2 „MOLDMEDIACARD” SRL

Compania de procesare a plăților cu carduri „Moldmediacard” SRL a fost constituită și și-a lansat activitatea la 20.03.2000, având ca scop selectarea, implementarea, susținerea și exploatarea Sistemului de procesare a plăților cu utilizarea cardurilor și integrării lui în sistemele internaționale de plăți cu carduri. În scopul realizării obiectivelor sale, societatea practică următoarele genuri de activitate: dezvoltarea, elaborarea, emiterea, comercializarea cardurilor și operarea strategiilor, sistemelor, standardelor, metodologiilor, reglementărilor și studiilor în domeniul serviciilor financiar-bancare legate de tranzacțiile cu carduri, asigurarea compatibilității cardurilor și echipamentului aferent standardelor internaționale etc.

Spectrul serviciilor de procesare a tranzacțiilor prestat de către „Moldmediacard” SRL acoperă toată gama funcționalităților disponibile la moment pe piață: procesarea tranzacțiilor cu carduri cu bandă magnetică; carduri cu cip - contact și contactless - fără contact ; acceptarea tranzacțiilor securizate din domeniul comerțului electronic în baza standardelor 3D Secure ca acceptant și ca emitent; procesarea tranzacțiilor de Cash-In la bancomate în trei valute MDL, USD, EUR; acceptarea plăților prin intermediul dispozitivelor mobile POS – MPOS; cardless – depunere de numerar la bancomate cu funcție de Cash – In (fără utilizarea cardurilor fizice); Airline Addendum; P2P - transferuri de mijloace bănești, prin intermediul ATM sau WEB, între orice card Visa, Mastercard sau AMEX ; ATM surcharge; activarea cardului la prima tranzacție.

La etapa actuală, modernizarea infrastructurii sistemului informatic din locația primară s-a finalizat. Urmează etapa finală a modernizării și anume crearea unui Data Centru alternativ, cu toate echipamentele, servere, serviciile și telecomunicațiile dublate. O atenție deosebită se acordă fortificării securității informaționale. În acest sens, în „Moldmediacard” SRL sunt implementate cele mai recente și performante scheme topologice, dedicate protecției datelor și resurselor sistemului informatic. O măsură importantă survenită în urma auditului complex al activității MMC, petrecut de către compania InfoTrust și a recomandărilor echipei mixte de investigare a băncii, este modificarea schemei topologice prin procurarea și instalarea echipamentului necesar. De asemenea, se efectuează anual auditul obligatoriu informațional PCI DSS și biennial se efectuează auditul informațional extern PCI PED.

Activitatea companiei este într-o continuă creștere, fapt demonstrat atât de creșterea numărului cererilor de autorizare preluate și a numărului tranzacțiilor de clearing, cât și de sporirea constantă a cifrei de afaceri. În calitate de clienți ai societății sunt asociații-băncile comerciale autohtone. Sistemul informatic utilizat în companie, în 2017, a procesat mai mult de 35% din numărul total de tranzacții cu cardurile emise în Republica Moldova, inclusiv carduri emise în străinătate, care au efectuat tranzacții în Republica Moldova. De asemenea, în 2017 compania a participat la emiterea unui volum de 28% din numărul total de carduri emise pe teritoriul țării. Ponderele echipamentelor de acceptare a cardurilor conectate la Moldmediacard este de 28% bancomate și 27% POS terminale instalate în Republica Moldova.

„Moldmediacard” SRL este unul dintre primii operatori din Republica Moldova, care au implementat sistemul informatic necesar pentru procesarea tranzacțiilor cu carduri bancare de plată. Compania poate presta servicii de procesare pentru membrii sistemelor internaționale de plăți cu carduri Visa, Mastercard și American Express.

4.2 „MOLDMEDIACARD” SRL

The company for processing the card payments „MoldMediaCard” SRL was established and started its activity on 20.03.2000, pursuing the goal to select, implement, support and operate the system for processing the card payments and ensure its integration in international card payment systems. In order to attain the established goals, the company practices the following types of activity: development, elaboration, issuance, sale of cards and enforcement of strategies, systems, standards, methodologies, regulations and studies in the area of financial and banking services related to card transactions, ensuring card and afferent equipment compatibility with international standards, etc.

The range of services for transaction processing rendered by „MoldMediaCard” SRL covers the whole spectrum of functionalities currently available on the market: processing the card transactions fitted with magnetic strip; cards with contact CHIP and contactless CHIP; accepting secured transactions in the area of electronic commerce based on 3D Secure standards as Receiver and Issuer; processing Cash-In transactions by ATM in three currencies (MDL, USD, EUR); accepting payments through mobile devices POS – MPOS; cardless – depositing cash at Cash-In ATMs (without using physical cards); Airline Addendum; P2P – cash transfers through ATM or WEB, between any Visa, MasterCard or AMEX card; ATM surcharge; activating the card during the first transaction.

Nowadays, the upgrade of the Information System infrastructure in the primary location has been completed. It is envisaged to launch the final stage of upgrading, namely setting an alternative Data Centre with doubled equipment, servers, services and telecommunications. Special attention will be further paid to strengthening information security. To this end, „MoldMediaCard” SRL shall implement the most advanced and recent topological schemes intended to protect the information system data and resources. An important measure developed following the complex audit of MMC activity conducted by InfoTrust Company and recommendations made by the Bank mixed investigation team is to amend the topological scheme, having purchased and installed the necessary equipment. The PCI DSS mandatory audit shall be conducted on a yearly basis, and the PCI PED external information audit shall be conducted every two years.

The company activity is constantly growing, being proved by the increased number of processed requests for authorization and by the number of clearing transactions, as well as by the continuous growth of company turnover. Domestic commercial banks are amongst the company customers. During 2017, the Information System used by the company processed more than 35% of the total number of card transactions issued in the Republic of Moldova, including cards issued abroad used for transactions in the Republic of Moldova. Throughout 2017, the company participated in the issuance of 28% of all cards issued in the Republic of Moldova. The share of devices for card acceptance connected to MoldMediaCard SRL included 28% of all ATMs and 27% of all POS-terminals installed in the Republic of Moldova.

„MoldMediaCard” SRL is one of the first Moldovan operators that implemented the Information System required for processing card payment transactions. The company may render processing services for members of international payment systems, using Visa, MasterCard and American Express cards.



BC MOLDOVA AGROINDBANK SA

SITUAȚIILE FINANCIARE CONSOLIDATE SINTETIZATE
ÎNTOCMITE ÎN BAZA SITUAȚIILOR FINANCIARE
CONSOLIDATE AUDITATE

PENTRU EXERCIȚIUL FINANCIAR ÎNCHEIAT LA
31 DECEMBRIE 2017

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS PREPARED BASED ON THE
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(FREE TRANSLATION*)

SITUAȚIA CONSOLIDATĂ DE PROFIT SAU PIERDERE ȘI ALTE ELEMENTE ALE REZULTATULUI GLOBAL
PENTRU EXERCITIUL FINANCIAR ÎNCHEIAT LA 31 DECEMBRIE 2017

	2017	2016
	MDL'000	MDL'000
Venituri din dobânzi	1,346,215	1,612,077
Cheltuieli privind dobânzile	(481,744)	(775,298)
Venituri din dobânzi, net	864,471	836,779
Pierderi nete din deprecierea creditelor, creanțelor aferente leasingului și altor creanțe	(263,802)	(310,092)
Venituri nete din dobânzi diminuate cu pierderi din deprecierea creditelor, creanțelor aferente leasingului și altor creanțe	600,669	526,687
Venituri din taxe și comisioane	432,037	364,508
Cheltuieli privind taxe și comisioane	(134,115)	(109,576)
Venituri din taxe și comisioane, net	297,922	254,932
Venituri din operațiuni cu valută străină, net	230,590	216,062
Venituri din active financiare disponibile pentru vânzare și active financiare păstrate până la scadență	36,442	2,825
Venituri din dividende	471	247
Alte venituri operaționale	26,397	30,121
Deprecierea activelor financiare disponibile pentru vânzare	10,324	5,778
Deprecierea valorii altor active	1,233	(549)
Câștiguri/pierderi din reevaluarea investițiilor imobiliare	1,118	3,170
Cheltuieli privind retribuirea muncii	(350,457)	(295,480)
Alte cheltuieli administrative și operaționale	(250,686)	(235,471)
Cheltuieli cu amortizarea	(84,334)	(68,686)
Profit din activitatea operațională până la impozitare	519,689	439,636
Cheltuieli privind impozitul pe venit	(58,050)	(32,398)
Profitul net al exercițiului financiar	461,639	407,238
Profitul atribuibil:		
A acționarilor Băncii	459,534	403,817
Profit alocat intereselor fără control	2,105	3,421
Profitul net al exercițiului financiar	461,639	407,238
Alte elemente ale rezultatului global		
Articole care pot fi ulterior reclasificate în profit sau pierdere:		
Câștigul/pierdere netă din reevaluarea activelor financiare DPV	37,509	2,460
Transfer în profit sau pierderi la comercializare activelor financiare disponibile pentru vânzare	(31,418)	
Impozit pe venit amânat aferent reevaluării activelor financiare DPV	(1,805)	(153)
Articole care nu pot fi ulterior reclasificate în profit sau pierdere:		
Reevaluarea terenurilor și clădirilor	217	67,226
Impozit pe venit amânat aferent reevaluării terenurilor și clădirilor	8	(7,689)
Alte venituri globale ale exercițiului financiar	4,511	61,844
Situația rezultatului global al exercițiului financiar	466,150	469,082
Situația rezultatului global aferent:		
A acționarilor Băncii	464,045	465,661
Intereselor fără control	2,105	3,421
Situația rezultatului global al exercițiului financiar	466,150	469,082
Câștiguri pe acțiune (prezentat în MDL pe acțiune)	442.87	389.17

Dezvăluirea bazelor de întocmire a situațiilor financiare consolidate sintetizate este prezentată în Nota 1.

Situațiile financiare consolidate sintetizate au fost autorizate pentru emisie la 23 martie 2018 de către Executivul Băncii reprezentat de:

Președintele Comitetului de Conducere

DI Serghei Cebotari

Contabilul-șef

Dna Carolina Semeniuc

Nota 1: BAZELE DE ÎNTOCMIRE A SITUAȚIILOR FINANCIARE CONSOLIDATE SINTETIZATE Aceste situații financiare consolidate sintetizate care cuprind situația consolidată a poziției financiare la data de 31 decembrie 2017 și situația consolidată de profit sau pierdere și alte elemente ale rezultatului global aferentă exercițiului financiar încheiat la această dată au fost extrase integral din informația relevantă inclusă în situațiile financiare consolidate ale BC Moldova Agroindbank SA („Banca”) și a companiilor sale fiice (împreună „Grupul”) pentru exercițiul financiar încheiat la 31 decembrie 2017 care au fost întocmite în conformitate cu Standardele Internaționale de Raportare Financiară și autorizate pentru emisie la 23 martie 2018. Respectiv, aceste situații financiare consolidate sintetizate sunt consecvente cu acele situații financiare consolidate. Conducerea a întocmit aceste situații financiare consolidate sintetizate pentru publicarea acestora în presă. Din cauza naturii lor rezumate, aceste situații financiare consolidate sintetizate nu pot oferi o înțelegere completă a performanței financiare și a poziției financiare ale Grupului. Această înțelegere poate fi obținută numai din setul complet de situații financiare consolidate ale Grupului. Setul complet de situații financiare consolidate ale Grupului din care au fost extrase situațiile financiare consolidate sintetizate, sunt disponibile pe pagina web a BC Moldova Agroindbank SA (www.maib.md) și la cerere la adresa str. Constantin Tănase 9/1, Chișinău, Republica Moldova.

SITUAȚIA CONSOLIDATĂ A POZIȚIEI FINANCIARE
LA 31 DECEMBRIE 2017

	31.12.2017	31.12.2016
	MDL'000	MDL'000
ACTIVE		
Mijloace bănești în numerar	613,201	465,420
Conturi la Banca Națională a Moldovei	4,454,566	4,010,766
Conturi curente și depozite la bănci	2,811,178	2,125,086
Credite acordate clienților	9,842,927	9,652,416
Creanțe aferente leasingului	132,031	172,518
Active financiare disponibile pentru vânzare	1,420,720	174,095
Active financiare păstrate până la scadență	1,793,908	2,104,017
Active imobilizate deținute pentru vânzare	15,263	24,005
Imobilizări corporale	864,015	825,794
Investiții imobiliare	72,356	78,991
Imobilizări necorporale	63,815	68,510
Alte active	211,709	163,458
Total active	22,295,689	19,865,076
OBLIGAȚIUNI		
Datorii către bănci	117,975	95,658
Împrumuturi	683,079	848,088
Datorii către clienți	17,535,629	15,412,375
Datorii privind impozitul amânat	36,817	35,067
Datorii privind impozitul curent	30,972	6,232
Alte obligațiuni	214,074	205,316
Total obligațiuni	18,618,546	16,602,736
CAPITALUL PROPRIU		
Acțiuni ordinare	207,527	207,527
Capital suplimentar	104,537	104,537
Rezerva din reevaluarea imobilizărilor corporale	208,736	208,511
Rezerva din reevaluarea activelor financiare disponibile pentru vânzare	78,796	74,510
Profit nerepartizat	3,065,046	2,656,859
Capitaluri proprii atribuibile acționarilor Băncii	3,664,642	3,251,944
Interese fără control	12,501	10,396
Total capitalul propriu	3,677,143	3,262,340
Total obligațiuni și capital propriu	22,295,689	19,865,076

Dezvăluirea bazelor de întocmire a situațiilor financiare consolidate sintetizate este prezentată în Nota 1.

Situațiile financiare consolidate sintetizate au fost autorizate pentru emisie la 23 martie 2018 de către Executivul Băncii reprezentat de:

Președintele Comitetului de Conducere

DI Serghei Cebotari

Contabilul-șef

Dna Carolina Semeniuc



Nota 1: BAZELE DE ÎNTOCMIRE A SITUAȚIILOR FINANCIARE CONSOLIDATE SINTETIZATE Aceste situații financiare consolidate sintetizate care cuprind situația consolidată a poziției financiare la data de 31 decembrie 2017 și situația consolidată de profit sau pierdere și alte elemente ale rezultatului global aferentă exercițiului financiar încheiat la această dată au fost extrase integral din informația relevantă inclusă în situațiile financiare consolidate ale BC Moldova Agroindbank SA („Banca”) și a companiilor sale fiice (împreună „Grupul”) pentru exercițiul financiar încheiat la 31 decembrie 2017 care au fost întocmite în conformitate cu Standardele Internaționale de Raportare Financiară și autorizate pentru emisie la 23 martie 2018. Respectiv, aceste situații financiare consolidate sintetizate sunt consecvente cu acele situații financiare consolidate. Conducerea a întocmit aceste situații financiare consolidate sintetizate pentru publicarea acestora în presă. Din cauza naturii lor rezumate, aceste situații financiare consolidate sintetizate nu pot oferi o înțelegere completă a performanței financiare și a poziției financiare ale Grupului. Această înțelegere poate fi obținută numai din setul complet de situații financiare consolidate ale Grupului. Setul complet de situații financiare consolidate ale Grupului din care au fost extrase situațiile financiare consolidate sintetizate, sunt disponibile pe pagina web a BC Moldova Agroindbank SA (www.maib.md) și la cerere la adresa str. Constantin Tănase 9/1, Chișinău, Republica Moldova.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	MDL'000	MDL'000
Interest income	1,346,215	1,612,077
Interest expense	(481,744)	(775,298)
Net interest income	864,471	836,779
Net impairment loss on loans, lease receivables and other receivables	(263,802)	(310,092)
Net interest income after impairment of loans, lease receivables and other receivables	600,669	526,687
Fee and commission income	432,037	364,508
Fee and commission expense	(134,115)	(109,576)
Net fee and commission income	297,922	254,932
Foreign exchange gains, net	230,590	216,062
Gains from financial assets held to maturity and AFS	36,442	2,825
Dividend income	471	247
Other operating income	26,397	30,121
Impairment loss on available for sale financial assets	10,324	5,778
Impairment loss on other assets	1,233	(549)
Gains from revaluation of investment property	1,118	3,170
Personnel expenses	(350,457)	(295,480)
Other administrative and operating expenses	(250,686)	(235,471)
Amortization expenses	(84,334)	(68,686)
Operating profit before tax	519,689	439,636
Income tax expense	(58,050)	(32,398)
Net profit for the year	461,639	407,238
Profit attributable to:		
Bank's Shareholders	459,534	403,817
Non-controlling interests	2,105	3,421
Net profit for the year	461,639	407,238
Other comprehensive income		
Items that are or may be reclassified to profit or loss:		
Change in fair value of financial assets available for sale	37,509	2,460
Transfer in profit or loss on disposal of AFS financial assets	(31,418)	-
Deferred tax related to the changes in FV of AFS financial assets	(1,805)	(153)
Items that will never be reclassified to profit or loss:		
Revaluation of land and buildings	217	67,226
Deferred tax related to the revaluation of land and buildings	8	(7,689)
Other comprehensive income for the year	4,511	61,844
Total comprehensive income for the year	466,150	469,082
Total comprehensive income attributable to:		
Bank's Shareholders	464,045	465,661
Non-controlling interests	2,105	3,421
Total comprehensive income for the year	466,150	469,082
Earnings per share (expressed in MDL per share)	442.87	389.17

The disclosure of basis of preparation of the summary consolidated financial statements is presented in Note 1.

The summary consolidated financial statements were authorized for issue on 23 March 2018 by the Executives of the Bank represented by:

Chairman of the Management Board

Mr. Serghei Cebotari



Chief Accountant

Mrs. Carolina Semeniuc

Note 1: BASIS OF PREPARATION OF THE SUMMARY CONSOLIDATED FINANCIAL These summary consolidated financial statements, which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of profit or loss and other comprehensive income for the year then ended have been extracted entirely from the relevant information included in the consolidated financial statements of BC Moldova Agroindbank SA ("the Bank") and its subsidiaries (together, "the Group") for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standards and authorized for issue on 23 March 2018. Consequently, these summary consolidated financial statements are consistent with those consolidated financial statements. Management has prepared these summary consolidated financial statements for their publication in the press.

Because of their aggregated and summarised nature, these summary consolidated financial statements cannot provide a full understanding of the financial performance and financial position of the Group. This understanding can only be obtained from the full set of consolidated financial statements of the Group. A full set of the consolidated financial statements of the Group, from which the summary consolidated financial statements have been derived, are available on BC Moldova Agroindbank SA website (www.maib.md) and, upon request, at 9/1 Constantin Tanase street, Chisinau, Republic of Moldova.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	31.12.2017	31.12.2016
	MDL'000	MDL'000
ASSETS		
Cash on hand	613,201	465,420
Balances with National Bank of Moldova	4,454,566	4,010,766
Due from banks	2,811,178	2,125,086
Loans and advances to customers	9,842,927	9,652,416
Lease receivables	132,031	172,518
Financial assets available for sale	1,420,720	174,095
Financial assets held to maturity	1,793,908	2,104,017
Non-current assets held for sale	15,263	24,005
Property and equipment	864,015	825,794
Investment property	72,356	78,991
Intangible assets	63,815	68,510
Other assets	211,709	163,458
Total assets	22,295,689	19,865,076
LIABILITIES		
Due to banks	117,975	95,658
Borrowings	683,079	848,088
Due to customers	17,535,629	15,412,375
Deferred tax liabilities	36,817	35,067
Current tax liabilities	30,972	6,232
Other liabilities	214,074	205,316
Total liabilities	18,618,546	16,602,736
EQUITY		
Ordinary shares	207,527	207,527
Share premium	104,537	104,537
Property and equipment revaluation reserve	208,736	208,511
Available for sale financial assets revaluation reserve	78,796	74,510
Retained earnings	3,065,046	2,656,859
Total equity attributable to shareholders of the Bank	3,664,642	3,251,944
Non-controlling interests	12,501	10,396
Total equity	3,677,143	3,262,340
Total equity and liabilities	22,295,689	19,865,076

The disclosure of basis of preparation of the summary consolidated financial statements is presented in Note 1.

The summary consolidated financial statements were authorized for issue on 23 March 2018 by the Executives of the Bank represented by:

Chairman of the Management Board

Mr. Serghei Cebotari



Chief Accountant

Mrs. Carolina Semeniuc

Note 1: BASIS OF PREPARATION OF THE SUMMARY CONSOLIDATED FINANCIAL These summary consolidated financial statements, which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of profit or loss and other comprehensive income for the year then ended have been extracted entirely from the relevant information included in the consolidated financial statements of BC Moldova Agroindbank SA ("the Bank") and its subsidiaries (together, "the Group") for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standards and authorized for issue on 23 March 2018. Consequently, these summary consolidated financial statements are consistent with those consolidated financial statements. Management has prepared these summary consolidated financial statements for their publication in the press.

Because of their aggregated and summarised nature, these summary consolidated financial statements cannot provide a full understanding of the financial performance and financial position of the Group. This understanding can only be obtained from the full set of consolidated financial statements of the Group. A full set of the consolidated financial statements of the Group, from which the summary consolidated financial statements have been derived, are available on BC Moldova Agroindbank SA website (www.maib.md) and, upon request, at 9/1 Constantin Tanase street, Chisinau, Republic of Moldova.



BC MOLDOVA AGROINDBANK SA

RAPORTUL AUDITORULUI INDEPENDENT
CU PRIVIRE LA SITUAȚIILE FINANCIARE
CONSOLIDATE SINTETIZATE

CĂTRE ACȚIONARII
BC MOLDOVA AGROINDBANK S.A.

REPORT OF THE INDEPENDENT AUDITOR
ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
to the shareholders of BC Moldova Agroindbank S.A.

Opinie

Situațiile financiare consolidate sintetizate, care cuprind situația consolidată a poziției financiare la data de 31 decembrie 2017 și situația consolidată de profit sau pierdere și alte elemente ale rezultatului global pentru anul încheiat la această dată, sunt derivate din situațiile financiare consolidate auditate ale BC Moldova Agroindbank S.A. (Banca) și a companiilor sale fiice (Grupul) pentru anul încheiat la 31 decembrie 2017.

În opinia noastră, situațiile financiare consolidate sintetizate anexate sunt consecvente, sub toate aspectele semnificative, cu situațiile financiare consolidate auditate, în conformitate cu baza descrisă în nota 1.

