Banca Comerciala Romana S.A.

CONSOLIDATED FINANCIAL STATEMENTS

prepared in accordance with International Financial Reporting Standards

For year ended - 31 December 2008

BCR

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Banca Comerciala Romana S.A.

1. We have audited the accompanying financial statements of Banca Comerciala Romana SA and its subsidiaries (the "Bank"), which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Ernst & Young

Ernst and Young Assurance Services SRL

Bucharest, Romania

13 March 2009

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INCOME STATEMENT

Consolidated and Bank
for the year ended 31 December 2008

		Group		Bank	
RON Thousand	Notes	2008	2007	2008	2007
Continuing operations					
Interest and similar income	4	7,164,710	4,130,235	6,818,393	3,914,973
Interest and similar expenses	5	(4,124,308)	(2,167,303)	(3,934,391)	(2,049,470)
Net interest income		**3,040,402**	**1,962,932**	**2,884,002**	**1,865,503**
Fee and commission income	6	1,074,579	945,398	1,023,359	908,103
Fee and commission expenses	6	(159,365)	(87,852)	(155,061)	(84,173)
Net fee and commission income	6	**915,214**	**857,546**	**868,298**	**823,930**
Net trading income	7	256,808	255,914	257,014	254,501
Net gain or loss on financial assets and liabilities designated at fair value through profit or loss		(45,791)	(9,317)	(45,513)	(9,227)
Other operating income	9	320,638	41,007	895,370	31,645
Total operating income		**4,487,271**	**3,108,082**	**4,859,171**	**2,966,352**
Credit loss expense	10	(628,633)	(164,444)	(616,728)	(159,677)
Net operating income		**3,858,638**	**2,943,638**	**4,242,443**	**2,806,675**
Personnel expenses	11	(1,051,058)	(1,193,553)	(973,813)	(1,134,200)
Depreciation and impairment of property and equipment	21	(124,922)	(131,634)	(120,063)	(124,961)
Amortization of intangible assets	22	(30,957)	(40,411)	(29,715)	(38,840)
Other operating expenses	12	(811,193)	(475,384)	(796,549)	(458,259)
Total operating expenses		**(2,018,130)**	**(1,840,982)**	**(1,920,140)**	**(1,756,260)**
Profit before tax		**1,840,508**	**1,102,656**	**2,322,303**	**1,050,415**
Income tax expense	13	(308,882)	(184,384)	(370,635)	(162,927)
Profit for the year from continuing operations		**1,531,626**	**918,272**	**1,951,668**	**887,488**
Discontinued operations					
Profit for the year from discontinued operations, net of tax	8	504,005	15,111	-	-
Profit for the year		**2,035,631**	**933,383**	**1,951,668**	**887,488**
Attributable to:					
Equity holders of the parent		2,032,682	924,781	1,951,668	887,488
Minority interest		2,949	8,602	-	-

The financial statements were approved by the Management Board on 13 March 2009 and were signed on its behalf by:

Mr. Dominic Bruynseels
Executive President

Mr. Helmuth Hintringer
Executive Vice President

The accompanying notes form an integral part of these financial statements

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BALANCE SHEET
Consolidated and Bank
at 31 December 2008

RON Thousand	Notes	Group 2008	Group 2007	Bank 2008	Bank 2007
ASSETS					
Cash and balances with central banks	15	14,627,318	17,303,337	14,549,574	17,181,773
Due from banks	16	1,117,984	3,252,888	1,120,862	2,499,103
Reverse repurchase agreements		13,650	-	13,650	-
Financial assets held for trading		223,022	2,995	223,020	20
Financial assets designated at fair value through profit or loss	17	191,595	470,064	191,445	469,708
Loans and advances to customers	18	45,521,595	37,607,074	42,916,496	35,129,692
Financial investments – available-for-sale	19	1,406,077	1,685,570	1,677,656	2,047,742
Financial investments – held-to-maturity	19	698,851	10,615	665,559	2,941
Investments of insurance companies	20	-	413,198	-	-
Property and equipment	21	1,720,530	1,644,367	1,613,290	1,531,658
Goodwill and other intangible assets	22	273,726	208,669	233,649	178,338
Deferred tax assets	13	2,344	2,076	-	-
Other assets	23	1,330,708	758,010	1,107,581	570,175
Assets held for sale	25	1,953,218	-	191,022	-
TOTAL ASSETS		**69,080,618**	**63,358,863**	**64,503,804**	**59,611,150**
LIABILITIES AND EQUITY					
Due to banks	24	22,572,339	22,535,473	19,582,189	19,601,910
Repurchase agreements		114,233	-	114,233	-
Derivative financial instruments	29	1,399,977	70,872	1,399,977	70,872
Due to customers	26	32,894,315	30,131,647	33,237,201	30,251,774
Debt issued and other borrowed funds	27	985,825	3,842,264	985,825	3,879,599
Current tax liabilities		165,051	9,351	145,882	-
Deferred tax liabilities	13	141,593	41,193	140,260	34,591
Other liabilities	30	1,577,326	1,341,662	1,520,986	1,108,107
Provisions	31	166,096	519,024	164,980	140,982
Subordinated liabilities	28	1,330,000	-	1,330,000	-
Liabilities associated with assets held for sale	25	1,379,135	-	-	-
TOTAL LIABILITIES		**62,725,890**	**58,491,486**	**58,621,533**	**55,087,835**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT					
Issued capital	33	2,119,693	2,119,693	2,119,693	2,119,693
Retained earnings		3,271,237	1,608,468	2,936,721	1,354,967
Available-for-sale reserve	33	(220,084)	9,982	(216,751)	10,533
Foreign currency translation reserve	33	102,583	40,051	-	-
Other capital reserve	33	1,054,039	1,051,738	1,042,608	1,038,122
		6,327,468	**4,829,932**	**5,882,271**	**4,523,315**
MINORITY INTEREST		27,260	37,445	-	-
TOTAL EQUITY		**6,354,728**	**4,867,377**	**5,882,271**	**4,523,315**
TOTAL LIABILITIES AND EQUITY		**69,080,618**	**63,358,863**	**64,503,804**	**59,611,150**

The financial statements were approved by the Management Board on 13 March 2009 and were signed on its behalf by:

Mr. Dominic Bruynseels
Executive President

BANCA COMERCIALĂ ROMÂNĂ BCR PREȘEDINTE EXECUTIV

Mr. Helmuth Hintringer
Executive Vice President

The accompanying notes form an integral part of these financial statements

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STATEMENT OF RECOGNISED INCOME AND EXPENSE

Consolidated and Bank
for the year ended 31 December 2008

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Management share options plan (MSOP)	1,395	-	1,395	-
Available-for-sale investments				
Valuation (losses)/gains taken to equity	(273,924)	(12,332)	(270,576)	(11,729)
Transferred to profit or loss on sale	-	4,408	-	3,483
Exchange differences on translation of foreign operations	59,702	30,961	-	-
Actuarial gains on defined benefit plans	4,204	40,911	3,675	42,118
Tax on items taken directly to or transferred from equity	42,811	(5,792)	42,708	(5,420)
Net income/(expense) recognised directly in equity	**(165,812)**	**58,156**	**(222,798)**	**28,452**
Profit for the period	2,035,631	933,383	1,951,668	887,488
Total recognised income and expense for the period	**1,869,819**	**991,539**	**1,728,870**	**915,940**
Attributable to:				
Equity holders of the parent	1,867,449	982,129	1,728,870	915,940
Minority interest	2,370	9,410	-	-

The accompanying notes form an integral part of these financial statements

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CASH FLOW STATEMENT
Consolidated and Bank
for the year ended 31 December 2008