Situațiile financiare consolidate sintetizate

Situațiile financiare consolidate sintetizate nu conțin toate prezentările cerute de Standardele Internaționale de Raportare Financiară. Astfel, citirea situațiilor financiare consolidate sintetizate și raportului auditorului cu privire la acestea nu reprezintă un substitut pentru citirea situațiilor financiare consolidate auditate și raportului auditorului cu privire la acestea.

Situațiile financiare consolidate auditate și raportul nostru cu privire la acestea

Am exprimat o opinie de audit nemodificată cu privire la situațiile financiare consolidate în raportul nostru din data de 23 martie 2018. De asemenea, acest raport include:

- Un paragraf de *Evidențierea unor aspecte* în care noi atragem atenția asupra notei 1 la situațiile financiare consolidate care descriu faptul că Banca Națională a Moldovei (BNM) a blocat două grupuri de acționari ai Băncii, care au activat concertat în raport cu Banca și au achiziționat cote substanțiale în capitalul social al Băncii, fără a dispune de permisiunea prealabilă scrisă a BNM. BNM a solicitat acționarilor nominalizați de a se conforma prevederilor Legii instituțiilor financiare, care stipulează obligativitatea acționarilor de a înstrăina, în termen de trei luni de la data deciziilor BNM, acțiunile ce le dețin în capitalul Băncii. Ulterior, luând în considerație faptul că aceste acțiuni nu au fost înstrăinate în termenul stabilit de legislația în vigoare, acțiunile au fost anulate și a fost efectuată emisiune suplimentară de acțiuni. În conformitate cu prevederile Hotărârii Comisiei Naționale a Pieței Financiare nr. 15/2 din 7 aprilie 2016, acțiunile din cadrul emisiunii suplimentare au fost provizoriu înscrise pe numele Băncii.

Aspectul descris indică existența unor incertitudini ce ar putea avea impact asupra activității Băncii în caz că acționarii noi și membrii Consiliului Băncii înaintați de acești acționari nu vor continua politicile financiare și operaționale existente ale Băncii. Impactul aspectului menționat nu poate fi estimat la data aprobării situațiilor financiare consolidate și nu a fost reflectat sau prezentat în situațiile financiare consolidate.

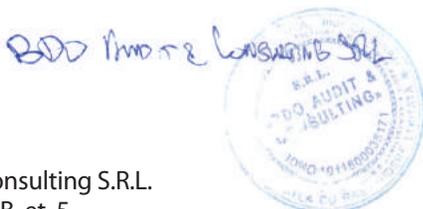
- Comunicarea aspectelor cheie de audit. Aspectele cheie de audit sunt acele aspecte care, în baza raționamentului nostru profesional, au avut cea mai mare importanță pentru auditul situațiilor financiare consolidate din perioada curentă.

Responsabilitatea conducerii pentru situațiile financiare consolidate sintetizate

Conducerea este responsabilă pentru pregătirea situațiilor financiare consolidate sintetizate în conformitate cu baza descrisă în nota 1.

Responsabilitatea auditorului

Responsabilitatea noastră este de a exprima o opinie cu privire la măsura în care situațiile financiare consolidate sintetizate sunt consecvente, sub toate aspectele semnificative, cu situațiile financiare consolidate auditate în baza procedurilor noastre, care au fost efectuate în conformitate cu Standardul internațional de audit (ISA) 810 (Revizuit), *Misiuni de raportare cu privire la situațiile financiare sintetizate*.



BDO Audit & Consulting S.R.L.
str. A. Pușkin 45B, et. 5
MD-2005, Chișinău, Republica Moldova
Licența A MMII nr. 050535
23 martie 2018

Eugeniu Raietchi
Auditor Licențiat
Licența AIF 0015

Opinion

The summary consolidated financial statements, which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of profit or loss and other comprehensive income for the year then ended, are derived from the audited consolidated financial statements of BC Moldova Agroindbank S.A. (the Bank) and its subsidiaries (the Group) for the year ended 31 December 2017.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, on the basis described in Note 1.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 23 March 2018. That report also includes:

- An *Emphasis of Matter* paragraph in which we draw attention to Note 1 in the audited consolidated financial statements which describe the fact that the National Bank of Moldova (the NBM) has blocked two groups of shareholders of the Bank, acting in concert in relation to the Bank and purchased a qualifying holding in the share capital of the Bank, without having a prior written permission of the NBM. The NBM has asked nominated shareholders to comply with the provisions of the Law on Financial Institutions, which stipulates the obligation of shareholders to sell within three months from the NBM decisions date the qualifying holding in the share capital of the Bank. Subsequently, taking into account that these shares were not disposed of within the period of time set by the legislation in force, shares were cancelled and additional issue of shares was performed. In accordance with the National Commission for Financial Markets Decision no. 15/2 dated 7 April 2016, issued shares were provisionally registered on the Bank's name.

Matter described indicates the existence of uncertainties that may impact the activity of the Bank in the event that new shareholders and new members of the Board of the Bank nominated by those shareholders will not continue the existing financial and operating policies of the Bank. The impact of this matter could not be estimated at the date of approval of the consolidated financial statements and has not been reflected or presented in the consolidated financial statements.

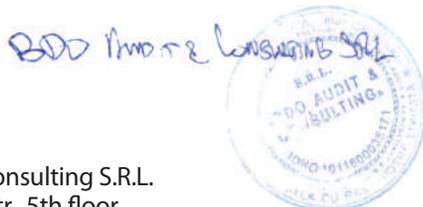
- The communication of other key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

Management's responsibility for the summary consolidated financial statements

Management is responsible for the preparation of the summary consolidated financial statements on the basis described in Note 1.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.



BDO Audit & Consulting S.R.L.
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License A MMII no. 050535
23 March 2018

Eugeniu Raietchi
Licensed Auditor
License AIF 0015



BC MOLDOVA AGROINDBANK SA

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2017

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS

(FREE TRANSLATION*)

CONTENT

Independent auditor's report	63
Consolidated statement of profit or loss and other comprehensive income	68
Consolidated statement of financial position.....	69
Consolidated statement of changes in equity.....	70
Consolidated statement of cash flows.....	71
Notes to the consolidated financial statements	
1 General information about the Group	75
2 Summary of significant accounting policies.....	77
3 Significant accounting judgements and estimates.....	90
4 Cash on hand.....	92
5 Balances with National Bank of Moldova.....	92
6 Due from banks	93
7 Loans and advances to customers.....	94
8 Lease receivables	99
9 Financial investments.....	103
10 Non-current assets held for sale	105
11 Property and equipment.....	106
12 Investment property.....	108
13 Intangible assets	108
14 Other assets	109
15 Due to banks.....	111
16 Borrowings	112
17 Due to customers.....	112
18 Taxation	113
19 Other liabilities.....	115
20 Share Capital.....	115
21 Capital adequacy	116
22 Cash and cash equivalents	117
23 Net interest income.....	118
24 Net fee and commission income.....	119
25 Net foreign exchange gains	119
26 Other operating income.....	120
27 Personnel expenses	120
28 Other administrative and operating expenses	121
29 Impairment of loans, lease receivables and other receivables.....	121
30 Guarantees and other financial commitments	122
31 Capital commitments.....	123
32 Earnings per share	123
33 Fair value of financial instruments and fair value hierarchy	123
34 Classification of financial instruments by measurement category.....	127
35 Related parties	128
36 Segment reporting.....	130
37 Risk management	135
38 Statement of financial position structure by currency.....	146
39 Maturity structure.....	148
40 Interest rate risk exposure	149
41 Contingent liabilities	152
42 Events after the reporting date.....	152

INDEPENDENT AUDITOR'S REPORT to the shareholders of BC Moldova Agroindbank S.A.

Opinion

We have audited the consolidated financial statements of BC Moldova Agroindbank S.A. (the Bank) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Moldova, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 1 to the consolidated financial statements, which describe the fact that the National Bank of Moldova (the NBM) has blocked two groups of shareholders of the Bank, acting in concert in relation to the Bank and purchased a qualifying holding in the share capital of the Bank, without having a prior written permission of the NBM. The NBM has asked nominated shareholders to comply with the provisions of the Law on Financial Institutions, which stipulates the obligation of shareholders to sell within three months from the NBM decisions date the qualifying holding in the share capital of the Bank. Subsequently, taking into account that these shares were not disposed of within the period of time set by the legislation in force, shares were cancelled and additional issue of shares was performed. In accordance with the National Commission for Financial Markets Decision no. 15/2 dated 7 April 2016, issued shares were provisionally registered on the Bank's name.

Matter described indicates the existence of uncertainties that may impact the activity of the Bank in the event that new shareholders and new members of the Board of the Bank nominated by those shareholders will not continue the existing financial and operating policies of the Bank. The impact of these matters could not be estimated at the date of approval of the consolidated financial statements and has not been reflected or presented in these consolidated financial statements. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Audit response
<p>1 Provision for impairment of loans and advances to customers and lease receivables</p> <p>We focused on this matter due to the significance of loans and advances to customers and lease receivables and the significance of judgements and estimates required for calculation of the related impairment provision.</p> <p>The provision represents management's best estimate of losses incurred within the loans and advances to customers/lease receivables as at the balance sheet date.</p> <p>Specific provisions are calculated on an individual basis for significant loans/receivables. For such provisions, judgement is required to determine when an impairment-event has occurred and then to estimate the expected future cash flows related to the loan/receivable.</p> <p>For all other loans/receivables, collective provisions are calculated on a portfolio basis for loans/receivables of a similar nature. Such provisions are calculated using statistical models estimating the impact of current economic and credit conditions on loans/receivables portfolios. The design of and inputs to the models are subject to management judgement.</p> <hr/> <p>Refer to Notes 7 and 8 of the accompanying consolidated financial statements.</p>	<p>We assessed the key methodologies and related models for calculation of the provision for loans/receivables for consistency with the requirements of IFRS.</p> <p>We assessed and tested (on a sample basis) the design and operating effectiveness of the controls over impairment data, the identification of overdue balances and the calculation of the provision.</p> <p>We tested (on a sample basis) loans/receivables, which had not been identified by management as potentially impaired and formed our own judgement as to whether that was appropriate.</p> <p>We tested (on a sample basis) loans/receivables for which the individual provision was calculated. We tested whether the impairment event had been identified in a timely manner, re-performed discounted cash flows calculations, examined the expected future cash flows used by management, challenged the assumptions and compared management estimates to external evidence where available.</p> <p>We tested (on a sample basis) the basis and operation of collective provisioning models and the data and assumptions used. Our work included comparison of the principal assumptions made with our own knowledge of industry practice and actual experience, testing of the models through re-performance, and various analytical procedures.</p>

Key audit matter	Audit response
2 Valuation of financial instruments not quoted in an active market	
<p>A significant part of the Group's investments in securities consists of instruments not quoted in an active market (Level 2 and Level 3 instruments). The fair value of these instruments is determined by valuation models that may use complex assumptions and rely on unobservable inputs (Level 3). The significance and subjectivity of these valuations make them a key audit matter.</p>	<p>We assessed the design of models and the sources of significant assumptions used in determining fair value. For a sample of individually significant instruments, we inspected the models and assumptions used, and/or performed an independent valuation assessment using alternative valuation methods and assumptions, where available. We also assessed whether the Group's disclosures in relation to the valuation of such financial instruments, including disclosures regarding significant Level 3 inputs used and sensitivity of the value to changes in these inputs, are compliant with applicable IFRS requirements.</p>
<p>Refer to Note 9 of the accompanying consolidated financial statements.</p>	

Key audit matter	Audit response
3 Valuation of non-current assets held for sale, investment property and property and equipment	
<p>At 31 December 2017, the Group's aggregate net value of land and buildings, non-current assets held for sale and investment property was 551,740 thousand lei. The valuation of these assets utilises unobservable inputs and assumptions. Changes in these inputs and assumptions may have a significant impact on the valuation. The significance and subjectivity of these valuations make them a key audit matter.</p>	<p>We assessed the selection of valuation methods and the design of valuation models, as well as the sources of significant assumptions. We also tested the determination of the lower of cost and net realisable value for a sample of individually significant non-current assets held for sale. Where management involved valuation specialists, we assessed their qualification and objectivity. For a sample of individually significant assets, we involved valuation specialist to assist us in assessing the reasonableness of the methodology and assumptions.</p>
<p>Refer to Notes 10, 11 and 12 of the accompanying consolidated financial statements.</p>	

Other matter

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

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Anatolie Bernaz.

BDO Audit & Consulting SRL

BDO Audit & Consulting S.R.L.
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License A MMII no. 050535
23 March 2018



Eugeniu Raietchi
Licensed Auditor
License AIF 0015

BC MOLDOVA AGROINDBANK SA
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017
(All amounts are expressed in thousand MDL, if not stated otherwise)

	Note	2017	2016
		MDL'000	MDL'000
Interest income	23	1,346,215	1,612,077
Interest expense	23	(481,744)	(775,298)
Net interest income		864,471	836,779
Net impairment loss on loans, lease receivables and other receivables	29	(263,802)	(310,092)
Net interest income after impairment loss on loans, lease receivables and other receivables		600,669	526,687
Fee and commission income	24	432,037	364,508
Fee and commission expense	24	(134,115)	(109,576)
Net fee and commission income		297,922	254,932
Net foreign exchange gains	25	230,590	216,062
Gains from financial assets and liabilities held for trading and available for sale		36,442	2,825
Dividend income		471	247
Other operating income	26	26,397	30,121
Impairment loss on available for sale financial assets	9	10,324	5,778
Impairment loss on other assets		1,233	(549)
Gains from revaluation of investment property		1,118	3,170
Personnel expenses	27	(350,457)	(295,480)
Other administrative and operating expenses	28	(250,686)	(235,471)
Amortization expenses		(84,334)	(68,686)
Operating profit before tax		519,689	439,636
Income tax expense	18	(58,050)	(32,398)
Net profit for the year		461,639	407,238
Profit attributable to:			
Equity holders of the Bank		459,534	403,817
Non-controlling interests		2,105	3,421
Net profit for the year		461,639	407,238

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

BC MOLDOVA AGROINDBANK SA
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017
(All amounts are expressed in thousand MDL, if not stated otherwise)

	Note	2017	2016
		MDL'000	MDL'000
Other comprehensive income			
<i>Items that are or may be reclassified to profit or loss:</i>			
Changes in fair value of available for sale financial assets	9	37,509	2,460
Transfer in profit or loss on disposal of available-for-sale financial assets		(31,418)	
Deferred tax related to the changes in fair value of available for sale financial assets	18	(1,805)	(153)
<i>Items that will never be reclassified to profit or loss:</i>			
Revaluation of land and buildings		217	67,226
Deferred tax related to the revaluation of land and buildings	18	8	(7,689)
Other comprehensive income for the year		4,511	61,844
Total comprehensive income for the year		466,150	469,082
Total comprehensive income attributable to:			
Equity holders of the Bank		464,045	465,661
Non-controlling interests		2,105	3,421
Total comprehensive income for the year		466,150	469,082
Earnings per share (expressed in MDL per share)	32	442.87	389.17

The consolidated financial statements were authorized for issue on 23 March 2018 by the Executives of the Bank represented by:

President of the Management Board
Mr. Serghei Cebotari



Chief Accountant
Mrs. Carolina Semeniuc

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

BC MOLDOVA AGROINDBANK SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
(All amounts are expressed in thousand MDL, if not stated otherwise)

	Note	31.12.2017	31.12.2016
		MDL'000	MDL'000
ASSETS			
Cash on hand	4	613,201	465,420
Balances with National Bank of Moldova	5	4,454,566	4,010,766
Due from banks	6	2,811,178	2,125,086
Loans and advances to customers	7	9,842,927	9,652,416
Lease receivables	8	132,031	172,518
Financial assets available for sale	9	1,420,720	174,095
Financial assets held to maturity	9	1,793,908	2,104,017
Non-current assets held for sale	10	15,263	24,005
Property and equipment	11	864,015	825,794
Investment property	12	72,356	78,991
Intangible assets	13	63,815	68,510
Other assets	14	211,709	163,458
Total assets		22,295,689	19,865,076
LIABILITIES			
Due to banks	15	117,975	95,658
Borrowings	16	683,079	848,088
Due to customers	17	17,535,629	15,412,375
Deferred tax liabilities	18	36,817	35,067
Current tax liability		30,972	6,232
Other liabilities	19	214,074	205,316
Total liabilities		18,618,546	16,602,736
EQUITY			
Ordinary shares	20	207,527	207,527
Share premium		104,537	104,537
Property and equipment revaluation reserve		208,736	208,511
Available for sale financial assets revaluation reserve		78,796	74,510
Retained earnings		3,065,046	2,656,859
Total equity attributable to equity holders of the Bank		3,664,642	3,251,944
Non-controlling interests		12,501	10,396
Total equity		3,677,143	3,262,340
Total equity and liabilities		22,295,689	19,865,076

The consolidated financial statements were authorized for issue on 23 March 2018 by the Executives of the Bank represented by:

President of the Management Board
Mr. Serghei Cebotari

Chief Accountant
Mrs. Carolina Semeniuc

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

BC MOLDOVA AGROINDBANK SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017
(All amounts are expressed in thousand MDL, if not stated otherwise)

Attributable to equity holders of the Group								
	Ordinary shares	Share premium	Available for sale financial assets revaluation reserve	Property and equipment revaluation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Balance as at 1 January 2017	207,527	104,537	74,510	208,511	2,656,859	3,251,944	10,396	3,262,340
Total comprehensive income								
Net profit for the year	-	-	-	-	459,534	459,534	2,105	461,639
Other comprehensive income	-	-	4,286	225	-	4,511	-	4,511
Total comprehensive income for the year	-	-	4,286	225	459,534	464,045	2,105	466,150
Transaction with shareholders								
Dividends paid (Note 20)	-	-	-	-	(51,347)	(51,347)	-	(51,347)
Balance as at 31 december 2017	207,527	104,537	78,796	208,736	3,065,046	3,664,642	12,501	3,677,143

As at 31 December 2017 the legal reserves amounted to MDL'000 448,166 (2016: MDL'000 455,140) and include reserve from revaluation of assets available for sale, legal reserves and reserve from revaluation of property and equipment, which are non-distributable. Starting from 2012, according to the National Bank of Moldova requirements, an additional reserve was created by the Group. This reserve is determined as the difference between the allowances for impairment of loans and conditional commitments in accordance with IFRS and the value computed, but non-accounted for of allowances for impairment of loans and conditional commitments in accordance with prudential regulations of the National Bank of Moldova (2017: MDL'000 394,498 și 2016: MDL'000 257,397). Legal reserves and reserve recorded in accordance with prudential regulations of the National Bank of Moldova are included in the retained earnings column.

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

BC MOLDOVA AGROINDBANK SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017
(All amounts are expressed in thousand MDL, if not stated otherwise)

Aferente acționarilor Grupului								
	Ordinary shares	Share premium	Available for sale financial assets revaluation reserve	Property and equipment revaluation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Balance as at 1 January 2016	207,527	104,537	72,203	149,548	2,418,489	2,952,304	6,975	2,959,279
Total comprehensive income								
Net profit for the year	-	-	-	-	403,817	403,817	3,421	407,238
Other comprehensive income	-	-	2,307	59,537	-	61,844	-	61,844
Total comprehensive income for the year	-	-	2,307	59,537	403,817	465,661	3,421	469,082
Transactions with shareholders								
Dividends paid (Note 21)	-	-	-	-	(166,021)	(166,021)	-	(166,021)
Other transactions								
Transfer of revaluation surplus at the disposal of property and equipment	-	-	-	(574)	574	-	-	-
Balance as at 31 December 2016	207,527	104,537	74,510	208,511	2,656,859	3,251,944	10,396	3,262,340

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

BC MOLDOVA AGROINDBANK SA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
(All amounts are expressed in thousand MDL, if not stated otherwise)

	Note	2017	2016
		MDL'000	MDL'000
Cash flows from operating activities			
Interest received		1,285,702	1,589,495
Interest paid		(491,975)	(792,536)
Commission received		420,054	356,582
Commission paid		(126,148)	(102,562)
Income received from trading in foreign currencies	25	242,540	231,263
Recoveries of loans previously written-off	7	14,698	16,624
Other operating income received		28,187	19,182
General and administrative expenses paid		(249,569)	(243,265)
Personnel expenses paid		(354,224)	(299,766)
Cash flows from operating activities before changes in operating assets and liabilities:		769,265	775,017
<i>Net (increase) / decrease in operating assets:</i>			
Due from banks		(366,170)	24,186
Financial assets held for trading		-	40,014
Financial assets held to maturity		378,457	21,150
Loans and advances to customers		(642,827)	314,349
Lease receivables		30,908	85,171
Other assets		(47,600)	(1,223)
<i>Net increase / (decrease) in operating liabilities:</i>			
Due to banks		40,706	(7,602)
Due to customers		2,646,398	1,474,519
Other liabilities		63,859	146,120
Net cash from operating activities before tax		2,872,996	2,871,701
Income tax paid		56,407	39,154
Net cash from operating activities		2,816,589	2,832,547

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

BC MOLDOVA AGROINDBANK SA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
(All amounts are expressed in thousand MDL, if not stated otherwise)

	Note	2017	2016
		MDL'000	MDL'000
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(117,637)	(483,656)
Available for sale financial assets		(1,223,941)	(10,327)
Proceeds from sale of investments in associates		121	-
Net cash used in investing activities		(1,341,457)	(493,983)
Cash flows from financing activities			
Repayment of loans and borrowings		(290,098)	(461,305)
Proceeds from loans and borrowings		122,785	133,673
Dividends paid		(51,710)	(222,635)
Net cash used in financing activities		(219,023)	(550,267)
Effect of exchange rate fluctuation		(28,503)	17,315
Net increase in cash and cash equivalents	22	1,227,606	1,805,612
Cash and cash equivalents as at 1 January		7,006,579	5,200,967
Cash and cash equivalents as at 31 December	22	8,234,185	7,006,579

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

1. GENERAL INFORMATION ABOUT THE GROUP

Reporting entity

Moldova Agroindbank Group (the "Group") includes the parent bank, BC Moldova Agroindbank S.A. (the "Bank") and its subsidiaries domiciled in the Republic of Moldova. The consolidated financial statements of the Group for the year ended on 31 December 2017 include the financial statements of BC Moldova Agroindbank SA and its subsidiaries (together referred to as the "Group"), which form the Group. The subsidiaries comprise the following entities:

Entities	Field of activity	31.12.17	31.12.16
MAIB- Leasing SA	Financial lease	100%	100%
Moldmediacard SRL	Processing of card payments	54.24%	54.24%

The Group has the following business lines: banking, which is performed by BC Moldova Agroindbank SA (the "Bank"), leasing and financing, performed by MAIB-Leasing SA, and processing of card transactions, performed by Moldmediacard SRL.