RON Thousand	Notes	Group 2008	Group 2007	Bank 2008	Bank 2007
OPERATING ACTIVITIES					
Profit before tax from continuing operations		1,840,508	1,102,656	2,322,303	1,050,415
Profit before tax from discontinued operations		611,165	18,243	-	-
Profit before tax		2,451,673	1,120,899	2,322,303	1,050,415
Adjustments for:					
Change in operating assets	36	(8,844,460)	(12,782,071)	(8,892,801)	(11,681,911)
Change in operating liabilities	36	4,059,146	18,535,145	4,919,543	19,524,203
Non-cash items included in profit before tax	36	1,703,964	1,048,383	1,558,619	983,481
Net gain from investing activities		(799,095)	(35,247)	(906,059)	(50,320)
Payments made against provisions	36	(81,305)	(74,367)	(81,176)	(74,294)
Income tax paid		(63,663)	(128,474)	(38,407)	(109,621)
Net cash flows from/(used in) operating activities		**(1,573,740)**	**7,684,268**	**(1,117,978)**	**9,641,953**
INVESTING ACTIVITIES					
Purchase of property and equipment		(297,667)	(157,011)	(291,463)	(147,450)
Proceeds from sale of property and equipment		12,816	8,608	6,230	8,077
Purchase of financial investments		(1,165,478)	(3,075,080)	(1,425,794)	(2,912,155)
Proceeds from sale of financial investments		855,630	1,995,000	1,536,829	1,977,842
Acquisition of minority interest		(84,101)	(29,439)	-	-
Dividends received		5,313	5,394	39,407	50,156
Proceeds from sale of discontinued operations		678,018	-	-	-
Net cash flows used in investing activities		**4,531**	**(1,252,528)**	**(134,791)**	**(1,023,530)**
FINANCING ACTIVITIES					
Proceeds from subordinated liabilities		1,330,000	-	1,330,000	-
Proceeds from debt issued and other borrowed funds		1,494,712	4,590,673	299,622	2,141,340
Repayment of debt issued and other borrowed funds		(4,895,830)	(8,440,553)	(3,963,023)	(8,035,599)
Repayment of finance lease liabilities		-	-	(9,860)	(19,190)
Dividends paid to minority interests		-	(2,529)	-	-
Dividends paid to equity holders of the parent		(369,913)	(367,927)	(369,913)	(367,927)
Net cash flows (used in)/from financing activities		**(2,441,031)**	**(4,220,336)**	**(2,713,174)**	**(6,281,376)**
Net increase/ (decrease) in cash and cash equivalents		(4,010,240)	2,211,404	(3,965,943)	2,337,047
Cash and cash equivalents at 1 January		**19,701,351**	**17,489,947**	**19,579,310**	**17,242,263**
Cash and cash equivalents at 31 December	36	**15,691,111**	**19,701,351**	**15,613,367**	**19,579,310**
Operational cash flows from interest and dividends					
Interest paid		4,011,861	1,936,518	3,830,954	1,821,532
Interest received		6,922,229	4,005,200	6,574,826	3,802,523

The accompanying notes form an integral part of these financial statements

1. CORPORATE INFORMATION

Banca Comerciala Romana S.A. ('the Bank' or 'BCR') together with its subsidiaries (the 'Group') provides retail, corporate banking and investment banking services mainly in Romania. As a result of the privatization process organized by the government of Romania, Erste Bank der oesterreichischen Sparkassen AG ("Erste Bank") purchased 61.88% of the share capital of the Bank pursuant to a share purchase agreement dated 21 December 2005. In December 2006, Erste Bank purchased further 7.27% from employees of the Bank. The ultimate parent of the Group is Erste Group Bank.

The Group provides day-to-day banking services and other financial services to governmental institutions, corporate and individual clients operating in Romania and abroad. These services include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium and long term facilities, retail loans, finance micro and small enterprises, bank guarantees, letter of credits and through subsidiaries also leasing, insurance, brokerage, financial consultancy services and asset management. In December 2008, the insurance business was sold.

Banca Comerciala Romana S.A. is incorporated and domiciled in Romania. Its registered office is at 5, Elisabeta Boulevard, Bucharest, Romania.

The consolidated financial statements for the year ended 31 December 2008 were authorized for issue in accordance with a resolution of the Management Board on 13 March 2009.

2. ACCOUNTING POLICIES

The accounting policies apply to both the consolidated ("Group") and separate financial statements of the Bank, except for accounting of investments in subsidiaries in the Bank's financial statements.

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis modified to include the inflation adjustments under International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies" up to 31 December 2003, except for available-for-sale investments, derivative financial instruments and financial assets held at fair value through profit or loss, that have been measured at fair value.