The Group has 2,332 employees as at 31 December 2017 (2,194 employees as at 31 December 2016).

BC Moldova Agroindbank SA

BC Moldova Agroindbank SA was incorporated in 1991 as a joint stock commercial bank. The Bank operates through its head office located in Chisinau, through the Clients Operations Division at the Central Office, 66 branches (2016: 66 branches) and 120 representative offices (2016 : 115 offices) located throughout the Republic of Moldova.

The Bank's services are divided in corporate and retail banking operations - individuals and small, micro and medium sized enterprises.

The Bank's corporate banking activities imply attracting deposits, cash handling services, lending and financing of foreign trade. The Bank offers traditional banking services and products, as well as products associated with foreign trade operations, including payment orders, documentary transactions and issuance of letters of credit and guarantees.

The Bank, also, offers a comprehensive range of retail banking services for individuals: savings accounts, demand and term deposits, loans, foreign currency exchange operations and domestic and international funds transfers.

The Bank's shares are listed on the Moldovan Stock Exchange, having the symbol MD14AGIB1008.

As at 31 December 2017, the Bank had 2,290 employees (31 December 2016: 2,153 employees).

The registered office of the Bank is located at 9/1 Constantin Tanase Street, Chisinau, Republic of Moldova.

As at 31 December 2017 and 31 December 2016, the bank's shareholders structure was as follows:

	2017	2016
Civil society of Bank shareholders and their affiliates*	11.81%	13.62%
OOO "Evrobalt"	1.05%	1.05%
Ostryn Business Limited**	0.00%	0.58%
"Dilnoro Group" SIA	0.00%	0.39%
UCCC "Moldcoop" and other entities acting in concert	2.52%	2.52%
Individuals holding $\geq 1\%$, directly or indirectly	16.29%	14.84%
Others***	27.24%	25.91%
Shares provisionally registered on the Bank's name****	41.09%	41.09%
Total	100%	100%

*As at 31 December 2017 the Civil society of the Bank's shareholders and its affiliates included 14 members (2016: 16 members) of which 1 (2016: 2 members) were members of the executive management and the other 13 members were affiliated persons (2016: 14 members).

**According to the enforceable title issued by Chisinau Court (Central Office) on 05.12.2016, the registration of ownership rights in the personal accounts of two shareholders, individuals, was restored by canceling the subscriptions of the shares in the accounts of the shareholders of the Bank "Ostryn Business Limited" and "Dilnoro Group" SIA.

*** None of the shareholders included in the "Others" category owns a share equal to or greater than 1% in the Bank's shareholder capital. Other Bank's shareholders comprise 3,022 (31 December 2016: 3,028 shareholders) of which 2785 shareholders are individuals and 237 are legal entities (31 December 2016: 2,782 individuals and 246 legal entities).

****The shares provisionally registered on the Bank's name refer to the following two stockholdings:

- The unique stockholding of 36,605 (thirty-six thousand six hundred five) newly issued First Class ordinary shares.
- The unique stockholding of 389,760 (three hundred and eighty-nine thousand seven hundred and sixty) newly issued First Class ordinary shares.

These stockholdings were held by two groups of shareholders that acted in concert and acquired a qualifying holding of 3.53% and 39.58% in the share capital of the Bank, without having a prior written permission of the National Bank of Moldova. According to the decisions of NBM Executive Committee nr.157 dated 23 December 2015 and nr.43 dated 2 March 2016, these shareholders voting rights have been suspended and they were required to dispose of the shares they held in the share capital of the Bank within three months from the date of entry into force of NBM decisions.

Taking into account that these shares were not disposed of within the time limit set by the legislation in force, the respective shares were cancelled and newly additional shares were issued by BC Moldova Agroindbank. The newly issued shares were provisionally registered on the Bank's name.

MAIB-Leasing SA

MAIB-Leasing SA is a private equity entity founded by B.C. Moldova Agroindbank SA. ("MAIB") in September 2002 as a joint-stock company. The main activities performed by the Company are the finance lease of vehicles, commercial, industrial, agricultural and office equipment leasing, as well as the finance lease of real estate property. The Company, also grants financing to car dealers and loans to individuals and legal entities.

The Company operates in the Republic of Moldova and as at 31 December 2017 has 24 employees (23 employees as at 31 December 2016). The registered office of the Company is 49 Tighina Street, Chisinau, Republic of Moldova.

Moldmediacard SRL

Moldmediacard SRL is a private equity entity founded in March 2000. The business line of the Company is the selection, implementation, development and exploitation of systems implying the processing of card transactions and incorporation in the international card transaction system.

The Company operates in the Republic of Moldova and as at 31 December 2017 has 18 employees (18 employees as at 31 December 2018). The registered office of the Company is 9 Miron Costin Street, Chisinau, Republic of Moldova.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These consolidated financial statements of the Group are prepared in accordance with the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements (hereinafter referred to as "Financial statements") are prepared considering the going concern assumption and are measured using the currency of the primary economic environment the Group operates in (functional currency). The financial statements are presented in Moldovan lei ("MDL"), rounded to the nearest value expressed in thousand Moldovan lei, which is the Group's functional and presentation currency.

These consolidated financial statements are prepared based on historical cost and/or amortized cost, except for the financial assets held for trading, financial assets available for sale, investment property, which are measured at fair value, and buildings and land which are measured at the revalued amount.

Significant accounting judgments and estimates

The preparation of financial statements in accordance with IFRS implies the use of certain critical accounting estimates. It also requires management to use its judgment in the process of applying the Group's accounting policies, in terms of reported values for assets, liabilities, income and expenses. The estimates and associated judgments are based on past experience and other factors deemed to be relevant under the given circumstances, the result of which forms the basis of judgments used in assessing the carrying value of assets and liabilities for which no other measurement sources are available. Actual results may differ from these estimated values.

The estimates and underlying assumptions are reviewed continuously. Revisions of accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period when the estimate is reviewed and future periods, if such revision affects the current and future periods.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are presented in Note 3.

(a) Standards effective for annual periods beginning on or after 1 January 2017

The following standards and new interpretations became effective for the Group from 1 January 2017:

IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)

The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. These amendments had no material impact on the financial statements of the Group.

IAS 7: Disclosure Initiative (Amendments)

The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These amendments had no material impact on the financial statements of the Group.

The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle

The improvements are a collection of amendments to IFRSs. The following annual improvement has not yet been endorsed by the EU. This improvement did not have an effect on the Group's financial statements.

- **IFRS 12 Disclosure of Interests in Other Entities:** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's

interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

(b) *Standards issued but not yet effective*

IFRS 9 Financial Instruments: Classification and Measurement

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management has made an assessment of the effect of the standard and considers it will have a medium impact on the financial statements of the Group.

Thus, on recognition of impairment losses on financial assets and provisions for contingent liabilities under IFRS 9, the Group has formed additional reserves from equity (retained earnings) as follows:

Impact from the first application of IFRS 9	The amount of provisions made up of capital at the first application of IFRS 9
	MDL'000
Provisions for losses on loans, receivables and other assets	52,829
Provisioning of Losses for Contingent Liabilities	6,952
Total impact on capital	59,781

IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group does not expect that this standard will have a significant impact on the financial statements of the Group.

IFRS 16: Leases

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. Management has made an assessment of the effect of the standard and considers it will have a minim impact on the financial statements of the Group. The impact will be in particular on the presentation and disclosure in Group's financial statements.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet

been endorsed by the EU. The Group does not expect that these amendments will have a significant impact on the Group's financial statements, because the Group classified the investments in equity, except for the investments in subsidiaries, which in accordance with IFRS 9 are classified as assets at fair value through other comprehensive income.

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. The Group does not expect that these amendments will have a significant impact on the Group's financial statements.

IAS 40: Transfers to Investment Property (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. The Group does not expect that these amendments will have a significant impact on the Group's financial statements.

IFRS 9: Prepayment features with negative compensation (Amendment)

The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. These Amendments have not yet been endorsed by the EU. The Group does not expect that these amendments will have a significant impact on the Group's financial statements.

IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. The Group does not expect that these amendments will have a significant impact on the Group's financial statements.

IFRIC INTERPRETATION 22: Foreign Currency Transactions and Advance Consideration

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. The Group does not expect that these amendments will have a significant impact on the Group's financial statements.

The ***IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle***, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. The Group does not expect that these amendments will have a significant impact on the Group's financial statements.

- *IFRS 1 First-time Adoption of International Financial Reporting Standards:* This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- *IAS 28 Investments in Associates and Joint Ventures:* The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. These annual improvements have not yet been endorsed by the EU. The Group does not expect that these amendments will have a significant impact on the Group's financial statements.

The **IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. The Group does not expect that these amendments will have a significant impact on the Group's financial statements.

- *FRS 3 Business Combinations and IFRS 11 Joint Arrangements:* The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- *IAS 12 Income Taxes:* The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

2.2 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of BC Moldova Agroindbank SA and its subsidiaries: MAIB Leasing SA and Moldmediacard SRL - as at 31 December of each year.

Subsidiaries

Subsidiaries are those investees that the Group controls because the Group (i) has power to direct relevant activities of investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees in order to affect the amount of shareholders' returns.

The subsidiaries are consolidated from the date on which the control is transferred to the Group and cease to be consolidated on the date on which the Group transfers the control to a third party.

The financial statements of the subsidiaries are prepared for the same reporting year as for the parent Group, using consistent accounting policies. The list of the Group's subsidiaries is presented in Note 1.

Transactions eliminated on consolidation

Intra-Group balances and transactions, as well as unrealized income and expenses arising from intra-Group transactions, are fully eliminated in the consolidated financial statements.

Unrealized losses are eliminated similarly as unrealized profits, but only to the extent that there is no evidence of impairment.

Non-controlling interests

Non-controlling interest is that part of the net assets and of a subsidiary attributable to interests that are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Group's equity.

The Group measures non-controlling interest that represents present ownership interest and entitles the Group to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis at the non-controlling interest's proportionate share of net assets of the acquire.

2.3 FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency at the exchange rate on the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the closing exchange rate.

The year-end and average exchange rates for 2017 and 2016 were

	2017		2016	
	USD	Euro	USD	Euro
Average for the period	18.4902	20.8282	19.9238	22.0548
Year end	17.1002	20.4099	19.9814	20.8895

Exchange differences arising on the settlement of transactions at exchange rates different from those at the date of the original transaction and unrealized foreign exchange differences arising on translation of unsettled foreign currency denominated monetary assets and liabilities are recognized in the "Foreign exchange gains, net" line of the statement of profit or loss.

2.4 FINANCIAL INSTRUMENTS

Recognition of financial instruments

The Group recognizes a financial asset or a financial liability on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the respective instrument. All regular purchases and sales of financial assets are recognized on the settlement date, i.e. the date that an asset is delivered to or by the Group. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulations or conventions in the market place.

Classification of financial instruments

The Group classifies the financial instruments in the following categories:

Financial assets at fair value through profit or loss

Assets classified as held for trading are included in the category "Financial assets at fair value through profit and loss". Held for trading investments are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Investments held for trading are initially recorded at fair value. After initial recognition, trading investments are re-measured at fair value based on quoted prices on an active market.

All related realized and unrealized gains or losses are recognized in "Gains on financial assets held for trading" in the statement of profit or loss and other comprehensive income. Interest income on trading investments is included in "Interest income" in the statement of profit or loss and other comprehensive income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention are recognized at the settlement date.

The Group classified in this category investments in securities issued by the Government that were purchased for trading purposes.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides funds directly to a debtor, with no intention of trading the receivable. These are initially recognized at fair value less the transactions costs, and are subsequently measured at amortized cost using the effective interest method. The Group discloses the information regarding the loan portfolio and the allowance for its impairment based on the following segmentation of clients: corporate, retail entities and retail individuals.

The Group classifies in this category current accounts and placements with other banks, loans and other receivables, finance lease receivables, financing contracts and other receivables.

Financial assets held to maturity

Held-to-maturity assets are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. After the initial recognition at fair value plus transaction costs, held to maturity financial assets are subsequently measured at amortized cost.

The amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in interest income. The losses arising from impairment of such assets are recognised as impairment losses in the statement of profit or loss.

A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

The Group classified in this category the investments in treasury bills and bonds issued by the Government of Moldova and certificates issued by the National Bank of Moldova that are held to maturity.

Available for sale financial assets

All assets which are not classified as held for trading or held to maturity or loans and advances are included in available for sale category. All purchases and sales of available for sale assets that require delivery within the time frame established by regulation or market convention are recognised at settlement date.

Available for sale assets are recognised initially at fair value plus transaction costs. Subsequent to the initial recognition, they are re-measured at fair value unless fair value cannot be reliably determined and are measured at cost less any impairment allowance.

Fair values are based on quoted bid prices or amounts derived from cash flow models and ratios which reflect the specific circumstances of the issuer. The changes in fair value for available for sale financial instruments are recognised in other components of comprehensive.

Impairment losses are recognized in the statement of profit or loss and other comprehensive income in the period that occurred as a result of one or more events („loss events“) that occurred after the initial evaluation of financial assets available for sale. The significant or continuing decrease of fair value of the investment under its cost is an evidence of investment's impairment. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit or loss for the year.

The Group classified in this category the equity instruments in enterprises.

Financial liabilities

The Group has classified the financial liabilities as other financial liabilities measured at amortized cost.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Measurement at amortized cost

The *amortized cost* of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, less the principal repayments, plus the interest calculated, and for financial assets less any impairment allowance. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The *effective interest method* method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest re-pricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Derecognition of financial instruments

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full, without material delay, to a third party under a "pass-through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the related asset, but has transferred control of the asset

When the Group has neither transferred nor retained substantially all the risks and rewards related to the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred assets and is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Identification and measurement of impairment of financial assets

Impairment losses are recognized in profit or loss for the year when incurred as a result of one or more loss events that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and reliability of related collateral, if any.

The other main criteria also used in determining whether there is objective evidence that an impairment loss has occurred are as follows:

- a. the unfavourable financial situation of the client, classified in categories D or E according to the Group's internal ratings;
- b. breach of contractual obligations;
- c. restructuring / debt prolongation;
- d. the unfavourable situation in the client's industry/sector;
- e. indicators of reduction in cash flows in future periods;
- f. negative information obtained from the credit bureau and/or other sources;
- g. other (at the discretion of Group's specialists).

Individual (specific) assessment of the loans and receivables portfolio

According to the Group policy, individually assessed loans and receivables are those loans which meet at least one of the following criteria:

- Loans are in the corporate segment;
- Loans exposure exceeds the significance level for an individual loan (based on the exposure of an individual loan - automatic selection);
- Loans exposures with total outstanding balance, i.e. the sum of outstanding balances of all loans granted to the client, exceeding the level of significance for individual clients (based on the overall exposure toward a client - automatic selection);
- Individually significant loans with indicators of impairment as disclosed in points a) - h) above;
- The Group has recognised the loan as individually significant based on internal information (the manual selection).

This means that performing loans are individually assessed if:

- a) The loan is in the corporate segment (no significance level applied)
- b) Loan exposure and / or a client exposures are of the following size:
 - retail segment - corporate (IMM, Micro) exposures exceeding MDL 3,000,000;
 - retail segment – for individuals exposures exceeding MDL 1,000,000.

Impairment losses are always recognized through an allowance account to write down the asset's carrying amount to the present value of expected future cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure minus costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment of loans and receivables portfolio

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (customer type, credit product, loan-to-value, overdue days status etc.). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively assessed for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of the management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not currently exist.

The recovery rate on non-performing loans (loss given default, LGD) is calculated for secured and unsecured loans exposures. The Group uses the three-month time horizon in estimating the collective impairment provision.

Impairment losses are always recognised through an allowance account. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through the profit or loss for the year.

Impairment of financial assets available for sale

The Group assesses at each reporting date whether there is evidence of impairment of the financial asset or group of financial assets. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of investments under their cost is considered to determine whether the assets are impaired.

If there is such evidence on financial assets available for sale, the accumulate losses – calculated as the difference between the acquisition cost and its current fair value, less any other impairment losses previously recognised in profit or loss, are reclassified from the fair value reserves in other comprehensive income to profit or loss. Impairment losses recognized in profit or loss and other comprehensive income related to interests in entities are not reversed through profit or loss and other comprehensive income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss and other comprehensive income statement.

If there is objective evidence for an impairment loss on an unquoted equity instruments which is not measured at fair value as it cannot be reliably measured, the impairment loss is estimated as the difference between the carrying amount of the financial asset and the discounted future cash flows using the current market rate of return for a similar financial asset. Such impairment losses are not reversed through profit or loss.

Write-off of financial assets

Uncollectible assets are written off against the related impairment loss allowance after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment losses in profit or loss.

Loans and finance lease agreements with renegotiated terms

Where possible, the Group seeks to restructure loans and finance lease agreements rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan and lease conditions. Management continuously reviews renegotiated loans and finance lease receivables to ensure that all relevant agreed lending and leasing conditions are met and that future payments are likely to occur. The loans and the finance leasing receivables continue to be subject to an individual or collective impairment assessment, as described above.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle or realise on a net basis or realise the asset and settle the liability simultaneously.

2.5 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. In the consolidated financial statements, investments in associates are measured using the equity method of accounting.

2.6 LEASING

Finance leases (the Group as a Lessor)

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

A lease agreement is recognised at the commencement date of the lease period. The commencement of the lease period is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of assets, liabilities, income and expenses resulting from the lease agreement, as appropriate).

The Group presents the assets held under a finance lease in the statement of financial statement as a receivable at an amount equal to the net investment in the lease. Net investment in the lease is the gross investment in lease discounted at the interest rate implicit in the lease agreement.

For finance leases, the gross investment is the aggregate amount of minimum lease payments plus the unguaranteed residual value. The difference between the gross investment in the lease and the net cost of acquisition of the leased object (the financed amount less commissions, costs, advances and granting fees) is recognized as unearned finance income. The finance lease income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable. The unearned income is presented as a reduction of gross investment in lease. The initial direct costs related to lease agreements are included in the initial value of the finance lease receivable and these reduce the amount of income recognized over the lease term. The lease receivables are subsequently measured at amortized cost using the effective interest method.

Operating leases (the Group as a Lessee)

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss and other comprehensive income statement on a straight-line basis over the lease term. The assets that are received in operational lease are not recognised in the statement of financial position of the Group.

2.7 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets classified as held for sale are assets whose carrying amount will be recovered principally through a sale transaction rather than through their continuous use. An asset held for sale must meet the following criteria:

- must be available for immediate sale in its actual condition;
- management must be committed to a plan to sell the asset;
- sale of the asset is highly probable;
- sale is expected to meet the recognition criteria as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. If the fair value of the asset to be reclassified is lower than the carrying amount, the asset must be revalued until the asset is classified as held for sale, in accordance with applicable IFRS.

Non-current asset held for sale which was not sold during one year from the date of classification, ceases to be classified as held for sale, being reclassified as inventories, property and equipment, intangible assets, etc., depending on its characteristics and the intention of the Bank to use it subsequently.

Under certain circumstances, leased objects and pledges that are repossessed from debtors, as a result of the impossibility of collecting doubtful debts related to the lease, are classified as non-current assets held for sale. At the moment of repossession, assets are measured at the lower of the exposure value and the fair value of the leased assets. Subsequently, non-current assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

2.8 PROPERTY AND EQUIPMENT

All items of property and equipment are initially recognized at cost. The cost includes expenses directly attributable to the acquisition of the asset. When certain components of property and equipment have different useful lives, they are accounted as distinct elements (major components) of property and equipment.

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, except for the categories "Buildings" and "Land" – which are stated at revalued amount.

Land and buildings are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When buildings and land are revalued, any accumulated depreciation at the revaluation date is proportionately restated with the modification of the gross carrying amount of the asset, so that the carrying amount of the asset after revaluation, would be equal to its revalued amount. The revaluation surplus included in other comprehensive income in respect of revalued assets is transferred to retained earnings when the asset is derecognized.

Repairs and maintenance are expensed and reported to operating expenses as incurred. Subsequent expenditure on property and equipment is only capitalised when the expenditure improves the condition of the asset beyond the originally assessed standard of performance.

Where the carrying amount of an asset is greater than the estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of property and equipment are determined by reference to their carrying amount and are presented in other operating income.

The depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as stated in the table below. Land and assets under construction are not depreciated.

Property and equipment	Years
Buildings	33-50
Improvements of lease-hold assets	4-15
ATMs	4
Furniture and equipment	4-8
Computers	4
Vehicles	5-7

2.9 INTANGIBLE ASSETS

Intangible assets represent costs incurred for acquisition of computer software, licenses and other intangible assets and are amortized using the straight-line method over the best estimate of their useful lives, that is up to 20 years. The amortisation expense on intangible assets is recognised in the statement of profit or loss.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable software products controlled by the Group, and that will probably generate economic benefits exceeding costs, beyond one year, are recognized as intangible assets. Direct costs include the costs related to the services provided by the software developer and provider.

2.10 INVESTMENT PROPERTY

Investment property are buildings owned by the Group, either held by the Group under a financial lease agreement, or available buildings of the Group held for lease on the basis of one or more operating lease agreements, as well as land held for capital appreciation rather than for sale, including agricultural land, as well as land held for undetermined future use. Investment properties are considered as long-term investments and are initially recognized at cost, including trading cost at initial value, and are subsequently measured at fair value. Thus, gain or loss caused by a change in fair value of the investment property is recognized in profit or loss as incurred.

2.11 DUE TO BANKS

Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at amortized cost.

2.12 BORROWINGS

Borrowings are initially recognized at fair value, net of transaction costs incurred. Subsequently borrowings are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of profit or loss over the period to maturity using the effective interest method.

2.13 DUE TO CUSTOMERS

Due to customers are non-derivative liabilities to individuals, state or legal entities and are carried at amortized cost. Due to state customers are due to public authorities, which are current accounts of the Moldovan Ministry of Finance and deposit accounts of the Social Insurance Fund. These are stated at amortized cost, using the effective interest rate method.

2.14 CASH AND CASH EQUIVALENTS

For the statement of cash flows, cash and cash equivalents comprise cash on hand, current accounts and short-term placements at other banks, treasury bills and other short-term highly liquid investments, with original maturity of less than 90 days. Cash on hand, current accounts and short-term placements are measured at amortized cost. Treasury bills and other highly liquid investments are measured at amortized cost.

2.15 ORDINARY SHARES AND SHARE PREMIUM

Ordinary shares represent consideration from shareholders equal to nominal value of issued shares. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the nominal value of shares issued is recorded as share premium in equity.

2.16 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there are indications of assets impairment. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value minus costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

2.17 FINANCIAL GUARANTEES

In the ordinary course of business, the Group issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements (within "other liabilities") at fair value, being the premium received.

Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized, less, when appropriate, cumulative amortization recognized in the statement of profit or loss, and the best estimate of expenses required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the statement of profit or loss as "Impairment losses on loans and receivables". The premium received is recognized in the statement of profit or loss as "Commission income" on a straight line basis over the life of the guarantee.

2.18 CONTINGENCIES

Contingent liabilities are not recognised in the financial statements but they are disclosed in notes, unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

2.19 PROVISIONS

Provisions are recognized when the Group has a present legal or constructive obligation to transfer economic benefits as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenses expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Future operating losses are not provided for.

2.20 INTEREST INCOME AND EXPENSES

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss are recognized in the statement of profit or loss and other comprehensive income for all instruments measured at amortized cost using the effective interest method. Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss applied at the net carrying value of the asset.

Fees for loan and leasing commitments that are likely to be granted are deferred (together with direct costs) and are recognized as an adjustment to the effective interest rate on loans and leasing agreements.

2.21 COMMISSION INCOME AND EXPENSE

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party - such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction. Other fee and commission income arising from the financial services provided by the Bank including investment management services, brokerage services, and account service fees are recognized as the related service is provided in the income statement. Other fee and commission expenses relate mainly to transaction and service fees, which are registered as expenses as the services are received.

2.22 PENSION COSTS AND EMPLOYEES' BENEFITS

The Group makes contributions to the Republic of Moldova state funds for social insurance, medical insurance and unemployment benefits, which are calculated on the basis of salaries of all employees of the Group. The Group does not operate any other retirement plan and has no other obligation to provide further benefits to current or former employees.

2.23 GAINS FROM FOREIGN EXCHANGE OPERATIONS

Gains from foreign exchange operations include net realized gains from trading assets and liabilities in foreign currencies and the foreign currency translation differences.

2.24 RELATED PARTIES

A related party is a person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (meaning that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in letter (a).
- (vii) A person referred to in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A *related party transaction* represents a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

2.25 TAXATION

Income tax expense for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of reporting period, and any adjustment to tax payable in respect of prior periods.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period.

The deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The tax rate used to calculate the current and deferred tax position at 31 December 2017 is 12% (2016: 12%).

The deferred tax assets and liabilities are offset at the Group level.

2.26 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decisions maker. Segments whose revenue, result or assets are 10% or more of all segments are reported separately. The information on segments is presented in Note 36.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements in accordance with the International Financial Reporting Standards requires management to make estimates and assumptions in determining the amounts and balances reported in the financial statements and notes to the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on the management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances, lease receivables and other receivables

The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified at the level of an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of the Group's customers, or national or local economic conditions that correlate with defaults on Group's assets.

Management uses estimates based on historical loss experience for assets with the same credit risk characteristics and objective evidence of impairment similar to those in its portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Management has estimated the impact over the impairment losses on loans assessed collectively using the stress scenario of increase/decrease of the recovery ratio (Loss Given Default) by 10% and probability of default (Probability of Default) by 10% used in estimating the collective impairment losses. Increase of the LGD by 10% and PD's by 10% may generate the increase of impairment losses for loans assessed collectively by MDL'000 20,487 (in 2016: MDL'000 5,007), while the decrease of these indicators by 10% could generate a decrease of impairment losses by MDL'000 18,627 (in 2016: MDL'000 11,858).

Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realization of any assets held as collateral against the loans or contractual cash

flows for those exposures that were analyzed for impairment on the basis of contractual cash flows. A 10% increase or decrease of the estimated future discounted cash flows from individually assessed for impairment loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase in loan impairment losses of MDL'000 89,821 (in 2016: MDL'000 191,412) or decrease in loan impairment losses of MDL'000 93,403 (in 2016: MDL'000 165,860).

Management has estimated the sensitivity of the collective impairment allowance for finance lease receivables using stress scenarios of increase / decrease of the recovery coefficient (Loss Given Default) by 10% and the probability of non-recovery (Probability of Default) by 10%, used to measure the impairment assessed collectively. The increase of LGD by 10% and of probabilities of default by 10% may cause an increase in the collective impairment with MDL'000 199 (2016: MDL'000 468), whereas 10% reduction of these ratios may cause a decrease in the allowance with MDL'000 199 (2016: MDL'000 438).

Impairment allowance related to lease receivables assessed for impairment at specific asset level is measured based on estimates of discounted future cash flows related to the lease receivables analyzed individually, taking into account the recovery and foreclosure of lease objects, collateral or collection of contractual cash flows for those exposures analysed for impairment at specific level. An 10% increase or decrease in the estimated future cash flows of lease receivables analysed individually for impairment, which may arise from amount or timing differences, would result in an increase in impairment allowance by MDL'000 1,816 (2016:MDL'000 3,550), or in a decrease in impairment allowance by MDL'000 1,264 (2016: MDL'000 2,564).

Impairment of financial assets available for sale

The Group determines that available for sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates, among other factors, the volatility in share price. In addition, an impairment allowance may be appropriate when there is evidence of changes in technology or deterioration in the financial position of the investee, industry and sector performance, or operational or financing cash flows.

Fair value of financial assets available for sale

Where the fair value of financial assets cannot be derived from market information, they are determined using valuation techniques including the discounted cash flows model. The data about these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to determine fair values.

The estimates include considerations of such inputs as liquidity risk, credit risk and volatility. Changes in judgments about these factors could affect the reported fair value of financial assets. If the fair value cannot be reliably determined the available for sale equity investments are held at cost.

Taking into account that there is no active market for unquoted equity investments and data provided by the market cannot be used in forecasting and estimating of future cash flows, the fair value cannot be measured reliably, thus the impairment is determined with reference to the Group's share in net assets of investees determined based on audited financial statements and the carrying amount of those investments.

Financial investments held to maturity

Management applies judgement in assessing whether financial assets can be categorized as held-to-maturity, in particular (a) its intention and ability to hold the assets to maturity and (b) whether the assets are quoted in an active market. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for the specific circumstances -for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available for sale.

Fair value of financial instruments

The Group measures the fair value of financial instruments using one of these methods of hierarchy:

Level 1: Quotations in an active market for identical or similar instruments.

Level 2: Valuation techniques based on observable market data. This category includes instruments valued using: quotations in active markets for similar instruments; market quotes for similar instruments in markets that are considered less active; or other valuation techniques where all significant data are directly or indirectly observable in the market data.

Level 3: Valuation techniques based on the data which cannot be observed on the market. This category includes all instruments whose valuation method does not include observable and unobservable data and has a significant influence

on the assessment instrument. This category includes instruments that are valued based on market quotes for similar instruments where unobservable adjustments or assumptions are required to reflect difference between the instruments.

The objective of valuation techniques is determining fair value, which reflects the price that would be obtained in a transaction in normal market conditions, for the financial instrument at the date of the consolidated financial statements.

Valuation models that use a significant number of unobservable data require a higher proportion of estimates and judgments by management in determining fair value. Estimates and judgments by management is usually required to select the most appropriate valuation model, determining future cash flows of the instrument under valuation, determining the probability of default of the counterparty, and selecting prepayments and discount rates. The portion of this kind of instruments in the Group's portfolio is insignificant.

Please see Note 33 for presentation of fair value of financial instruments and the sensitivity of these at the entries used.

MAIB-Leasing S.A. going concern

As at 31 December 2017 MAIB-Leasing S.A. incurred a net loss of MDL'000 26,322 (as at 31 December 2016: net profit of MDL'000 17,386) and has cumulated losses in the amount of MDL'000 36,620 (31 December 2016: retained earnings in the amount of MDL'000 10,298), as a result as at 31 December 2017 equity is less than the share capital by MDL'000 34,556.

As result of significant decrease of leasing and financing portfolio, as at 31 December 2017 MAIB-Leasing S.A. registered net interest loss of MDL'000 2,468 (31 December 2016: net interest income of MDL'000 925).

On 20 December 2017, the share capital of MAIB - Leasing SA was increased by MDL'000 99,852 through increasing the nominal value of existing shares from MDL 100 to MDL 257 per share (nominative ordinary shares with voting rights). The share capital increase took place by converting part of the previously contracted loans by MAIB-Leasing S.A. from BC Moldova Agroindbank S.A.

4. CASH ON HAND

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Cash	613,141	465,342
Other	60	78
	613,201	465,420

5. BALANCES WITH NATIONAL BANK OF MOLDOVA

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Current account	3,385,601	3,069,657
Mandatory reserves	1,068,965	941,109
	4,454,566	4,010,766

Current account and mandatory reserves

The Group holds the mandatory reserves in accordance with the calculus base and the required reserve ratio established by the Council of Administration of NBM. For means attracted in MDL and in nonconvertible currencies the reserves are held in MDL; for means attracted in USD the reserves are held in USD; for funds attracted in EUR and other convertible currencies the reserves are held in EUR.

The balance reserved in USD and EUR on mandatory reserve accounts amounted to USD'000 19,606 and EUR'000 35,948 respectively (2016: USD'000 15,270 and EUR'000 30,446). For the means attracted with a maturity of less than 2 years the required reserve rate is 40% (2016: 35%), and for funds attracted in freely convertible currency the reserve rate is 14% (2016: 14%). For the means attracted with a maturity of over 2 years it is nil (2016: 0%).

The interest paid by NBM on the mandatory reserves during 2017 varied between 0.22% and 0.23% per annum (2016: 0.18%-0.25% per annum) for reserves in foreign currency and 3.20% – 5.18% per annum (2016: 5.06%-15.10% per annum) for reserves in MDL.

The required reserves have to be kept at an average limit at the 7th of each month. The limit should be established at the average level throughout the period of 30/31 days. During the reporting dates to NBM (7 of each month) these can be used in any volumes needed by the Group.

6. DUE FROM BANKS

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Current accounts	2,429,470	1,754,548
Placements	381,708	370,538
	2,811,178	2,125,086

All current accounts and deposit balances are in foreign currencies with foreign banks such as KBC (Belgium), Raiffeisen Bank International AG (Austria), Bank of New York (USA), Commertzbank (Germany), Sberbank (Russia), etc. (2016: KBC (Belgia), Commertzbank (Germania), , Bank of New York (SUA), Sberbank (Rusia), Raiffeisen Bank International AG (Austria) etc.), and in other local banks such as Banca de Finanțe și Comerț, Victoriabank, Moldindconbank, Energbank, Banca Comerciala Romana, Eurocreditbank and (subsidiaries' accounts).

As the National Bank of Moldova withdrew the license of Banca Sociala on 16.10.2015, the amount of MDL'000 967 deposited in the Group's accounts (subsidiary company) at Banca Sociala was sequestered.

The Group's placements include deposit at KBC (Belgium) of MDL'000 307,913 (at 31.12.2016 the Group's resources were placed at KBC in the amount of: MDL'179,845 and at RZB Vienna in amount of MDL'000 99,911 and restricted deposits of MDL'000 73,795 (at 31.12.2016: MDL'000 90,782).

Restricted deposits mainly represent placements for clients and under membership agreements signed with Visa, MasterCard, American Express, Commertzbank of USD'000 2,523 (MDL'000 43,136) and EUR'000 1,500 (MDL'000 30,615) (31 December 2016: USD'000 2,514 (MDL'000 50,233) and EUR'000 1,939 (MDL'000 40,505)). These deposits are held in Commertzbank, HSBC, Standard Chartered and Barclays Bank.

The credit quality analysis of amounts due from banks is presented below:

		31.12.2017	31.12.2016
Rating	Rating Agency	MDL'000	MDL'000
AA	Fitch	612,665	459,705
AA-	Fitch, S&P	21,466	-
A	Fitch, S&P	1,574,791	2,797
A-	Fitch, S&P	-	1,502,890
Baa1 , BBB+	Moody's, S&P/Fitch	586,831	43,562
BBB	Fitch, S&P	376	100,315
Baa3, BBB-	Moody's , S&P	324	205
Rating Ba1 și mai jos	Moody's, S&P, Fitch	14,506	15,092
Fără rating	-	219	520
		2,811,178	2,125,086

7. LOANS AND ADVANCES TO CUSTOMERS

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Corporate customers	6,391,736	6,481,510
Retail entities	1,889,682	1,891,218
Individuals	2,610,426	2,176,648
Total loans, gross	10,891,844	10,549,376
Less: allowance for impairment losses	(1,048,917)	(896,960)
Total loans, net	9,842,927	9,652,416

As at 31 December 2017, the gross loan portfolio included overdue payments in the amount of MDL'000 817,151 (2016: MDL'000 673,937). During 2017 loans amounting to MDL'000 86,776 have been written off based on the assessment performed by the management on the recoverability of those loans (2016: MDL'000 46,547).

The concentration of risk in economic sectors for customers' loan portfolio to:

	31.12.2017		31.12.2016	
	MDL'000	%	MDL'000	%
Agriculture/ Food industry	2,870,110	26%	2,663,332	25%
<i>including:</i>				
<i>agriculture</i>	931,802	8%	949,000	9%
<i>food industry</i>	1,938,308	18%	1,714,332	16%
- <i>including wine production</i>	732,645	7%	747,058	7%
Non-food industry	817,561	7%	931,373	9%
Loans to individuals	2,610,425	24%	2,176,648	21%
Trade	3,328,273	31%	3,220,951	30%
Transport	311,612	3%	489,887	5%
Telecommunications	247,480	2%	207,953	2%
Construction and real estate	282,372	3%	324,143	3%
Energy sector	192,235	2%	156,182	2%
Financial institutions and organizations	141,959	1%	134,627	1%
Other	89,817	1%	244,280	2%
Total loans, gross	10,891,844	100%	10,549,376	100%

The credit quality analysis of loans outstanding as at 31 December 2017 and 31 December 2016 is as follows:

31 December 2017	Neither past due nor impaired	Past due but not impaired	Individually assessed, with impairment triggers	Total
	MDL'000	MDL'000	MDL'000	MDL'000
Corporate customers	4,180,807	14,438	2,196,491	6,391,736
Retail entities	1,656,591	102,284	130,807	1,889,682
Individuals	2,384,399	226,027	-	2,610,426
Total loans, gross	8,221,797	342,749	2,327,298	10,891,844

BC MOLDOVA AGROINDBANK SA
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017
 (All amounts are expressed in thousand MDL, if not stated otherwise)

31 December 2016	Neither past due nor impaired	Past due but not impaired	Individually assessed, with impairment triggers	Total
	MDL'000	MDL'000	MDL'000	MDL'000
Corporate customers	3,880,751	209,324	2,391,435	6,481,510
Retail entities	1,607,386	94,094	189,738	1,891,218
Individuals	1,962,736	213,826	86	2,176,648
Total loans, gross	7,450,873	517,244	2,581,259	10,549,376

Loans neither past due nor impaired comprise current loans that comply with the contractual repayment schedules of principal and interest and other credit contractual conditions and which have no evidence of impairment. The impairment for these loans is assessed collectively.

The analysis of neither past due nor impaired loans is presented below:

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Corporate, including classified as:		
Standard	3,089,091	2,840,724
Supervised	1,091,716	1,040,027
Non-performing	-	-
	4,180,807	3,880,751
Retail entities, including classified as:		
Standard	1,411,704	1,468,934
Supervised	239,380	128,065
Non-performing	5,507	10,387
	1,656,591	1,607,386
Individuals, including classified as:		
Standard	2,285,645	1,888,738
Supervised	74,507	58,620
Non-performing	24,247	15,378
	2,384,399	1,962,736
Total	8,221,797	7,450,873

Ageing analysis of past due but not impaired loans by days in arrears is presented below:

31 December 2017	1-30 days	31-60 days	61-90 days	More than 90 days	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Corporate customers	14,438	-	-	-	14,438
Retail entities	68,861	13,927	830	18,667	102,285
Individuals	143,131	28,033	19,100	35,762	226,026
Total	226,430	41,960	19,930	54,429	342,749

31 December 2016	1-30 days	31-60 days	61-90 days	More than 90 days	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Corporate customers	83,244	-	-	126,080	209,324
Retail entities	57,831	5,478	6,310	24,475	94,094
Individuals	131,861	28,510	19,634	33,821	213,826
Total	272,936	33,988	25,944	184,376	517,244

Past due, but not impaired loans primarily include the collateralized loans where the fair value of collateral covers the overdue principal and interest payments.

Ageing analysis of loans individually assessed with impairment triggers is presented below:

31 December 2017	Past due loans					
	Current loans	1-30 days	31-60 days	61-90 days	More than 90 days	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Corporate customers	1,356,606	117,916	-	-	721,969	2,196,491
Retail entities	24,958	1,177	4,242	-	100,430	130,807
Individuals	-	-	-	-	-	-
Total	1,381,564	119,093	4,242	-	822,399	2,327,298

	31 December 2016					Total MDL'000
	Current loans MDL'000	1-30 days MDL'000	31-60 days MDL'000	Past due loans		
				61-90 days MDL'000	More than 90 days MDL'000	
Corporate customers	1,623,358	157,826	44,482	43,071	522,698	2,391,435
Retail entities	18,428	40,019	36,253	15,738	79,300	189,738
Individuals	-	-	-	86	-	86
Total	1,641,786	197,845	80,735	58,895	601,998	2,581,259

The movement in the impairment allowance during the years 2017 and 2016 is presented below:

	2017				2016			
	Corporate	Retail entities		Total MDL'000	Corporate	Retail entities		Total MDL'000
		Individuals	Individuals			Individuals	Individuals	
Balance as at 1 January	767,024	104,403	25,533	896,960	534,292	101,797	21,867	657,956
Impairment charge	208,636	20,704	9,392	238,732	244,590	30,977	9,984	285,551
Amounts written off as uncollectible	(68,179)	(11,435)	(7,161)	(86,775)	(11,858)	(28,371)	(6,318)	(46,547)
Balance as at 31 December	907,481	113,672	27,764	1,048,917	767,024	104,403	25,533	896,960

The movement in individual and collective provision for impairment during the years 2017 and 2016 is as follows:

	2017			2016		
	Individual provision	Collective provision	Total MDL'000	Individual provision	Collective provision	Total MDL'000
Balance as at 1 January	845,451	51,509	896,960	610,011	47,945	657,956
Impairment charge	162,617	76,115	238,732	274,933	10,618	285,551
Amounts written off as uncollectible	(74,033)	(12,742)	(86,775)	(39,493)	(7,054)	(46,547)
Balance as at 31 December	934,035	114,882	1,048,917	845,451	51,509	896,960

The impairment charge for the period is different from the figure disclosed in the statement of profit or loss for the years 2017 and 2016, due to the recoveries of loans previously written off as uncollectible amounting to MDL'000 14,698 (2016: MDL'000 10,892) and due to the difference in exchange rate for 2017 amounting to MDL'000 20,837 (2016: MDL'000 12,273)– see Note 29. The amount of the recoveries was credited directly to the release of the impairment charge in the statement of profit or loss for the year.

The impairment coverage ratio for the Groups' loan portfolio is as follows:

	31.12.2017	31.12.2016
	%	%
Total impairment coverage ratio (to total loan portfolio)	9.63	8.5
Individual impairment ratio	40.08	30.64
Collective impairment ratio	1.34	0.66

The table below shows the carrying amount of the renegotiated loans of the Group:

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Corporate customers	775,685	1,166,314
Retail entities	34,496	78,131
Individuals	354	423
	810,535	1,244,868

8. LEASE RECEIVABLES

The Group is the lessor in finance lease agreements in EUR, USD and MDL, having as lease objects vehicles, commercial, industrial, agricultural and office equipment, as well as industrial, commercial and residential buildings.

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Gross investment in finance leases receivable		
Less than one year	103,329	132,532
Between one and five years	54,415	70,603
	157,744	203,135
Unearned finance income on finance leases	(12,308)	(18,280)
Allowances for impairment losses on finance lease receivables	(13,405)	(12,337)
Net investment in finance leases	132,031	172,518

The Group's net investment in finance leases is as follows:

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Less than one year	96,156	122,150
Between one and five years	49,280	62,705
	145,436	184,855
Allowances for impairment losses on finance lease receivables	(13,405)	(12,337)
Net investment in finance leases	132,031	172,518

In accordance with the tax legislation of the Republic of Moldova, the amount of lease receivables for VAT taxable items included the amount of VAT related to the principal to be invoiced in the future based on leasing rates. As at 31 December 2017 the VAT incorporated in the net investment in finance lease amounted to MDL'000 5,363 (31 December 2016: MDL'000 6,868).

Net investment in finance leases, net of VAT to be collected is MDL'000 126,668 at 31 December 2017 and MDL'000 165,649 as at 31 December 2016.

Movements in allowance for impairment losses on finance lease receivables are presented below:

	Note	2017	2016
		MDL'000	MDL'000
Balance as at 1 January		12,337	33,267
Net impairment charge	29	983	(10,740)
Revaluation		85	-
Amounts cancelled as unrecoverable		-	(10,190)
Balance as at 31 December		13,405	12,337

As at 31 December 2017, investment in lease incorporated past due rates of MDL'000 32,063 (31 December 2016: MDL'000 50,968), including 59 customers with past due rates of MDL'000 27,804 analysed individually for impairment (31 December 2016: 58 customers, MDL'000 43,948).

As at 31 December 2017 the Group pledged the right to collect finance lease receivables in full value (the contractual amount of the collateral is MDL'000 389,836 (31 December 2016: MDL'000 462,912)).