The Bank and its subsidiaries which are incorporated in Romania maintain their books of account and prepare their statutory financial statements in accordance with Romanian Accounting Regulations and in the case of the Bank and its subsidiaries "BCR Leasing IFN SA" and "BCR Banca pentru locuinte ", also in accordance with Romanian Banking Regulations. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their presentation currencies and in accordance with the regulations of the countries in which they operate. The consolidated financial statements have been prepared from statutory financial statements of the Bank and its subsidiaries and presented in accordance with IFRS with adjustments and certain reclassifications for the purpose of the fair presentation in accordance with IFRS. These adjustments are summarized in Note 34.

The consolidated financial statements are presented in Romanian Lei ("RON"), and all values are rounded to the nearest RON thousand, except when otherwise indicated.

The Bank has the following subsidiaries consolidated in the financial statements of the Group as at 31 December 2008 and 31 December 2007:

Company's Name	Country of incorporation	Nature of the business	Shareholding 31 December 2008	Shareholding 31 December 2007
Anglo-Romanian Bank Ltd	United Kingdom	Banking	100%	100%
BCR Chisinau	Moldova	Banking	100%	100%
Financiara SA	Romania	Financial services	97.46%	97.10%
BCR Securities SA	Romania	Brokerage	89.24%	85.51%
BCR Leasing IFN SA	Romania	Leasing	99.11%	98.73%
BCR Asigurari SA	Romania	General insurance	-	81.14%
BCR Asigurari de Viata SA	Romania	Life insurance	-	68.33%
BCR Asset Management SA	Romania	Asset Management	81.25%	81.03%
Bucharest Financial Plazza SRL	Romania	Real Estate	97.46%	97.10%
BCR Fond de Pensii SA	Romania	Pension Fund	99.99%	99.99%
BCR Banca pentru Locuinte	Romania	Banking	80.00%	-

2. ACCOUNTING POLICIES (continued)

(1) Impact of inflation

Romania was a hyperinflationary economy and was officially declared as ceasing to be hyperinflationary for IFRS reporting purposes as at 1 July 2004. The financial statements of the Group and the Bank have been restated to take into account the effects of inflation until 31 December 2003 in accordance with the provisions of and guidance in IAS 29. In summary IAS 29 requires that financial statements prepared on a historical cost should be restated in terms of measuring unit current at the balance sheet date and that any gain or loss on the net monetary position should be included in the income statement and disclosed separately.

(2) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU.

(3) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank as at and for the year ended 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

The Bank is accounting the investments in subsidiaries in the separate financial statements as "Financial investments – available-for-sale".

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

Minority interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Bank and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the fair value of the share of the net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is recognized directly in the income statement in the year of acquisition.

2. ACCOUNTING POLICIES (continued)

2.2 Significant accounting judgments and estimates

In the process of applying the Group's accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the financial statements. The most significant use of judgments and estimates are as follows:

(1) Fair value of financial instruments

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

(2) Impairment losses on loans and advances

The Group reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. Collective impairment assessment is made for individually significant loans and advances for which impairment losses have been incurred but not detected as well as collectively assessed risk provisions for loans and advances that are not individually significant.

(3) Impairment of equity investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' greater than 1 year. In addition, the Group evaluates other factors, such as the share price volatility.

(4) Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(5) Benefits granted on the date of retirement

The cost of the defined benefit consisting of a one-off payment of up to six monthly gross salaries on the date of retirement is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. See Note 32 for the assumptions used.

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

(1) Foreign currency translation

The consolidated financial statements are presented in RON, which is the Bank's functional and presentational currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate of exchange ruling at the balance sheet date. All differences are taken to 'Net trading income' in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(ii) Group companies

As at the reporting date, the assets and liabilities of subsidiaries are translated into the Bank's presentation currency (RON) at the rate of exchange ruling at the balance sheet date, and their income statements are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement in 'Other operating expenses' or 'Other operating income', respectively.

(2) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Derivatives are recognized on trade date basis.

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

(iii) Derivatives recorded at fair value through profit or loss

Derivatives include currency swaps, forward foreign exchange contracts and interest rates swap. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives held for trading are included in 'Net trading income'.