The credit quality analysis of lease receivables outstanding as at 31 December 2017 and 31 December 2016 is as follows:

	2017		2016	
	Individuals	Legal entities	Individuals	Legal entities
Neither past due nor impaired	26,702	27,648	20,137	33,616
Past due but not impaired	11,916	20,600	21,794	26,534
Individually assessed with impairment triggers	32,150	26,420	40,625	42,149
Gross	70,768	74,668	82,556	102,299
Individual provision	(945)	(1,044)	(1,250)	(1,808)
Collective provision	(3,666)	(7,750)	(4,923)	(4,356)
Net	66,157	65,874	76,383	96,135

BC MOLDOVA AGROINDBANK SA
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017
 (All amounts are expressed in thousand MDL, if not stated otherwise)

Lease receivables neither past due nor impaired:

	Individuals	Legal entities	Total
As at 31 December 2017			
Lease receivables	26,702	27,648	54,350
Fair value of collateral	50,962	53,005	103,967
As at 31 December 2016			
Lease receivables	20,137	33,616	53,753
Fair value of collateral	44,776	47,424	92,200

Lease receivables past due but not impaired:

	Individuals	Legal entities	Total
As at 31 December 2017			
Past due up to 30 days	6,855	20,105	26,960
Past due 31-90 days	5,061	495	5,556
Total	11,916	20,600	32,516
Fair value of collateral	24,085	28,874	52,959
As at 31 December 2016			
Past due up to 30 days	12,323	16,991	29,314
Past due 31-90 days	9,471	9,543	19,014
Total	21,794	26,534	48,328
Fair value of collateral	37,125	56,520	93,645

Lease receivables individually assessed with impairment triggers:

	Individuals	Legal entities	Total
As at 31 December 2017			
Gross amount	32,150	26,420	58,570
Fair value of collateral	35,442	23,143	58,585
As at 31 December 2016			
Gross amount	40,625	42,149	82,774
Fair value of collateral	43,702	45,874	89,576

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where the value of collateral is equal to or exceeds the carrying value of the asset ("over-collateralised assets") and (ii) those assets where the value of collateral is less than the carrying value of the asset ("under-collateralised assets"):

As at 31 December 2017:	Over-collateralised assets		Under-collateralised assets	
	Carrying value of assets	Fair value of collateral	Carrying value of assets	Fair value of collateral
Lease receivables - individuals	63,688	109,839	2,470	650
Lease receivables – legal entities	59,383	100,775	6,490	4,247
Total	123,071	210,614	8,960	4,897

As at 31 December 2016:	Over-collateralised assets		Under-collateralised assets	
	Carrying value of assets	Fair value of collateral	Carrying value of assets	Fair value of collateral
Lease receivables - individuals	73,736	123,381	2,648	2,222
Lease receivables – legal entities	71,721	132,778	24,412	17,041
Total	145,457	256,159	27,060	19,263

Restructuring practices include extend repayment schedules, amend and defer the repayments. Following the restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts.

Restructuring policies and practices are based on indicators or criteria which, in the management’s opinion indicate that payment will most likely be made. These policies are reviewed on an ongoing basis.

The Group renegotiated 15 lease agreements during 2017 (2016: 12). The receivables with overdue balances that have been restructured amount to MDL’000 11,675 (2016: MDL’000 2,916).

	31.12.2017	31.12.2016
	MDL’ 000	MDL’ 000
Impaired after restructuring	2,147	412
Not impaired after restructuring - would have been impaired otherwise	1,181	3,856
	3,328	4,268

Overdue categories of renegotiated finance lease agreements include as follows:

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Not past due	-	139
Past due up to 30 days	1,061	1,041
Past due for 31-60 days	-	2,009
Past due for 61-90 days	120	667
	1,181	3,856

9. FINANCIAL INVESTMENTS

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Financial assets held to maturity	1,793,908	2,104,017
Financial assets available for sale	1,420,720	174,095
	3,214,628	2,278,112

Held to maturity financial assets

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Treasury bills	221,277	619,310
Government bonds	74,630	47,510
Certificates issued by the NBM	1,498,001	1,437,197
	1,793,908	2,104,017

As at 31 December 2016 the treasury bills issued by the Ministry of Finance of the Republic of Moldova had a maturity of 91 to 365 days, with an annual interest rate ranging between 5.83 % și 8.46% (2016: 5.70 % and 26.54% per annum). As at 31 December 2017 government bonds issued by the Ministry of Finance of the Republic of Moldova had a maturity of 730 to 1096 days, with an annual interest rate ranging between 5.70 % and 13.00% (2016:0.00% and 16.25% per annum).

As at 31 December 2017 the Group had certificates issued by the National Bank of Moldova in Group portfolio in amount of MDL'000 1,500 with an annual interest rate of 6.5% (as at 31 December 2016 the Group had certificates issued by the National Bank of Moldova in Group portfolio in amount of MDL'000 1,440 with an annual interest rate of 9%).

As at 31 December 2017 and 31 December 2016 the Group had no state securities or certificates issued by the NBM held to maturity and pledged as collateral.

Available for sale investments

	Field of activity	Ownership %		31.12.2017	31.12.2016
		2017	2016	MDL'000	MDL'000
Visa Inc.	Transaction processing	0.001%	0.001%	58,808	47,601
IM Suedzucker Moldova SA	Sugar processing	-	12.37%	-	43,283
IM Glass Container Prim SA	Glass manufacturing	16.89%	16.89%	50,458	41,400
IM Glass Container Company SA	Glass manufacturing	17.43%	17.43%	30,663	27,143
IM „Biroul de Credit” SRL	Bureau of credit histories	6.70%	6.70%	1,019	1,019
S.W.I.F.T. SCRL	PTransaction processing	0.01%	0.01%	877	844
Garant Invest SRL	Financial intermediaries	9.92%	9.92%	440	440
Depozitarul Național de Valori Mobiliare al Moldovei SA	Depository services, clearing	5.30%	5.30%	131	131
SA Astraea	Bookstore	-	4.26%	-	57
Bursa de Valori din Moldova SA	Auctions and brokerage	2.56%	2.56%	7	7
IM Piele SA	Leather manufacturing	12.80%	12.80%	-	-
Valori Mobiliare de Stat				1,278,317	12,170
				1,420,720	174,095

Available for sale investments such as I.M. „Glass Container Company” S.A. and I.M. „Glass Container Prim” S.A. was determined based on the valuation performed by an external assessor.

The fair value of the Group’s equity investment in Î.M. “Glass Container Company” S.A. and Î.M. „Glass Container Prim” S.A. were estimated using the discounted cash flows method. The estimates were made based on the companies’ forecasted financial ratios for the following 4 years (2018 – 2021), an annual long-term growth rate of 4% based on the inflation rate forecasted by the National Bank of Moldova for the following periods and projected growth in cash flows based on the assumption that inflation will be the main factor that will lead to price changes and as a result increase in generated revenues; and a discount rate for the net cash flows determined by applying the weighted average cost of capital method (WACC).

The carrying value of equity investment in S.W.I.F.T. SCRL is the value confirmed by the General Meeting of Shareholders of S.W.I.F.T. SCRL based on the financial statement of the Company.

As at 31 December 2017 the fair value of equity investment in Visa Inc. was determined based on the price quoted on the NYSE stock exchange, this technique being the Level 1 in the hierarchy.

It is impossible to determine the fair value of the Group’s investment in the equity of Î.M. “Piele” SA based on cash flow or other financial data since this company ceased its activity. The Group’s management decided to maintain the amount of the impairment allowance at full cost of the investment, as accounted for as at 31 December 2012.

Other Group’s investments, such as equity investments in IM Biroul de Credit SRL, Depozitarul National de Valori Mobiliare al Moldovei, SA Garant Invest SRL and Bursa de Valori a Moldovei SA were acquired by the Group in order to ensure its participation on the local market, according to the regulatory requirements for stock exchange market and constitutes a lever for promoting and diversifying the Group’s products/services.

Refer to Note 33 for the fair value measurement disclosures.

The movement in the Group's equity investment portfolio is presented below:

	2017	2016
	MDL'000	MDL'000
Balance as at 1 January	174,095	153,769
Outputs**	(203,008)	
Additions	1,401,843	12,088
Increase/(decrease) of the fair value	40,986	4,354
(Increase)/decrease of impairment	6,804	3,884
Balance as at 31 December	1,420,720	174,095

* State securities were classified as available-for-sale financial assets in order to have a reserve if the Group would have the need for money and would sell them on the secondary market. The final maturity of these state securities is December 15, 2020.

** During the year 2017 the Group sold the investment held in the share capital of IM "Suedzucker Moldova" S.A. at the price of MDL'000 47,915, so the difference between the cost value of this investment and its trading value amounted to MDL'000 36,008, which was reflected in the profit and loss account. Also in 2017, the Group sold the share held in Astraea S.A., which had a book value of MDL'000 57.

10. NON-CURRENT ASSETS HELD FOR SALE

As at 31 December 2017 the Group has classified foreclosed collateral as assets held for sale at book value of MDL'000 14,306 (31 December 2016: MDL'000 20,060), and property and equipment classified as held for sale in accordance with IFRS 5 provisions in the amount of MDL'000 957 (2016: MDL'000 3,945).

Non-current assets held for sale include residential and commercial real estate property, cars and equipment taken into possession from lessees, as a result of forced interruption of leasing agreements as a result of overdue payments.

Property and equipment classified as held for sale include buildings and related land from Străseni and Telenesti, which were reclassified as "Non-current assets held for sale" from property and equipment categories "Land and buildings" and "Assets under construction", based on the Group's management decision. In accordance with IFRS 5 provisions, non-current assets held for sale were recognised at fair value.

	31.12.2017	31.12.2016
Type	MDL	MDL
Foreclosed collateral	15,233	21,957
Real estate	13,567	13,401
Vehicles	620	5,372
Trucks	-	2,138
Special equipment	764	764
Equipment	282	282
Non-current assets held for sale	957	3,945
Allowance for impairment	(927)	(1,897)
Net non-current assets held for sale	15,263	24,005

11. PROPERTY AND EQUIPMENT

	Revalued				Cost	
	Land and buildings	Furniture and equipment	Vehicles	Leasehold improvements	Assets under construction	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
As at 1 January 2017						
Cost/revalued amount	642,470	452,551	33,494	24,847	199,598	1,352,960
Accumulated depreciation	(173,900)	(315,787)	(19,826)	(17,653)	-	(527,166)
Net book value	468,570	136,764	13,668	7,194	199,598	825,794
Year ended 31 December 2017						
Net value as at 1 January	468,570	136,764	13,668	7,194	199,598	825,794
Additions	580	358	-	-	107,427	108,365
Revaluations	216	-	-	-	-	216
Transfers	6,613	67,504	5,083	3,213	(82,413)	-
Disposals, net	-	(156)	-	-	(204)	(360)
Reclassified in non-current assets held for sale	(92)	-	(1,040)	-	-	(1,132)
Depreciation charge	(11,766)	(51,175)	(3,880)	(2,047)	-	(68,868)
Net book value	464,121	153,295	13,831	8,360	224,408	864,015
As at 31 December 2017						
Cost/revalued amount	649,757	508,067	34,265	27,363	224,408	1,443,860
Accumulated depreciation	(185,636)	(354,772)	(20,434)	(19,003)	-	(579,845)
Net book value	464,121	153,295	13,831	8,360	224,408	864,015

As at 31 December 2017, the cost of the Group's fully depreciated but still used property and equipment amounted to MDL'000 272,475 (as at 31 December 2016: MDL'000 245,830).

Property and equipment are valued at cost less accumulated depreciation and impairment losses, with the exception of the category "Land and buildings", which in 2016 was revalued at fair value in accordance with IAS 16 provisions. Evaluation was made by an independent evaluator, which has a recognized professional qualification, experience and positive reputation on the real estate market. Fair values were estimated using appropriate valuation techniques and are based on observable market prices in an active market. As a result of revaluation performed, there was recorded an increase of the book value by MDL'000 68,511. Thus, an increase of MDL'000 67,229 was recorded in the revaluation account of property and equipment in the Group's capital, and the amount of MDL'000 1,282 was reflected as additional profit in the Group's statement of profit or loss.

Fair value estimates are presented in Note 33.

At December 31, 2017, the book value of land and buildings would have been MDL'000 384,003 (December 31, 2016: MDL'000 392,269) if these assets were measured at cost less depreciation.

BC MOLDOVA AGROINDBANK SA
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017
 (All amounts are expressed in thousand MDL, if not stated otherwise)

During 2016, based on the decision of the Group's management to sell the buildings and related land from Străseni and Telenesti, the Group reclassified property and equipment in the total amount of MDL'000 3,945 from the categories "Land and buildings" and "Assets under construction" to "Non-current assets held for sale". In accordance with IFRS 5 provisions, assets held for sale were recognised at fair value.

Because the building and the land from Straseneni town, were not marketed for one year, in accordance with IFRS 5, the Group decided, to reclassify the property and land in. Straseneni to property and equipment, which were subsequently recognized and evaluated in accordance with IAS 16. This building was recognized as an Asset under construction, which is an unfinished building.

At the same time, during the year 2017, the Group reclassified from Tangible Assets to Non-current Assets held for sale goods with an accounting value of MDL'000 1,132.

	Revalued				Cost	
	Land and buildings	Furniture and equipment	Vehicles	Leasehold improvements	Assets under construction	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
As at 1 January 2016						
Cost/ revalued amount	389,957	382,931	28,185	18,499	40,675	860,247
Accumulated depreciation	(136,075)	(279,256)	(17,071)	(16,387)	-	(448,789)
Net book value	253,882	103,675	11,114	2,112	40,675	411,458
Year ended as at 31 December 2016						
Net value as at 1 January	253,882	103,675	11,114	2,112	40,675	411,458
Additions	143,480	5,008	-	-	256,507	404,995
Revaluation	68,050	-	-	-	395	68,445
Transfers	13,146	68,481	6,954	6,348	(94,929)	-
Disposals, net	(9)	(95)	(992)	-	-	(1,096)
*Reclassified to assets held for sale	(895)				(3,050)	(3,945)
Depreciation	(9,084)	(40,305)	(3,408)	(1,266)	-	(54,063)
Net book value	468,570	136,764	13,668	7,194	199,598	825,794
As at 31 December 2016						
Cost/ revalued amount	642,470	452,551	33,494	24,847	199,598	1,352,960
Accumulated depreciation	(173,900)	(315,787)	(19,826)	(17,653)	-	(527,166)
Net book value	468,570	136,764	13,668	7,194	199,598	825,794

12. INVESTMENT PROPERTY

	2017	2016
	MDL'000	MDL'000
As at 1 January	78,991	75,149
Additions	-	1,633
Disposals	(7,753)	(961)
Revaluation	1,118	3,170
As at 31 December	72,356	78,991

13. INTANGIBLE ASSET

	2017	2016
	MDL'000	MDL'000
Balance as at 1 January		
Cost	168,817	148,392
Accumulated amortization	(100,307)	(85,684)
Net book value	68,510	62,708
Year ended 31 December		
Net value as at 1 January	68,510	62,708
Additions	26,090	20,425
Disposals	(15,319)	-
Amortisation charge	(15,466)	(14,623)
Net book value	63,815	68,510
As at 31 December		
Cost	179,588	168,817
Accumulated amortization	(115,773)	(100,307)
Net book value	63,815	68,510

Intangible assets are initially recognized at cost and subsequently are measured at cost less accumulated depreciation and impairment losses, if any. Intangible assets are depreciated on a straight-line basis throughout their useful lives.

As at 31 December 2017, the cost of intangible fixed assets fully depreciated in 71 units (2016: 65 units) reached MDL'000 29,169 (2016: MDL'000 15,821).

The intangible assets include the T24 automated banking system with the book value as at 31 December 2017 of MDL'000 29,391 (2016: MDL'000 31,668), which according to the contractual provisions will be used by the Group until 30.09.2030.

In 2015, the Group launched the American Express Acceptance and Issuance Project. The book value of the license at 31 December 2017 amounted to MDL'000 7,673 (2016: MDL'000 10,163).

14. OTHER ASSETS

	31.12.2017	31.12.2016
	MDL'000	MDL'000
<i>Other non-financial assets</i>		
Prepayments	70,628	39,606
Low-value items and materials in stock	6,175	8,143
Receivables due from budget	642	857
Other cancelled fees	888	475
	78,333	49,081
<i>Other financial assets</i>		
Receivables related to cancelled finance lease agreements	42,983	99,211
Receivables from other financial institutions	127,433	94,736
Financing contracts	4,177	7,790
Receivables from insurance companies	1,185	1,213
Other assets	35,888	44,551
	211,666	247,501
Less impairment losses for non-financial assets	(21,629)	(23,185)
Less impairment losses for financial assets	(56,661)	(109,939)
	211,709	163,458

Receivables from other financial institutions represent receivables arising from clearing operations related to Visa, Mastercard and American Express systems in amount of MDL'000 115,796 (2016: MDL'000 82,900), receivables due to international money transfer systems in amount of MDL'000 11,637 (2016: MDL'000 9,890) and receivables due to documentation settlements in amount of MDL'000 0 (2016: MDL'000 1,946). According to Moody's rating agency Visa International system has the "A 1" and "P-1" ratings, while MasterCard Incorporated: "A-3" and "P-2" ratings.

Receivables related to cancelled finance lease agreements represent early terminated finance lease contracts due to the lessees' breaches of the contractual clauses. The Group has recognized the difference between the fair value of the repossessed lease objects and the carrying amount of the finance lease receivables as assets, as the Group can claim these amounts from lessees in accordance with the provisions of the finance lease contracts. For certain agreements in 2015 the Group is in process of taking into possession the lease objects or the available collateral, while for others it had already foreclosed all lease objects, but it sues for the recovery of those amounts which were not covered by the value of the repossessed lease objects.

Financing contracts represent loans granted to car dealers, legal entities for investment and real estate projects, working capital needs and other purposes, and also to individuals - mortgages and consumer. The financing contracts are secured by movable items (as vehicles for car dealers) and mortgage (for other debtors).

Receivables related to cancelled leasing agreements, financing, credit sales

The Group uses the following credit quality categories to manage the credit risk of financing, cancelled lease agreements, credit sale and other receivables:

- Neither past due nor impaired - if payments are made regularly and in accordance with contract terms;
- Past due, but not impaired

BC MOLDOVA AGROINDBANK SA
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017
 (All amounts are expressed in thousand MDL, if not stated otherwise)

- Past due 30 days - if payments are overdue up to 30 days;
- Past due 31-90 days - if payments are overdue from 31 to 90 days;
- Impaired- if payments are overdue more than 90 days.

Movement in impairment allowance for receivables from sales on credit during 2017 and 2016 was as follows:

	2017	2016
	MDL'000	MDL'000
Balance as at 1 January	23,185	22,389
Impairment charge	(1,233)	2,110
Write-off and other reclassifications	(323)	(1,314)
Balance as at 31 December	21,629	23,185

Movement in impairment allowance for receivables related to cancelled finance lease agreements during 2017 and 2016 was as follows:

		2017	2016
	Note	MDL'000	MDL'000
Balance as at 1 January		109,939	76,974
Impairment charge	29	18,377	34,376
Write-off and other reclassifications		(71,655)	(1,411)
Balance as at 31 December		56,661	109,939

The value of net impairment losses in 2017 differs from the value presented in the consolidated statement of profit and loss and other comprehensive income in 2017 and 2016, the result of the recovery of amounts written-off previously as non-recoverable in amount of MDL'000 429 (2016: MDL'000 476). The amount of the recovery has been credited directly to the "Net impairment loss on loans, lease receivables and other receivables" line in the statement of profit or loss and other comprehensive income for the year.

15. DUE TO BANKS

			31.12.2017	31.12.2016
Currency	Maturity		MDL'000	MDL'000
Borrowings from and current accounts of other banks				
Current accounts of other banks	USD	Non - applicable	2,476	4,598
	MD	Non - applicable	44,771	-
			47,247	4,598
Loans and borrowings for financing the lease activity				
Victoriabank	EUR	November 2017	-	8,931
FinComBank SA	EUR	September 2019	18,402	6,416
Comerțbank	EUR	December 2020	9,724	683
Moldindconbank	EUR	October 2019	28,170	52,840
Banca Comerciala Română	EUR	March 2021	11,361	14,395
Banca pentru Comerț și Dezvoltare în regiunea Marii Negre (BSTDB)	EUR	Mai 2017	-	4,661
EuroCreditBank	EUR	September 2018	3,071	3,134
			70,728	91,060
			117,975	95,658

As at 31 December 2017 and 31 December 2016 the Group pledged the right to collect receivables under finance lease agreements and financing contracts and repossessed assets to secure the contracted loans and borrowings as follows:

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Moldindconbank	42,074	60,355
Banca Comercială Română	27,071	39,080
FinComBank	23,442	14,320
Comertbank	10,800	2,625
EuroCreditBank	7,450	5,212
Victoriabank	-	24,545
BSTDB	-	27,476
Energbank	-	10,299
	110,837	183,912

16. BORROWINGS

			31.12.2017	31.12.2016
	Currency	Maturity	MDL'000	MDL'000
Borrowings from International Financial Institutions:				
Rural Investment and Services Project (RISP)	MDL/USD/EUR	01.04.2027	113,029	143,670
International Fund for Agricultural Development (IFAD)	MDL/USD/EUR	18.07.2022	264,677	325,676
Project for Competitiveness Improvement (PCI)	MDL/USD/EUR	01.10.2019	109,110	119,296
Kreditanstalt fur Wiederaufbau	MDL/USD/EUR	15.07.2022	34,668	42,519
Millennium Challenge	MDL/USD/EUR	25.03.2022	18,039	28,767
Filiere du Vin	EUR	18.12.2023	143,456	186,626
			682,979	846,554
Borrowings from other organizations to finance the leasing activity				
Autospace SRL			100	1,534
			100	1,534
			683,079	848,088

For loans contracted under agreements between the Government of the Republic of Moldova and International Financial Institutions, repayment schedules are set for each individual project. The agreements have no financial covenants which require regular calculation and reporting.

17. DUE TO CUSTOMERS

		31.12.2017	31.12.2016
		MDL'000	MDL'000
Legal entities			
Current accounts, including:			
Corporate customers		1,544,545	1,072,505
Retail customers		2,179,452	1,734,835
		3,723,997	2,807,340
Term deposits, including:			
Corporate customers		383,115	553,619
Retail customers		887,935	637,774
		1,271,050	1,191,393
		4,995,047	3,998,733
Individuals			
Current accounts		2,333,010	1,728,825
Term deposits		10,207,572	9,684,817
		12,540,582	11,413,642
		17,535,629	15,412,375

As at 31 December 2017 current accounts of legal entities and individuals include restricted deposits under guarantee agreements in the amount of MDL'000 171,589 (31 December 2016: MDL'000 143,787).

The Group's term deposit portfolio includes certain deposits with no rights to withdraw deposits prior to maturity. Should such deposits be withdrawn prior to maturity, the interest rate is decreased to the rate applied for demand deposits and is recalculated for the whole term of the deposit.

18. TAXATION

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Current income tax expenses	58,097	30,098
Deferred income tax expense	(47)	2,300
Income tax expenses for the year	58,050	32,398

Current income tax is calculated on the taxable income for the statutory financial statements. For tax purposes, the deductibility of certain expenses, for example entertainment costs, philanthropic, sponsorship and other expenses, expenses unconfirmed documentary are limited to a percentage of profit specified in the tax law.

The standard income tax rate in 2017 is 12% (2016: 12%).

The reconciliation of the income tax expense is presented in the table below:

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Profit before tax	519,689	439,636
Tax calculated at applicable rate of 12% (2016:12%)	62,363	52,755
Tax effect of:		
Non-taxable income	(13,084)	(20,133)
Non-deductible expenses	8,973	(372)
Philanthropic, sponsorship and other expenses	(202)	148
Income tax expense for the year	58,050	32,398

BC MOLDOVA AGROINDBANK SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(All amounts are expressed in thousand MDL, if not stated otherwise)

	Balance at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Deferred tax assets	Deferred tax liabilities	Net balance at 31 December
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
2017						
Current accounts and deposits with banks	122	(6)	-	116	-	116
Loans to customers	376	(197)	-	179	-	179
Lease receivables	269	34	-	303	-	303
Available for sale financial assets	(5,722)	(355)	(1,804)	-	(7,881)	(7,881)
Non-current assets held for sale	(59)	1	-	-	(58)	(58)
Property and equipment	(27,877)	490	7	-	(27,380)	(27,380)
Investment property	(2,618)	184	-	-	(2,434)	(2,434)
Intangible assets	26	(4)	-	22	-	22
Other assets	32	60	-	92	-	92
Borrowings	82	2	-	84	-	84
Tax losses	1	(1)	-	-	-	-
Other liabilities	301	(161)	-	140	-	140
Total deferred tax assets (liabilities)	(35,067)	47	(1,797)	936	(37,753)	(36,817)
2016						
Current accounts and deposits with banks	123	(1)	-	122	-	122
Loans to customers	719	(343)	-	376	-	376
Lease receivables	493	(224)	-	269	-	269
Available for sale financial assets	(5,597)	27	(152)	-	(5,722)	(5,722)
Non-current assets held for sale	(25)	(34)	-	-	(59)	(59)
Property and equipment	(19,233)	(955)	(7,689)	-	(27,877)	(27,877)
Investment property	(2,472)	(146)	-	0	(2,618)	(2,618)
Intangible assets	32	(6)	-	26	-	26
Other assets	31	1	-	32	-	32
Borrowings	91	(9)	-	82	-	82
Tax losses	646	(645)	-	1	-	1
Other liabilities	266	35	-	301	-	301
Total deferred tax assets (liabilities)	(24,926)	(2,300)	(7,841)	1,209	(36,276)	(35,067)

19. OTHER LIABILITIES

	31.12.2017	31.12.2016
	MDL'000	MDL'000
<i>Other non-financial liabilities</i>		
Other taxes payable	21,201	20,156
<i>Other financial liabilities</i>		
Dividends payable	82,813	81,203
Trade payables	5,493	3,067
Due to insurance companies (subsidiary)	74	544
Settlements with other financial institutions	37,531	42,349
Advances from customers on future lease agreements	1,777	2,331
Payables to employees	801	2,414
*Other liabilities	64,384	53,252
	214,074	205,316

*Other liabilities include creditors of unidentified amounts MDL'000 4,586 (2016: MDL'000 9,855), payments received for transfer by destination MDL'000 15,309 (2016: MDL'000 5,466), transactions with securities MDL , 000 3,029 (2016: MDL'000 60), payments related to E-Commerce MDL'000 11,975 (2016: MDL'000 15,315), settlements related to Paying Agent MDL'000 9,718 (2016: MDL'000 7,136), reserved amounts for salary projects MDL'000 5,109 (2016: MDL'000 919) and other bonds MDL'000 14,658 (2016: MDL'000 14,501).

20. SHARE CAPITAL

As at 31 December 2017 the share capital comprises 1,037,634 authorized ordinary shares, with a nominal value of MDL 200 per share (31 December 2016: 1,037,634).

During 2017 the Group declared and distributed dividends from the net profit of the year ended 31 December 2016, in the amount of MDL'000 51,347 or MDL 84 per share (2016: MDL'000 166,021 or MDL 160 per share).

21. CAPITAL ADEQUACY

	Carrying value		Risk-weighted value	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	MDL'000	MDL'000	MDL'000	MDL'000
Balance sheet items (net of reserves)				
Cash on hand	613,201	465,420	-	-
Balances with NBM denominated in MDL	3,385,601	3,069,657	-	-
Balances with NBM denominated in foreign currency	1,068,965	941,109	213,793	188,222
Due from banks	2,811,178	2,125,086	562,236	425,017
Credite acordate clienților (exclusiv ipoteca)	8,693,870	8,697,632	8,693,870	8,697,632
Loans to customers (mortgage)	1,149,057	954,784	574,529	477,392
Lease receivables	132,031	172,518	132,031	172,518
Financial assets available for sale (equity investments)	142,403	161,925	142,403	161,925
Financial assets available for sale (State securities)	1,278,317	12,170	-	-
Financial assets held to maturity	1,793,908	2,104,017	-	-
Non-current assets held for sale	15,263	24,005	15,263	24,005
Property and equipment	864,015	825,794	864,015	825,794
Investment property	72,356	78,991	72,356	78,991
Intangible assets	63,815	68,510	63,815	68,510
Other assets	211,709	163,458	211,709	163,458
Total statement of financial position	22,295,689	19,865,076	11,546,019	11,283,464
Off-balance sheet items				
Guarantees issued	310,789	245,587	310,789	245,587
Letters of credit	15,344	6,288	15,344	6,288
Commitments to extend loans	910,480	884,930	455,240	442,465
Total off-balance sheet items	1,236,613	1,136,805	781,373	694,340
Total	23,532,302	21,001,881	12,327,393	11,977,804

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Tier 1 capital		
Share capital, nominal	207,527	207,527
Share premium	104,537	104,537
Retained earnings	3,065,046	2,656,859
Total tier 1 capital	3,377,110	2,968,923
Tier 2 capital		
Property and equipment revaluation reserve	208,736	208,511
Available for sale financial assets reserve	78,796	74,510
Total tier 2 capital	287,532	283,021
Total capital	3,664,642	3,251,944
Capital adequacy ratio	29.73%	27.15%

The Group conducts its activity in accordance with Capital Management Policy of BC "Moldova Agroindbank" S.A. and applies the following tools for the management of Bank's capital: (i) capital planning and (ii) monitoring, compliance and maintenance of capital requirements.

The Group maintains a system of monitoring and reporting related to the Group's capital in order to ensure the compliance with capital requirements stipulated in the legislation.

22. CASH AND CASH EQUIVALENTS

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

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Cash on hand	613,201	465,420
Balances with National Bank of Moldova	3,385,601	3,069,657
Current accounts and overnight deposits with banks	2,737,382	2,034,305
Certificates issued by the National Bank of Moldova	1,498,001	1,437,197
	8,234,185	7,006,579

23. NET INTEREST INCOME

	2017	2016
	MDL'000	MDL'000
<i>Interest income</i>		
Loans and advances to customers	983,061	1,116,604
State securities	189,311	243,469
Loans and advances to banks	159,999	228,942
Financial assets held to maturity	13,844	23,062
	1,346,215	1,612,077
<i>Interest expense</i>		
Due to customers (individuals)	397,830	656,916
Due to customers (companies)	50,282	67,075
Due to banks and other organizations	33,632	51,307
	481,744	775,298
Net interest income	864,471	836,779

24. NET FEE AND COMMISSION INCOME

	2017	2016
	MDL'000	MDL'000
<i>Fee and commission income</i>		
Cash transactions	88,124	78,912
Processing of clients' payments	57,663	53,054
Transactions with debit cards	105,102	78,005
Commissions on salary transferred to debit cards	10,961	9,450
Money transfer services	15,641	16,946
Cash delivery service	6,112	5,567
Commission from direct debit transactions	6,704	6,495
Commissions on guarantees and letters of credit	7,888	7,814
Service fees on client accounts	35,185	30,605
Commissions from other services to clients	98,657	77,660
	432,037	364,508
<i>Fee and commission expense</i>		
Transactions with debit cards	33,797	24,118
Processing centres services	64,670	53,764
Commissions charged by correspondent banks	2,849	1,536
Commissions for cash transactions	12,456	14,453
Cash withdrawal related to debit cards	2,846	2,584
Contributions to the Deposit Guarantee Fund	8,955	8,147
Others	8,542	4,974
	134,115	109,576
Net fee and commission income	297,922	254,932

25. NET FOREIGN EXCHANGE GAINS

	2017	2016
	MDL'000	MDL'000
Gains from trading in foreign currencies	242,540	231,263
Foreign exchange translation losses	(11,950)	(15,201)
Net result	230,590	216,062

26. OTHER OPERATING INCOME

	2017	2016
	MDL'000	MDL'000
Penalties received	15,361	12,556
Income from unpaid and expired dividend liabilities	1,247	8,443
Gains from disposal of other assets	1,413	1,278
Income from rent	4,989	3,900
Gain on disposal of property and equipment	187	252
Other income	3,200	3,692
	26,397	30,121

27. PERSONNEL EXPENSES

	2017	2016
	MDL'000	MDL'000
Salaries and bonuses	264,488	228,376
Social insurance and contributions	61,645	53,071
Medical insurance contributions	11,941	10,298
Other personnel expenses	12,383	3,735
	350,457	295,480

The Group makes contributions to the State social insurance fund of the Republic of Moldova, calculated as a percentage of the gross salary and other compensations. These contributions are charged to the consolidated statement of profit or loss in the period in which the related salary is earned by the employee.

28. OTHER OPERATIONAL AND ADMINISTRATIVE EXPENSES

	2017	2016
	MDL'000	MDL'000
Rent	41,007	39,885
Advertising and charity	38,157	39,790
Repairs and maintenance	32,608	31,558
Maintenance of intangible assets	13,807	13,870
Utilities	13,653	13,136
Safeguarding of assets and security	9,958	9,107
Postage and telecommunication	8,812	8,485
Transportation	7,629	7,093
Stationery and supplies	10,551	11,008
Business promotion	4,556	7,329
Professional services	9,698	7,906
Remuneration of Group Council	15,150	11,563
Dealing and informational services	5,341	5,441
Inventory	5,417	5,960
Travel	2,920	2,504
Insurance	2,389	2,930
Training	2,843	2,151
Other fees and commissions	578	308
Expenses for debt collection services	1,400	1,053
Write down of assets	786	1,158
Other expenses	23,426	13,236
	250,686	235,471

Other expenses include property tax, penalties paid, amounts relating to cash transactions and certain marketing expenses.

29. IMPAIRMENT OF LOANS, LEASE RECEIVABLES AND OTHER RECEIVABLES

Impairment of interest bearing assets includes impairment of:

		2017	2016
	Note	MDL'000	MDL'000
Loans and advances	7	244,871	286,932
Finance lease receivables	8	983	(10,740)
Other assets	14	17,948	33,900
		263,802	310,092

30. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The aggregate amount of guarantees, commitments and other off-balance sheet items existing as at 31 December 2017 and 31 December 2016 is:

	2017	2016
	MDL'000	MDL'000
Letters of credit	15,344	6,288
Guarantees	310,789	245,587
Financing commitments and other	910,480	884,930
	1,236,613	1,136,805

In the normal course of business, the Group issues guarantees and letters of credit on behalf of its customers. The credit risk on guarantees is similar to that arising from granting of loans. In the event of a claim on the Group as a result of a customer's default on a guarantee, these instruments also present a degree of credit risk to the Group. No provision was required as at 31 December 2017 and 31 December 2016.

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

The table below shows the expected maturity of the Group's guarantees and other financial commitments as at 31 December 2017 and 31 December 2016:

2017	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Letters of credit	7,662	7,682	-	-	-	15,344
Guarantees	233,853	20,471	31,444	25,021	-	310,789
Financing commitments	4,948	66,443	446,907	392,182	-	910,480
Total	246,463	94,596	478,351	417,203	-	1,236,613

2016	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Letters of credit	624	5,664	-	-	-	6,288
Guarantees	171,486	8,787	33,477	31,837	-	245,587
Financing commitments	15,348	156,692	296,092	416,784	14	884,930
Total	187,458	171,143	329,569	448,621	14	1,136,805

31. CAPITAL COMMITMENTS

As at 31 December 2017, the Group had no capital commitments.

32. EARNINGS PER SHARE

	Ordinary shares outstanding	Profit for the year MDL'000	Basic earnings per share MDL
As at 31 December 2016	1,037,634* <i>(see Note 1)</i>	403,817	389.17
As at 31 December 2017	1,037,634* <i>(see Note 1)</i>	459,534	442.87

33. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY

Fair value measurements are analysed by the fair value level in the fair value hierarchy as described in Note 3. Management makes judgments in categorizing the financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against their impact on fair value of the valued instruments.

Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

	2017				2016			
	Fair value				Fair value			
	MDL'000				MDL'000			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial assets available for sale	58,808	1,278,317	83,595	1,420,720	47,601	12,170	114,324	174,095
Non-financial assets								
Land and buildings	-	-	464,121	464,121	-	-	468,570	468,570
Investment property	-	72,356	-	72,356	-	78,991	-	78,991
Total assets recurring fair value measurements	58,808	1,350,673	547,716	1,957,197	47,601	91,161	582,894	721,656

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows as at 31 December 2017 and 31 December 2016:

BC MOLDOVA AGROINDBANK SA
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017
 (All amounts are expressed in thousand MDL, if not stated otherwise)

	Fair value	valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value
31 December 2017						
Financial assets available for sale	83,595	Discounted cash flows	Weighted average cost of capital	8.15%-15.79% (13.05%)	+10%	(20,857)
					-10%	28,793
	58,808	Market value	Market price for the financial asset		±5%	±2,940
Land and buildings	464,121	Market value	Market prices for comparable properties (MDL/sq.m.)	Lands – 29-4,137 (2,319) Buildings – 98-36,935 (14,186)	±10%	±46,412
31 December 2016						
Financial assets available for sale	114,324	Discounted cash flows	Weighted average cost of capital	8.15%-15.79% (11.95%)	+10%	(47,550)
					-10%	73,748
	47,601	Market value	Market price for the financial asset		±5%	±2,380
Land and buildings	468,570	Market value	Market prices for comparable properties (MDL/sq.m.)	Lands – 29-4,137 (2,319) Buildings – 98-36,935 (14,186)	±10%	±46,857

The above tables disclose sensitivity to valuation inputs for financial assets, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognized in other comprehensive income, total equity.

There were no changes in valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2017 (31 December 2016: none).

The sensitivity of fair value measurement disclosed in the above table shows the direction that an increase or decrease in the respective input variables would have on the valuation result. For investments available for sale, increases in the WACC multiple would lead to a decrease in estimated value.

BC MOLDOVA AGROINDBANK SA
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017
 (All amounts are expressed in thousand MDL, if not stated otherwise)

Level 3 valuations are reviewed on an annual basis by Corporate Investments Department which report to the Management Board. The Group involves an external valuer who hold a recognized and relevant professional qualification and who have recent experience in the valuation of assets in a similar category. The Corporate Investments Department considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the financial services industry.

	2017				2016					
	Carrying value		Fair value		Carrying value		Fair value			
	MDL'000		MDL'000		MDL'000		MDL'000			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
Financial assets										
Accounts with NBM	4,454,566	-	4,454,566	-	4,454,566	4,010,766	-	4,010,766		
Due from banks	2,811,178	-	2,811,178	-	2,811,178	2,125,086	-	2,125,086		
Loans to customers:	9,842,927	-	-	10,257,935	10,257,935	9,652,416	-	10,093,156		
Corporate customers	5,484,255	-	-	5,671,254	5,671,254	5,714,486	-	5,926,012		
Retail entities	1,776,010	-	-	1,840,391	1,840,391	1,786,815	-	1,874,123		
Individuals	2,582,662	-	-	2,746,290	2,746,290	2,151,115	-	2,293,021		
Lease receivables	132,031	-	-	143,100	143,100	172,518	-	185,737		
Financial assets held to maturity	1,793,908	-	1,793,860	-	1,793,860	2,104,017	-	2,054,875		
Other financial assets	155,005	-	-	155,005	155,005	137,562	-	137,562		
Total	19,189,615	-	9,059,604	10,556,040	19,615,644	18,202,365	-	8,190,727	10,416,455	18,607,182

BC MOLDOVA AGROINDBANK SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(All amounts are expressed in thousand MDL, if not stated otherwise)

	2017					2016				
	Carrying value		Fair value			Carrying value		Fair value		
	MDL'000		MDL'000			MDL'000		MDL'000		
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
Financial liabilities										
Due to banks	117,975	-	-	117,975	117,975	95,658	-	-	95,658	95,658
Borrowings	683,079	-	-	692,637	692,637	848,088	-	-	855,908	855,908
Due to customers	17,535,629	-	-	17,454,036	17,454,036	15,412,375	-	-	15,166,276	15,166,276
Legal entities, including :	4,995,047	-	-	4,994,550	4,994,550	3,998,732	-	-	3,984,056	3,984,056
Current accounts	3,723,997	-	-	3,723,997	3,723,997	2,807,339	-	-	2,807,339	2,807,339
Term deposits	1,271,050	-	-	1,270,553	1,270,553	1,191,393	-	-	1,176,717	1,176,717
Individuals, including:	12,540,582	-	-	12,459,486	12,459,486	11,413,642	-	-	11,182,220	11,182,220
Current accounts	2,333,010	-	-	2,333,010	2,333,010	1,728,825	-	-	1,728,825	1,728,825
Term deposits	10,207,572	-	-	10,126,476	10,126,476	9,684,817	-	-	9,453,395	9,453,395
Other financial liabilities	192,873	-	-	192,873	192,873	185,160	-	-	185,160	185,160
Total	18,529,556	-	-	18,457,521	18,457,521	16,541,281	-	-	16,303,002	16,303,002

Cash and cash equivalents

The fair value of cash and cash equivalents equals to their carrying amount.

Net loans and lease receivables

Loans and lease receivables are reduced by the impairment allowance on loans and lease receivables. The estimated fair value of loans and lease receivables 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.

Financial investments held to maturity

Financial assets held to maturity include only interest-bearing assets held to maturity. Fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations.

Borrowings, due to banks, 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.

34. CLASSIFICATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

For the purposes of measurement, IAS 39, Financial Instruments: Recognition and Measurement, the Group classifies financial assets into the following categories: (a) loans and receivables; (b) available for sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL").

Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

The table below provides a reconciliation of financial assets under these measurement categories as at 31 December 2017 and 31 December 2016:

Tabelul de mai jos prezintă reconcilierea activelor financiare cu categoriile de evaluare la 31 December 2017:

31 December 2017	Loans and receivables, including leasing	Available for sale assets	Assets held for trading	Held to maturity assets	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Assets					
Cash on hand and balances with National Bank	5,067,767	-	-	-	5,067,767
Due from banks	2,811,178	-	-	-	2,811,178
Loans and advances to customers:					
Corporate customers	5,484,255	-	-	-	5,484,255
Retail customers legal entities	1,776,010	-	-	-	1,776,010
Individuals	2,582,662	-	-	-	2,582,662
Lease receivables:					
Corporate customers	71,396	-	-	-	71,396
Individuals	71,704	-	-	-	71,704
Financial assets available for sale	-	1,420,720	-	-	1,420,720
Financial assets held to maturity	-	-	-	1,793,908	1,793,908
Other financial assets:					
Receivables related to cancelled lease agreements (leasing)	12,879	-	-	-	12,879
Receivables from other financial institutions	110,059	-	-	-	110,059
Due from providers (leasing)	3,721	-	-	-	3,721
Due from insurance companies (leasing)	1,185	-	-	-	1,185
Other	27,161	-	-	-	27,161
Total financial assets	18,019,977	1,420,720	-	1,793,908	21,234,605

The table below provides a reconciliation of financial assets under these measurement categories as at 31 December 2016:

31 December 2016	Loans and receivables, including leasing	Available for sale assets	Assets held for trading	Held to maturity assets	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Assets					
Cash on hand and balances with National Bank	4,476,186	-	-	-	4,476,186
Due from banks	2,125,086	-	-	-	2,125,086
Loans and advances o customers:					
Corporate customers	5,714,486	-	-	-	5,714,486
Retail customers legal entities	1,786,815	-	-	-	1,786,815
Individuals	2,151,115	-	-	-	2,151,115
Lease receivables:					
Corporate customers	103,501	-	-	-	103,501
Individuals	82,236	-	-	-	82,236
Financial assets available for sale	-	174,095	-	-	174,095
Financial assets held to maturity	-	-	-	2,104,017	2,104,017
Other financial assets:					
Receivables related to cancelled lease agreements (leasing)	14,447	-	-	-	14,447
Receivables from other financial institutions	72,942	-	-	-	72,942
Due from providers (leasing)	4,348	-	-	-	4,348
Due from insurance companies (leasing)	1,213	-	-	-	1,213
Other	44,612	-	-	-	44,612
Total active financiare	16,576,987	174,095	-	2,104,017	18,855,099

As at 31 December 2017 and 31 December 2016 all financial liabilities of the Group were carried at amortized cost.

35. RELATED PARTIES

During the year a number of banking and non-banking transactions were entered into with related parties in the normal course of business.

These include extending of loans, accepting deposits, finance trade, payment settlement, foreign currency transactions and acquisition of services and goods from related parties.

The transactions and balances mentioned above arose in the ordinary course of the Group's business and are performed at market rates.

In the table below are disclosed the balances and the transactions with the related parties during the year.