Interest related to interest rate swaps is recognized as interest income and interest expense over the period of interest rate swap instruments in accordance with contractual terms.

2. ACCOUNTING POLICIES (continued)

(iv) Financial assets held for trading

Financial assets or financial liabilities held for trading, comprising financial instruments held for trading other than derivatives, are recorded in the balance sheet at fair value. Changes in fair value are recognized in 'Net trading income'. Interest and dividend income or expense are recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities and short positions in debt securities and securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

(v) Financial assets or financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in 'Interest and similar income' when the right to the payment has been established.

(vi) Held-to-maturity financial investments

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized 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 amortization is included in 'Interest and similar income' in the income statement. The losses arising from impairment of such investments are recognized in the income statement line 'Impairment losses on financial investments'.

(vii) Due from banks and loans and advances to customers

'Due from banks' and 'Loans and advances to customers' are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investment – available-for-sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, amounts due from banks and loans and advances to customers are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that should be an integral part of the effective interest rate. The amortization is included in 'Interest and similar income' in the income statement. The losses arising from impairment are recognized in the income statement in 'Credit loss expense'.

(viii) Available-for-sale financial investments

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as financial investments at fair value through profit or loss, held-to-maturity or loans and advances. They include equity instruments, investments in mutual funds and money market and other debt instruments.

2. ACCOUNTING POLICIES (continued)

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity in the 'Available-for-sale reserve'. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the income statement in 'Other operating income' or 'Other operating expenses'. Where the Group holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognized in the income statement as 'Interest and similar income' when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the income statement in 'Impairment losses on financial investments' and removed from the available-for-sale reserve.

(ix) Debt issued and other borrowed funds

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as liabilities under 'Debt issued and other borrowed funds', where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, debt issued and other borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that should be an integral part of the effective interest rate.

(3) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired; or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of 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 asset 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.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(4) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the balance sheet. The corresponding cash received, including accrued interest, is recognized on the balance sheet as a 'Repurchase agreements', reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method. Where the transferee has the right to sell or pledge the asset, the asset is recorded on the balance sheet as 'Financial assets held for trading pledged as collateral'.

2. ACCOUNTING POLICIES (continued)

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized on the balance sheet. The corresponding cash paid, including accrued interest, is recognized on the balance sheet as a 'Reverse repurchase agreements'. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement using the effective interest rate method.

(5) Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralized by securities or cash. The transfer of the securities to counterparties is only reflected on the balance sheet if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized on the balance sheet, unless they are sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in 'Net trading income'.

(6) Determination of fair value

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date. Where a fair value can not reliably be estimated, unquoted equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

(7) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Due from banks and loans and advances to customers

For amounts due from banks and loans and advances to customers carried at amortized cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists 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. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or

2. ACCOUNTING POLICIES (continued)

decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. 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 less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Held-to-maturity financial investments

For held-to-maturity investments the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amounts formerly charged are credited to the 'Impairment losses on financial investments'.

(iii) Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

(iv) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

2. ACCOUNTING POLICIES (continued)

(8) Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

(i) Fair value hedges

The purpose of the hedge is to hedge the risk of the changes in fair value of underlying (which are on balance sheet items) designed as hedged items by interest rate swaps designated as hedging instruments.

Therefore hedging is covering interest rate risk - changes in the level of benchmark interest rates directly influence the market value (fair value) of hedged item. Entering into hedging relationship should eliminate this volatility.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, using the effective interest rate method, the difference between the carrying value of the hedge item on termination and the face value is amortised over the remaining term of the original hedge. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the income statement.

(9) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

(10) Leasing

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' with the corresponding liability to the lessor included in 'Other liabilities.' Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in 'Interest and similar expense'.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

2. ACCOUNTING POLICIES (continued)

(ii) Group as a lessor

Finance leases, where the Group transfers substantially all the risk and benefits incidental to ownership of the leased item to the lessee, are included in the balance sheet in 'Loans and advances to customers'. A receivable is recognized over the leasing period of an amount equaling the present value of the lease payments using the implicit rate of interest and including any guaranteed residual value. All income resulting from the receivable is included in 'Interest and similar income' in the income statement.