BC MOLDOVA AGROINDBANK SA
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017
 (All amounts are expressed in thousand MDL, if not stated otherwise)

In the table below are disclosed the balances as at year ended 31 December:

Related parties			Loans (5,6-14,75%)	Impairment loss on loans	Lease receivables (9%-15%)	Loans received (5.6%-11.55%)	Deposits (0-11%)	Guarantees issued by the Group	Commitments to grant loans
			MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Civil society of Group shareholders and their affiliates and persons holding or controlling 1% or more of the Bank's share capital	Acționari	2017	6,441	69	-	-	96,164	-	-
		2016	6,122	4	-	-	91,647	-	-
Other directors (executive/ non- executive) and their affiliates	Management	2017	1,604	1	428	100	261,103	24,229	1,929
		2016	1,087	2	481	1,534	32,835	13,645	1,862
Total		2017	8,045	70	428	100	357,267	24,229	2,068
		2016	7,209	6	481	1,534	124,482	13,645	1,862

In the table below are disclosed the transactions for the year ended 31 December:

Related parties			Interest and commission income	Interest and commission expenses	Non-interest income	Non-interest expenses	Procurement of vehicles	Dividends
			MDL'000	MDL'000	MDL'000	MDL'000	received	MDL'000
Civil society of Group shareholders and their affiliates and persons holding or controlling 1% or more of the Bank's share capital	Acționari	2017	939	3,696	340	3,077	-	21,633
		2016	3,787	5,119	1,898	15,985	-	22,824
Other directors (executive/ non- executive) and their affiliates	Management	2017	232	2,303	2,546	51,689	600	4,545
		2016	3,555	1,335	1,573	30,645	3,681	6,883
Total		2017	1,171	5,999	2,886	54,766	600	26,178
		2016	7,342	6,454	3,471	46,630	3,681	29,707

Key management remuneration

The executive management and non-executive members of Group Board of Directors received remuneration during the years 2017 and 2016, as follows:

	2017	2016
	MDL'000	MDL'000
Executive management remuneration	23,714	23,133
Medical insurance contributions	1,005	990
Social fund	5,434	5,302
Total executive management	30,153	29,425
Board remuneration	11,170	7,990
Medical insurance contributions	502	350
Social fund	2,569	1,786
Total Board	14,241	10,126

36. SEGMENT REPORTING

Operating segments are structural units of the Group carrying out business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the members of the Management Board of the Group and by the heads of departments responsible for making operational decisions based on the reports prepared in the prescribed manner

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of the following main business segments:

- *Retail Banking*- representing banking services to entities of small and medium-sized businesses and to individuals for private customer current accounts; financing of consumer loans and mortgages, pawn services, deposits, investment savings products, custody, credit and debit cards, electronic products, other services.
- *Corporate Banking* - - this segment includes various types of financing current and investment activities of companies (loans, credit lines, guarantees, letters of credit etc.), maintenance of current accounts of companies, deposits placements, payroll, foreign currency transactions and financial instruments, provision of investment services.
- *Treasury*- this segment includes interbank transactions (FOREX operations, attracting and placing deposits and interbank loans, transactions with treasury bills, transactions with certificates issued by the NBM) on internal and external financial markets within established limits, as well as attracting loans and credit lines from banks and other international financial organisation.
- Other –include the segments of Capital investment, Leasing and others.

(b) Factors used by the Management to identify the reportable segments

The Group's segments are strategic business units, focused on different categories of clients. Taking into account the particularity of clients segmentation and the bank services provided, business units are managed separately.

(c) Measurement of operating segment profit or loss

The consolidated financial statements provided by the Group in accordance with International Financial Reporting Standards differ in certain aspects from the information prepared for the Management and namely:

- Allocation of resources among subunits – the purchase/sale of funds for each category of resources is based on transfer pricing, resulted from interest rate applied on resources attraction/placements for each category and the margin on purchase/sale of funds;
- Transfer pricing for the purchase/sale of special-purpose resources in national currency and foreign currency attracted

from the NBM, national and international financial institutions is equal to the cost of these resources formed under the conditions of respective loan agreements and contracts. Transfer prices are examined at ALCO and approved by the Management Board;

(iii) Income taxes are allocated to segments in accordance with approved Group keys;

(iv) Service centers expenses are reallocated to all units in accordance with approved keys.

(d) Geographical information

The Group has no significant income from foreign customers.

The Group has no long-term assets (more than one year) located in countries other than the Republic of Moldova.

(e) Major customers

The Group has no external customers with revenues exceeding 10 % of Group's total revenue.

The segment information for the reportable segments for the year ended at 31 December 2017 and 31 December 2016 is set below:

31 December 2017	Corporate banking	Retail banking	Treasury	Other	Total	Adjustments	Total per profit or loss statement
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Interest income	497,195	495,944	349,310	3,766	1,346,216	-	1,346,215
Interest income from inter segment sales	59,354	666,593	47,179	-	773,126	(773,126)	-
Total interest income	556,549	1,162,537	396,489	3,766	2,119,341	(773,126)	1,346,215
Interest expense on customer deposits and other borrowings	21,564	454,365	-	5,815	481,744	-	481,744
Interest expenses for inter segment sales	252,632	245,190	275,304	-	773,126	(773,126)	-
Total interest expenses	274,196	699,555	275,304	5,815	1,254,870	(773,126)	481,744
Net interest income	282,353	462,982	121,185	(2,049)	864,471	-	864,471
Less impairment losses on interest bearing assets	223,602	31,405	-	8,795	263,802	-	263,802
Net income after impairment losses	58,751	431,577	121,185	(10,844)	600,669	-	600,669
Less the impairment on available for sale financial assets	-	-	-	(10,324)	(10,324)	-	(10,324)
Total non-interest income	79,368	358,987	5,355	53,988	497,698	-	497,698
Total income	138,119	790,564	126,540	53,468	1,108,691	-	1,108,691

BC MOLDOVA AGROINDBANK SA
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017
 (All amounts are expressed in thousand MDL, if not stated otherwise)

31 December 2017	Corporate banking	Retail banking	Treasury	Other	Total	Adjustments	Total per profit or loss statement
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Net foreign exchange gains	76,175	165,956	(11,846)	305	230,590	-	230,590
Direct expenses of the cost centre	46,044	436,650	16,119	236,445	735,258	-	735,258
Depreciation and amortization	2,722	38,925	1,134	41,553	84,334	-	84,334
Indirect income (redistributed between segments)	(86,296)	71,218	15,078	-	-	-	-
Indirect expenses (of the administrative and support centre)	20,859	242,427	2,284	(265,570)	-	-	-
Profit before tax	58,373	309,736	110,235	41,345	519,689	-	519,689
Income tax	12,487	36,280	7,350	1,933	58,050	-	58,050
Net profit after tax	45,886	273,456	102,885	39,412	461,639	-	461,639

BC MOLDOVA AGROINDBANK SA
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017
 (All amounts are expressed in thousand MDL, if not stated otherwise)

31 December 2016	Corporate banking	Retail banking	Treasury	Other	Total	Adjustments	Total per profit or loss statement
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Interest income	606,832	522,108	472,377	10,760	1,612,077	-	1,612,077
Interest income from inter segments sales	105,028	879,533	91,425		1,075,986	(1,075,986)	-
Total interest income	711,860	1,401,641	563,802	10,760	2,688,063	(1,075,986)	1,612,077
Interest expenses on customer deposits and other borrowings	39,826	723,139	927	11,406	775,298	-	775,298
Interest expenses for inter segment sales	385,189	266,706	416,662	7,294	1,075,851	(1,075,851)	-
Total interest expenses	425,015	989,845	417,589	18,700	1,851,149	(1,075,851)	775,298
Net interest income	286,845	411,796	146,213	(7,940)	836,914	(135)	836,914
Less impairment losses on interest bearing assets	257,718	40,737	-	11,637	310,092	-	310,092
Net interest income after breakdowns into risk fund							
Net income after impairment losses	29,127	371,059	146,213	(19,577)	526,822	(135)	526,687
Less the impairment on available for sale financial assets	-	-	-	(5,778)	(5,778)		(5,778)
Total non-interest income	70,411	294,364	10,121	25,426	400,322	-	400,322
Total income	99,538	665,423	156,334	11,627	932,922	(135)	932,787
Net foreign exchange gains	63,911	167,352	(14,561)	640	216,062	-	216,062
Direct expenses of the cost centre	40,213	388,798	14,327	197,126	640,464	-	640,464
Depreciation and amortization	2,515	29,968	1,006	35,260	68,749	-	68,749
Indirect income (redistributed between segments)	(75,204)	61,420	13,784	-	-	-	-
Indirect expenses (of the administrative and support centre)	21,650	204,584	1,735	(227,969)	-	-	-
Profit before tax	23,867	270,845	138,489	6,570	439,771	(135)	439,636
Income tax	5,542	19,005	5,804	2,047	32,398	-	32,398
Profit after tax	18,325	251,840	132,685	4,523	407,373	(135)	407,238

The total segments revenue and net profit differs from the profit and revenue, disclosed in the statement of comprehensive income due to intersegment revenue / expenses which are not significant enough to be disclosed.

BC MOLDOVA AGROINDBANK SA
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017
 (All amounts are expressed in thousand MDL, if not stated otherwise)

31 December 2017	Corporate banking	Retail banking	Treasury	Other	Total per statement of financial position
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS					
Cash on hand	-	-	-	613,201	613,201
Balances with National Bank of Moldova	-	-	4,454,566	-	4,454,566
Due from banks	-	-	2,811,178	-	2,811,178
Loans and advances to customers	5,484,255	4,358,672	-	-	9,842,927
Lease receivables	-	-	-	132,031	132,031
Financial assets available for sale	-	-	1,278,317	142,403	1,420,720
Financial assets held to maturity	-	-	1,793,908	-	1,793,908
Non-current assets held for sale	-	-	-	15,263	15,263
Property and equipment	-	-	-	864,015	864,015
Investment property	-	-	-	72,356	72,356
Intangible assets	-	-	-	63,815	63,815
Other assets	-	14,317	-	197,392	211,709
Total assets	5,484,255	4,372,989	10,337,969	2,100,476	22,295,689
LIABILITIES					
Due to banks	-	-	47,247	70,728	117,975
Borrowings	-	-	682,979	100	683,079
Due to customers	1,927,660	15,607,969	-	-	17,535,629
Deferred tax liability	3,660	21,809	8,205	3,143	36,817
Other liabilities	4,970	57,469	-	182,607	245,046
Total liabilities	1,936,290	15,687,247	738,431	256,578	18,618,546

31 December 2016	Corporate banking	Retail banking	Treasury	Other	Total per statement of financial position
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS					
Cash on hand	-	-	-	465,420	465,420
Balances with National Bank of Moldova	-	-	4,010,766	-	4,010,766
Due from banks	-	-	2,125,086	-	2,125,086
Financial assets held for trading	5,714,486	3,937,930	-	-	9,652,416
Loans and advances to customers	-	-	-	172,518	172,518
Lease receivables	-	-	12,170	161,925	174,095
Financial assets available for sale	-	-	2,104,017	-	2,104,017
Financial assets held to maturity	-	-	-	24,005	24,005
Non-current assets held for sale	-	-	-	825,794	825,794
Property and equipment	-	-	-	78,991	78,991
Investment property	-	-	-	68,510	68,510
Alte active	-	14,962	-	148,496	163,458
Total active	5,714,486	3,952,892	8,252,039	1,945,659	19,865,076
LIABILITIES					
Due to banks	-	-	4,598	91,060	95,658
Borrowings	-	-	846,554	1,534	848,088
Due to customers	1,632,043	13,780,332	-	-	15,412,375
Deferred tax liability	1,577	21,679	11,422	389	35,067
Other liabilities	5,677	67,405	-	138,466	211,548
Total liabilities	1,639,297	13,869,416	862,574	231,449	16,602,736

37. RISK MANAGEMENT

The risks are part of the Group's activities. Effective risk management is a key condition for success, especially during current economic conditions. The key objectives such as the maximization of the profitability, reduction of the risk exposure, compliance with regulations determined that the risk management process becomes more complex and vital.

The Group is exposed to the credit risk, including the risk related to counterparties, liquidity risk, market risk that includes interest rate risk and currency risk, operational risk, country and transfer risk.

37.1 RISK MANAGEMENT STRUCTURE

Risk management structure is based on actual requirements regarding the internal control system, general accepted practice, including recommendations of the Basel Committee for Banking Supervision.

Risk management is performed by a structured applying of management culture, policies, procedures and practices to identify, assess, monitor and mitigate the risk.

37.2 BASIC PRINCIPLES OF RISK MANAGEMENT

Monitoring and controlling risks is conducted primarily by using the system of limits imposed by the Group for each significant risk. Limits are monitored daily, ensuring communication to members of the Management Board. Given the environmental

change, market trends and/or increase of some risk indicators, the Group intervenes and imposes limits or other control measures. Risk limits reflect in the first place the tolerance and risk appetite of the Group.

In order to ensure effective risk management and obtain objective information on the condition and size of the risks, the Group's risk exposure is monitored continuously, information being presented and analyzed daily, so that the risks are identified and kept at the Group's acceptable and justifiable level.

37.3 COUNTRY AND TRANSFER RISK

Country risk is the risk determined by the eventual negative impact of economic, social and political conditions and events in a foreign country on the Group's activity.

Transfer risk is the risk that it will be impossible for a foreign entity to convert certain financial liabilities in the necessary currency to settle the payment due to the deficiency of the respective currency as a result of restrictions imposed in that country.

The country risk management system within the Group provides for the application and improvement of the internal model for evaluation and assessing of the risk category established for the country, on the basis of the analysis of complex factors, including the international rating assigned by the international rating agencies stipulated in the internal normative acts. Based on them the risk categories and the exposure limits of the bank toward each country are established. The review and adjustment of the approved limits is done periodically, but not less than once a year.

Group's country exposure as at 31 December:

Country risk category	2017		2016	
	MDL'000	%	MDL'000	%
I	2,841,633	94.04	2,122,270	92.43
II	164,999	5.46	153,286	6.68
III	14,579	0.48	17,938	6.68
IV	464	0.02	2,139	0.09
Total	3,021,675	100	2,295,633	100

Category I includes countries with international rating AAA-AA, category II: A-BBB, category III: BB-B, category IV: less than B. the Group considers as acceptable the level of country risk, given that most of the financial resources exposed to country risk relate to States with a high solvency, and namely I risk category - 94.04%.

The Group periodically assesses the credit quality of its exposure to country risk and performs various stress scenarios based on the severity of the assumed circumstances, estimating the size of potential losses if the conditions will occur and the impact on the Group's capital. Developments in the global and regional economy and trends and their forecasts are continuously analysed, in order to react promptly and effectively to minimize risks.

37.4 MARKET RISK

Market risk represents the risk of registering financial losses and /or the worsening of the financial position of the Group, as a result of the unfavourable fluctuations in the price of the Group's portfolio, determined by the changes in the risk factors such as: interest, exchange rates, volatility, etc.

The Group is exposed to interest rate and currency risks.

Market risk management is aimed at monitoring and maintaining the exposure of the financial instruments in the portfolio within the set parameters while optimizing the return on those investments.

37.4.1 Currency risk

Currency risk is the risk of potential losses due to exchange rate changes (price) of the respective currency on exchange market.

The Group manages the exchange rate risk through its prudent management of the open currency positions, the management and monitoring process being based on VAR methodology, the internal system of indicators and limits applied, maintenance of a

balanced structure of assets and liabilities in foreign currency, applying stress scenarios to exchange rate developments and analysis of the impact on earnings and capital.

In order to estimate the market risk derived from changes in exchange rates of foreign exchange to the Moldovan Leu, the Bank uses the VAR method with a confidence interval of 95%, calculated on the basis of information on daily fluctuations of exchange rates, recorded during a two year period of observation.

VAR index	(MDL'000)				
	VAR limit	Effectively as at 31 December	Daily average	Maximum	Minimum
2017	2,600	655	372	1,061	17
2016	2,200	334	533	1,912	48

To ensure effective monitoring of the currency risk and increase the Group's protection against possible adverse developments in the risk factors, the Group analyses the sensitivity of its opened currency positions to the volatility of the exchange rates.

The table below reflects the potential effect (on account of profit/loss) from daily change of foreign exchange rates that Group mainly operates with and therewith significant exposure (given the size of balance sheet assets and foreign exchange liabilities): EUR and USD in relation to MDL.

The stress analysis is applied to open currency positions for each of the three currencies listed at 31 December 2017, given reasonable daily deviation increase/decrease in exchange rates of foreign currencies against the national currency.

The amount of open currency positions includes the balances of balance sheet and off-balance sheet assets and liabilities in foreign currency. Negative amount, possibly obtained under scenario reflects a potential net reduction in foreign currency differences gains, net, while a positive amount reflects a possible increase in the foreign currency differences gains, net:

Open currency position	Nominal value	FX rate	Possible daily rate increase	Income/ (loss) effect	Possible daily rate decrease	Income/ (loss) effect
	MDL'000		%	MDL'000	%	MDL'000
La 31 December 2017						
EUR	14,795	20.4099	15.00%	2,219	-10.00%	(1,480)
USD	43,894	17.1002	15.00%	6,584	-15.00%	(6,584)
Total				8,803		(8,064)

Open currency position	Nominal value	FX rate	Possible daily rate increase	Income/ (loss) effect	Possible daily rate decrease	Income/ (loss) effect
	MDL'000		%	MDL'000	%	MDL'000
La 31 December 2016						
EUR	(97,591)	20.8895	15.00	(14,639)	(10.00)	9,759
USD	31,506	19.9814	15.00	4,726	(15.00)	(4,726)
Total				(9,913)		5,033

The nominal value of open foreign exchange position is calculated according to the provisions of the NBM and includes the assets and financial liabilities and the conditional commitments as at 31 December 2017 and 31 December 2016.

See Note 38 for the structure of Group's assets and liabilities per currencies.

37.4.2 Interest rate risk

Interest rate risk is the current or future risk of impairment of profits and equity as a result of adverse changes in interest rates.

The Group's net interest income represents a significant portion of revenue, thus contributing to the Group's capital increase

and, respectively, ensuring the success of the Group's business model. In this context, the Group attaches importance to the process of managing interest rate risk.

The Group uses the GAP analysis method to assess the impact of the interest rate variation on the market on the net interest margin, and implicitly on net interest income. Determining the discrepancy between assets and liabilities using the GAP method provides the assessment of the Group's interest position.

For the purpose of estimating the level of interest rate risk, the Group takes into account the projections of standard and / or non-standard developments of risk factors by modeling their deviation scenarios that are applied to the sum of the asset and interest rate gap, indicates the sensitivity and potential impact on of net interest income.

The table below illustrates the sensitivity of net interest income to a possible proportional change in interest rates within each maturity band according to the revaluation range. The model does not measure non-interest-bearing items.

Sensitivity of net interest income, MDL'000

Increase in basis points		1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
2017	1. +100	1,597	1,110	8,428	4,060	(15)	15,180
	2. +50	799	555	4,214	2,030	(8)	7,590
2016	3. +100	17,818	(2,351)	969	(179)	(20)	16,237
	4. +50	8,909	(1,175)	484	(90)	(10)	8,118

Sensibilitatea Venitului net din dobânzi MDL'000

Increase in basis points		1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
2017	-100	(1,597)	(1,110)	(8,428)	(4,060)	15	(15,180)
	-50	(799)	(555)	(4,214)	(2,030)	8	(7,590)
2016	-100	(17,818)	2,351	(969)	179	20	(16,237)
	-50	(8,909)	1,175	(484)	90	10	(8,118)

37.5 LIQUIDITY RISK

Liquidity risk is the current or future risk that affects profits and equity due to the group's inability to meet its obligations at maturity.

The liquidity risk management process is complex and involves the development of policies and processes for the identification, measurement, monitoring and control of liquidity risk and their effective implementation.

An integral part of the liquidity risk management process is the elaboration of unfavorable scenarios of risk factors and the performance of stress tests based on them, designed to support the cash flow forecasting process and to provide the assessment of the liquidity situation of the Group.

In order to ensure the financial equilibrium in terms of maturities, the Group tends to maintain consistency between the continuity and the flexibility of attracting funds by contracting liabilities with different maturities.

Considering that the liquidity risk implies not only the actual deficit of the necessary financial means, but also the cost of obtaining them, the Group seeks to ensure a diversified portfolio and a high quality of the assets by assuring an activity sustainable and successful.

BC MOLDOVA AGROINDBANK SA
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017
 (All amounts are expressed in thousand MDL, if not stated otherwise)

The Group maintains and updates the Crisis Recovery Plan, which presents a risk management tool aimed for determining the procedures for early identification of vulnerabilities and measures to mitigate the negative impact of a possible crisis situation.

The table below sets out the remaining contractual cash flows until the maturity of the Group's non-derivative financial liabilities. The amounts disclosed in the table represent undiscounted cash flows at 31 December 2017:

31 December 2017	On demand	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Financial liabilities						
Due to banks	51,115	7,126	31,867	27,464	-	117,572
Borrowings	53,017	12,170	157,247	486,316	23,228	731,978
Due to customers	7,307,780	1,950,894	7,011,053	1,587,313	10,205	17,867,245
Other financial liabilities	260,662	-	-	-	-	260,662
Total undiscounted financial liabilities	7,672,574	1,970,190	7,200,167	2,101,093	33,433	18,977,457
Letters of credit	7,662	7,682	-	-	-	15,344
Financial guarantees	233,853	20,471	31,444	25,021	-	310,789
Financing commitments	4,948	66,443	446,907	392,182	-	910,480
Total	7,919,037	2,064,786	7,678,518	2,518,296	33,433	20,214,070

The table below sets out the remaining contractual cash flows until the maturity of the Group's non-derivative financial liabilities. The amounts disclosed in the table represent undiscounted cash flows at 31 December 2016:

31 December 2016	On demand	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Financial liabilities						
Due to banks	9,886	9,617	35,590	43,113	-	98,206
Borrowings	71,326	12,110	214,782	561,622	64,134	923,974
Due to customers	6,052,895	2,352,712	6,663,831	769,649	11,023	15,850,110
Other financial liabilities	226,459	-	-	-	-	226,459
Total undiscounted financial liabilities	6,360,566	2,374,439	6,914,203	1,374,384	75,157	17,098,749
Letters of credit	624	5,664	-	-	-	6,288
Financial guarantees	171,486	8,787	33,477	31,837	-	245,587
Financing commitments	15,348	156,692	296,092	416,784	14	884,930
Total	6,548,024	2,545,582	7,243,772	1,823,005	75,171	18,235,554

37.6 COUNTERPARTY RISK

The counterparty risk (partner banks) is the risk that certain financial assets and liabilities arising from transactions concluded on financial markets (currency, monetary and stock exchange) or during clearing and settlement operations are not met, which may cause losses for the Group.

The Group follows a prudent policy regarding the partnership with local and foreign banks. Largest share of completed operations, and means held in correspondent accounts is performed with strategic partners with long experience of working together.

The management system of counterparty risk in the Group provides a mechanism for implementation and improvement of assessment and review of the solvency of partner banks based on an internal evaluation model that involves the qualitative and quantitative analysis of the banks to establish certain exposure limits, with further structuring based on the type and term of the operations. The limits are revised and adjusted periodically.

37.7 CREDIT RISK

The credit risk is the current or future risk of a negative impact on the profits and capital as a result of a client's failure to meet its contractual obligations or of the deterioration of its financial performance and results.

The Group manages credit risk through::

- Set the level of empowerment for the transaction approval based on the credit risk size;
- Diversification of the loan portfolio;
- Setting general limits on risk concentration for segments of clients, currencies, types of activities, maturity dates, products and their permanent management;
- Compliance with the limits established by the National Bank of Moldova and by other international financial institutions — Group creditors, compliance with the internal indicators established by the Group, set up and monitoring of annual limits for the credit risk exposure on loans granted to corporate clients
- Creation of the credit risk management structure and decision-making system, detailed analysis of each credit transaction by the Corporate Clients Department or the Bank's branch/DOCCB;
- Developing a complex and systemic approach for risks assessment and management;
- Monthly analysis of loan portfolio quality, quarterly classification of credits in accordance with the Regulation of the National Bank of Moldova "On the classification of assets and contingent liabilities, setting up allowances for loan losses and provisions for contingent liabilities".
- Continuous monitoring of client's business progress, its solvency, compliance with the terms of agreements, throughout the entire lending period;
- Assessment of the loan portfolio impairment (specific and collective) and of other assets that are not loans and recognition of impairment losses whether objective impairment evidence is obtained;
- Developing of stress test practice in order to assess the Bank's ability to resist exogenous shocks and development of plan for Bank's recovery in such situations;
- Continuous monitoring of clients position for the purpose of determining the clients' possibility and ability to continue to honour their credit commitments, early detection of signs of alert, which may negatively impact the clients' ability to honour appropriately commitments assumed by them and take appropriate actions in order to protect the Bank from probable losses
- Evaluation of collateral sufficiency, probable cash flows and insurance, appropriate and suitable reaction on adverse fluctuations in the client's activity, quarterly classification of clients depending on their financial position, application of interest rates on loans according to the client's category and risk degree..

The table below shows the maximum exposure to credit risk of the Group's elements from the financial position and off-balance sheet items. The table also discloses the financial effect of the fair value of total collateral held per types.

Exposures not covered by collateral include National Bank of Moldova accounts, foreign bank accounts rated between BBB and A according to international rating agencies, certificates issued by the National Bank of Moldova, state securities issued by the Ministry of Finance of the Republic of Moldova, as well as lending products for individuals and enterprises within the Program for Products without Collateral.

BC MOLDOVA AGROINDBANK SA
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017
 (All amounts are expressed in thousand MDL, if not stated otherwise)

31 December 2017	Fair value of the collateral						
	Maximum exposure to credit risk	Immovable assets	Movable assets	Securities	Bank guarantees	Cash in deposit accounts	Total value of collateral
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
Balances with National Bank	4,454,566	-	-	-	-	-	-
Due from banks	2,811,178	-	-	-	-	-	-
Loans and receivables							
Corporate	5,484,255	5,046,046	5,289,888	342,545	-	20,948	10,699,427
Retail, legal entities	1,776,010	2,119,043	1,557,812	-	55,809	76,370	3,809,034
Retail, individuals	2,582,662	2,741,286	13,334	-	-	4,559	2,759,179
Total loans	9,842,927	9,906,375	6,861,034	342,545	55,809	101,877	17,267,640
Lease receivables	132,031	23,349	108,682	-	-	-	132,031
Financial assets held to maturity	1,793,908	-	-	-	-	-	-
Other financial assets	155,005	-	-	-	-	-	-
Commitments							
Letters of credit	15,344	-	-	-	-	-	-
Guarantees	310,789	160,022	489,553	-	-	47,938	697,513
Financing commitments	910,480	392,010	829,128	1,025	1,300	9,649	1,233,112
	1,236,613	552,032	1,318,681	1,025	1,300	57,587	1,930,625
Total	20,426,228	10,481,756	8,288,397	343,570	57,109	159,464	19,330,296

31 December 2016	Maximum exposure to credit risk	Fair value of the collateral					Cash in deposit accounts	Total value of collateral
		Immovable assets	Movable assets	Securities	Bank guarantees			
		MDL'000	MDL'000	MDL'000	MDL'000	MDL'000		
Balances with National Bank	4,010,766	-	-	-	-	-	-	
Due from banks	2,125,086	-	-	-	-	-	-	
Loans and receivables								
Corporate	5,714,486	4,431,082	5,636,569	320,518	-	22,105	10,410,274	
Retail, legal entities	1,786,815	2,128,935	1,476,269	-	22,056	79,183	3,706,443	
Retail, individuals	2,151,115	2,494,424	12,882	-	-	2,949	2,510,255	
Total loans	9,652,416	9,054,441	7,125,720	320,518	22,056	104,237	16,626,972	
Lease receivables	172,518	37,472	218,687	-	-	-	256,159	
Financial assets held to maturity	2,104,017	-	-	-	-	-	-	
Other financial assets	137,562	-	-	-	-	-	-	
Commitments								
Letters of credit	6,288	-	-	-	-	-	-	
Guarantees	245,587	174,554	340,758	-	4,507	34,303	554,122	
Financing commitments	681,399	392,003	602,137	25,956	1,400	12,559	1,034,055	
	933,274	566,557	942,895	25,956	5,907	46,862	1,588,177	
Total	19,135,639	9,658,470	8,287,302	346,474	27,963	151,099	18,471,308	

The financial effect of collateral

The financial effect of the collateral is presented as its disclosure of the value, separately for (i) the assets for which the collateral is equal or greater than the carrying of the asset (over-collateralised) and (ii) the assets for which the collateral is less than the carrying value of the asset (under-collateralised). "Over-collateralised assets" do not include the assets secured only by surety, third party collateral and cash flows, including cash claims and receivables.

The carrying value of the under-collateralized assets, granted to corporate customers secured only by cash receivables constitutes MDL'000 232,638 (31 december 2016: MDL'000 189,049).

Therefore, the share of loans granted without collateral in accordance with original contractual conditions and those stipulated in loan products represents 88.90%.

The financial effect of the collateral at 31 December 2017 and 31 December 2016 is presented below:

31 December 2017	Over-collateralized assets		Under-collateralized assets	
	Carrying value of assets	Fair value of collateral	Carrying value of assets	Fair value of collateral
Corporate customers	5,164,456	10,680,051	319,799	19,376
Retail, legal entities	1,662,893	3,745,649	113,117	63,385
Individuals	1,426,674	2,758,349	1,155,988	830
Total	8,254,023	17,184,049	1,588,904	83,591
31 December 2016				
Corporate customers	5,153,854	10,320,123	560,632	90,151
Retail, legal entities	1,668,430	3,664,785	118,385	41,658
Individuals	1,185,812	2,508,681	965,303	1,574
Total	8,008,096	16,493,589	1,644,320	133,383

The financial effect of collateral for finance lease receivables is presented by disclosing leased objects values separately for (i) those assets where leased objects and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where leased objects and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). The financial effect of the collateral at 31 December 2017 for lease receivables:

31 December 2017	Over-collateralized assets		Under-collateralized assets	
	Carrying value of assets	Fair value of collateral	Carrying value of assets	Fair value of collateral
Lease receivables from individuals	63,688	109,839	2,470	650
Lease receivables from legal entities	59,383	100,775	6,490	4,247
Total	123,071	210,614	8,960	4,897
31 December 2016				
Lease receivables from individuals	73,736	123,381	2,648	2,222
Lease receivables from legal entities	71,722	132,778	24,412	17,041
Total	145,458	256,159	27,060	19,263

As at 31 December 2017 loans granted to 20 major customers (groups of clients) of the Group amounted to MDL'000 3,717,567 representing 34.13 % of the total Group's gross loan portfolio (2016: MDL' 000 3,366,712 sau 31.91%). These customers are analysed by industry as follows:

	31.12.2017	31.12.2016
	MDL'000	MDL'000
Winery	438,686	442,124
Non-food industry	504,702	554,501
Sunflower oil production	142,310	193,968
Trade	1,111,208	840,485
Food processing	745,629	389,404
Car dealers	174,794	134,985
Agriculture	235,569	312,774
Consumer loans	3,097	3,324
Transport	-	169,090
Postal services/telecommunications	169,337	169,875
Extraction of brut oil and natural gas	192,235	156,182
	3,717,567	3,366,712

For significant credit risk concentration at the industry level please refer to Note 7.

37.8 TAXATION RISK

The Group is committed to ensure a sustainable management of taxation risk by building and maintaining a transparent, effective and efficient tax function within the Group. The Group strictly respects and applies the tax legislation in force for all fees and taxes.

Considering the fact that the fiscal legislation is in permanent dynamics, by including of new amendments and tax rules, the Group analyses them thoroughly and seeks to anticipate early possible interpretations and the impact of each changes on financial and tax results.

In this connection, the Group requests for written explanations on the interpretative provisions of the legislation from Tax authorities, to ensure against tax risks.

Tax liabilities of the Group are open to tax inspection for a period of four years.

37.9 OPERATIONAL RISK

Operational risk is the current or future risk that affects profits and capital resulting from inadequate or failed internal processes or systems and / or from the action of some persons (employees) or external events. Operational risks arise from all Group activities and are related to all business units.

The Group is aware of the importance of managing the operational risk arising from its business activities as well as of the need to hold an adequate level of capital to absorb the potential losses associated with this type of risk.

Operational risk management is conducted in accordance with the policies and procedures developed and implemented, as well as in accordance with national and international regulatory requirements.

In this context, in order to reduce inherent risk in operational activities and to achieve effective operational risk management, the Group has adopted and implemented a general operational risk management framework that contributes to effective operational risk management and increasing the profitability of the group. Operational risk management includes the following.

- Collecting and managing operational risk events.
- Identifying and evaluating operational risk through the risk self-assessment exercise and associated controls (RCSA).
- Defining and monitoring key risk indicators.
- Reporting operational risk and related losses.
- Measures to minimize operational risk, including the implementation of action plans to improve the internal control system.
- Keeping and updating the business continuity plan
- Calculation of the capital requirement.

The operational risk management system provides for the application of all processes and procedures necessary to identify, assess, monitor and control this type of risk. The management framework is also supported by an adequate organizational structure with clear roles and responsibilities, according to the assumption that the main responsibility for managing operational risk and the application of the appropriate account remains with the business units.

38. STATEMENT OF FINANCIAL POSITION STRUCTURE BY CURRENCY

	31 December 2017				
	Total	MDL	USD	EUR	Other
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS					
Cash on hand	613,201	317,240	39,345	194,778	61,838
Balances with NBM	4,454,566	3,385,601	335,264	733,701	-
Due from banks	2,811,178	210	963,915	1,825,284	21,769
Loans and advances to customers	9,842,927	5,547,444	1,192,984	3,102,499	-
Lease receivables	132,031	24,376	-	107,655	-
Financial assets available for sale	1,420,720	1,420,720	-	-	-
Financial assets held to maturity	1,793,908	1,793,908	-	-	-
Non-current assets held for sale	15,263	15,263	-	-	-
Property and equipment	864,015	864,015	-	-	-
Investment property	72,356	72,356	-	-	-
Intangible assets	63,815	63,815	-	-	-
Other assets	211,709	144,858	32,909	33,122	820
Total assets	22,295,689	13,649,806	2,564,417	5,997,039	84,427
LIABILITIES					
Due to banks	117,975	44,771	2,476	70,728	-
Borrowings	683,079	349,556	39,401	294,122	-
Due to customers	17,535,629	9,334,909	2,479,150	5,694,025	27,545
Deferred tax liabilities	36,817	36,817	-	-	-
Current tax liability	30,972	30,972	-	-	-
Other liabilities	214,074	163,026	23,044	27,527	477
Total liabilities	18,618,546	9,960,051	2,544,071	6,086,402	28,022
GAP	3,677,143	3,689,755	20,346	(89,363)	56,405

BC MOLDOVA AGROINDBANK SA
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017
 (All amounts are expressed in thousand MDL, if not stated otherwise)

	31 December 2016				
	Total	MDL	USD	EUR	Other
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS					
Cash on hand	465,420	275,738	47,702	101,742	40,238
Balances with NBM	4,010,766	3,069,657	305,110	635,999	-
Due from banks	2,125,086	520	764,801	1,341,756	18,009
Loans and advances to customers	9,652,416	5,343,001	1,272,126	3,037,289	-
Lease receivables	172,518	36,924	-	135,594	-
Financial assets available for sale	174,095	174,095	-	-	-
Financial assets held to maturity	2,104,017	2,104,017	-	-	-
Non-current assets held for sale	24,005	24,005	-	-	-
Property and equipment	825,794	825,794	-	-	-
Investment property	78,991	78,991	-	-	-
Intangible assets	68,510	68,510	-	-	-
Other assets	163,458	110,391	31,957	19,387	1,723
Total assets	19,865,076	12,111,643	2,421,696	5,271,767	59,970
LIABILITIES					
Due to banks	95,658	-	4,598	91,060	-
Borrowings	848,088	461,531	75,648	310,909	-
Due to customers	15,412,375	8,115,292	2,312,421	4,954,836	29,826
Deferred tax liabilities	35,067	35,067	-	-	-
Current tax liability	6,232	6,232	-	-	-
Other liabilities	205,316	155,199	24,548	25,087	482
Total liabilities	16,602,736	8,773,321	2,417,215	5,381,892	30,308
GAP	3,262,340	3,338,322	4,481	(110,125)	29,662

39. MATURITY STRUCTURE

31 December 2017	Total	Less than 1 year	More than 1 year
	MDL'000	MDL'000	MDL'000
Assets			
Cash on hand	613,201	613,201	-
Balances with National Bank of Moldova	4,454,566	4,454,566	-
Due from banks	2,811,178	2,811,178	-
Credits, net	9,842,927	4,210,455	5,632,472
Lease receivables	132,031	82,814	49,217
Financial assets available for sale	1,420,720	914,660	506,060
Financial assets held to maturity	1,793,908	1,747,377	46,531
Non-current assets held for sale	15,263	-	15,263
Property and equipment	864,015	-	864,015
Investment property	72,356	-	72,356
Intangible assets	63,815	-	63,815
Other assets	211,709	211,709	-
Total assets	22,295,689	15,045,960	7,249,729
Liabilities			
Due to banks	117,975	58,707	59,268
Borrowings	683,079	210,598	472,481
Due to customers	17,535,629	16,063,078	1,472,551
Deferred tax liabilities	36,817	-	36,817
Current tax liability	30,972	30,972	-
Other liabilities	214,074	214,074	-
Total liabilities	18,618,546	16,577,429	2,041,117
Maturity gaps	3,677,143	(1,531,469)	5,208,612

31 December 2016	Total	Less than 1 year	More than 1 year
	MDL'000	MDL'000	MDL'000
Assets			
Cash on hand	465,420	465,420	-
Balances with National Bank of Moldova	4,010,766	4,010,766	-
Due from banks	2,125,086	2,125,086	-
Credits, net	9,652,416	4,400,725	5,251,691
Lease receivables	172,518	109,854	62,664
Financial assets available for sale	174,095	12,170	161,925
Financial assets held to maturity	2,104,017	2,067,132	36,885
Non-current assets held for sale	24,005	-	24,005
Property and equipment	825,794	-	825,794
Investment property	78,991	-	78,991
Intangible assets	68,510	-	68,510
Other assets	163,458	163,458	-
Total assets	19,865,076	13,354,611	6,510,465
Liabilities			
Due to banks	95,658	4,598	91,060
Borrowings	848,088	285,254	562,834
Due to customers	15,412,375	14,720,130	692,245
Deferred tax liabilities	35,067	-	35,067
Current tax liability	6,232	6,232	-
Other liabilities	205,316	137,098	68,218
Total liabilities	16,602,736	15,153,312	1,449,424
Maturity gaps	3,262,340	(1,798,701)	3,262,340

40. INTEREST RATE RISK EXPOSURE

The table below set out the Group's exposure to interest rate risk based on the earlier of contractual maturity of its financial instruments or the next interest rate repricing date, if the instruments are subject to variable interest rates. Group's policy on interest rate risk management is to minimize exposure and continuously to adapt interest repricing dates and maturities for assets and liabilities.

BC MOLDOVA AGROINDBANK SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(All amounts are expressed in thousand MDL, if not stated otherwise)

31 December 2017	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 items
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS							
Cash on hand	613,201	-	-	-	-	-	613,201
Balances with National Bank of Moldova	4,454,566	4,454,566	-	-	-	-	-
Due from banks	2,811,178	2,811,178	-	-	-	-	-
Loans and advances to customers (floating rate)	9,322,792	8,782,253	-	-	-	-	540,539
Loans and advances to customers (fixed rate)	520,135	-	34,160	485,975	-	-	-
Lease receivables	132,031	33,289	8,592	33,139	49,217	-	7,794
Financial assets available for sale	1,420,720	137,823	187,157	589,680	363,657	-	142,403
Financial assets held to maturity	1,793,908	1,555,890	118,843	72,644	46,531	-	-
Non-current assets held for sale	15,263	-	-	-	-	-	15,263
Property and equipment	864,015	-	-	-	-	-	864,015
Investment property	72,356	-	-	-	-	-	72,356
Intangible assets	63,815	-	-	-	-	-	63,815
Other assets	211,709	-	-	-	-	-	211,709
Total assets	22,295,689	17,774,999	348,752	1,181,438	459,405	-	2,531,095
LIABILITIES							
Due to bank	117,975	117,975	-	-	-	-	-
Borrowings	683,079	151,406	192,660	299,301	-	-	39,712
Due to customers (fixed rate)	65,531	17,006	36,523	6,292	4,179	1,531	-
Due to customers (floating rate)	17,470,098	17,427,567	-	-	-	-	42,531
Deferred tax liabilities	36,817	-	-	-	-	-	30,972
Current tax liability	30,972	-	-	-	-	-	214,074
Other liabilities	214,074	-	-	-	-	-	36,817
Total liabilities	18,618,546	17,713,954	229,183	305,593	4,179	1,531	364,106
Interest gap	3,677,143	61,045	119,569	875,845	455,226	(1,531)	2,166,989
Cumulative interest gap		61,045	180,614	1,056,459	1,511,685	1,510,154	3,677,143

BC MOLDOVA AGROINDBANK SA
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017
 (All amounts are expressed in thousand MDL, if not stated otherwise)

31 December 2016	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 items
	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000	MDL'000
ASSETS							
Cash on hand	465,420	-	-	-	-	-	465,420
Balances with National Bank of Moldova	4,010,766	4,010,766	-	-	-	-	-
Due from banks	2,125,086	2,125,086	-	-	-	-	-
Loans and advances to customers (floating rate)	9,563,161	9,401,272	-	-	-	-	161,889
Loans and advances to customers (fixed rate)	89,255	-	6,223	83,032	-	-	-
Lease receivables	172,518	43,957	10,129	41,332	62,664	-	14,436
Financial assets available for sale	174,095	-	-	12,170	-	-	161,925
Financial assets held to maturity	2,104,017	1,546,792	196,177	361,048	-	-	-
Non-current assets held for sale	24,005	-	-	-	-	-	24,005
Property and equipment	825,794	-	-	-	-	-	825,794
Investment property	78,991	-	-	-	-	-	78,991
Intangible assets	68,510	-	-	-	-	-	68,510
Other assets	163,458	-	-	-	-	-	163,458
Total assets	19,865,076	17,127,873	212,529	497,582	62,664	-	1,964,428
LIABILITIES							
Due to bank	95,658	4,598	-	15,552	75,508	-	-
Borrowings	848,088	230,860	200,194	376,977	-	-	40,057
Due to customers (fixed rate)	410,570	147,846	247,473	8,178	5,068	2,005	-
Due to customers (floating rate)	15,001,805	14,962,686	-	-	-	-	39,119
Deferred tax liabilities	35,067	-	-	-	-	-	35,067
Current tax liability	6,232	-	-	-	-	-	6,232
Other liabilities	205,316	-	-	-	-	-	205,316
Total liabilities	16,602,736	15,345,990	447,667	400,707	80,576	2,005	325,791
Interest gap	3,262,340	1,781,883	(235,138)	96,875	(17,912)	(2,005)	1,638,637
Cumulative interest gap		1,781,883	1,546,745	1,643,620	1,625,708	1,623,703	3,262,340

The Group extends loans and accepts deposits bearing fixed rates as well as variable rates. Floating rate loans to customers and deposits from customers represent instruments in respect of which the Group has the right to change unilaterally the interest rate in line with the rates on the market. The Group has to give 15 day notice prior to the date when the change takes place. For interest gap disclosure purposes, loans and deposits bearing floating rates were considered to have a 15 - day notice re-pricing period and were classified into the category "less than 1 month".

41. CONTINGENT LIABILITIES

At 31 December 2017 and 31 December 2016 the Group is the defendant in several lawsuits arising in the ordinary corporate activity. According to Management and the Legal Department of the Group, the loss probability is small and accordingly no provision has been made in these financial statements

42. EVENTS AFTER THE REPORTING DATE

On 08.02.2018, the Group's Management Committee decided to continue to sell through the regulated market of the Moldovan Stock Exchange:

- The unique package of 36,605 (thirty-six thousand six hundred and five) ordinary registered shares of the first class issued at the initial price from 1064.02 lei per share. Auction period: from 17 April 2018 to 30 April 2018.
- The unique package of 389,760 (three hundred and eighty nine thousand seven hundred sixty) new ordinary shares issued in the first class, at the initial price from 1054.71 lei per share. Auction period: from 17 April 2018 to 30 April 2018.

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