(11) Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Interest and similar income and expense

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Interest related to interest rate swaps is recognized as interest income and interest expense over the period of interest rate swap instruments in accordance with contractual terms.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission and asset management income, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

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. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees and brokerage fees.

(iii) Dividend income

Revenue is recognized when the Group's right to receive the payment is established.

2. ACCOUNTING POLICIES (continued)

(iv) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

(12) Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

(13) Property and equipment

Property and equipment is stated at cost (restated for hyperinflation for assets acquired prior to 31 December 2003 – Note 2.1) excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings — 30 to 50 years (mainly 50 years)
- Office equipment — 3 to 10 years
- Other furniture and equipment — 3 to 15 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' or 'Other operating expenses' in the income statement in the year the asset is derecognized.

(14) Business combinations and Goodwill

Business combinations are accounted for using the purchase method.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

2. ACCOUNTING POLICIES (continued)

(15) Intangible assets

Intangible assets include the value of computer software and licenses. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software and licenses 3-5 years

(16) Impairment of non-financial assets

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

Goodwill
The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

(17) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the income statement in 'Credit loss expense'. The related receivable is recognized in "loans and advances to customers". The premium received is recognized in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

(18) Employee benefits

(i) Short term service benefits

Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are recognized as expense when services are rendered. The Group includes in short-term benefits the accruals for the employees' current year profit sharing payable within twelve months after the end of the year.

2. ACCOUNTING POLICIES (continued)

(ii) Defined contribution plans

The Bank and the subsidiaries in Romania, in the normal course of business make payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Bank and of the subsidiaries in Romania are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the income statement as incurred. The Bank and the subsidiaries in Romania do not have any further obligations.

The Bank and the subsidiaries in Romania do not operate any independent pension scheme and, consequently, have no obligation in respect of pensions and they do not operate any other post retirement benefit plan. They have no obligation to provide further benefits to current or former employees.

(iii) Defined benefit plans

Certain foreign incorporated subsidiaries operate defined benefits plans for the non-Romanian employees. The defined benefit liabilities have been calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The calculation is performed by a qualified actuary using the projected unit credit method. The defined benefit obligation has been recognized in the consolidated financial statements of the Group.

(iv) Long-term service benefits

The Bank's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. On the basis of the Collective Labor Agreement, the Bank and one of its Romanian subsidiaries have a contractual obligation to make a one-off payment of up to six (the Bank), respectively three (the subsidiary) gross monthly salaries to retiring employees on the date of retiring. The defined benefit obligations are calculated by a qualified actuary taking into account the estimated salary at the date of retirement and the number of years served by each individual. In accordance with Amendment to IAS 19 ("Employee Benefits – Actuarial gains and Losses, Group Plans and Disclosures"), the Bank and its respective subsidiary have opted for actuarial gains and losses to be recognized in full as they arise in equity.

(19) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(20) Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. **ACCOUNTING POLICIES (continued)**

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(21) Fiduciary assets

Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Group.

(22) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Group's shareholders.

Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

Dividends for the year that are approved after the balance sheet date are disclosed as an event after the balance sheet date.

(23) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments.

2. ACCOUNTING POLICIES (continued)

2.4 Future changes in accounting policies

(1) Standards and interpretations that have become mandatory

The following new interpretations became mandatory for the first time for the financial year beginning 1 January 2008:

IFRIC 11, "IFRS 2 – Group and Treasury Share Transactions"
IFRIC 11 requires arrangements whereby an employee is granted options to buy equity shares, to be accounted for as equity-settled schemes by an entity even if the entity chooses or is required to buy those equity shares from another party, or the shareholders of the entity provide the equity instruments granted. The interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to equity instruments of the parent. This Interpretation applies to the way the Group's subsidiaries account, in their individual financial statements, for options granted to their employees to buy equity shares of the Company. The accounting treatment followed by the Group is in line with the relevant provisions of the Interpretation.

IFRIC 12, "Service Concession Arrangements"
This Interpretation outlines an approach to account for contractual (service concession) arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognise a financial asset and/or an intangible asset. IFRIC 12 is not relevant to the Group. This Interpretation has not yet been endorsed by the EU.

IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
IFRIC 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. It also explains how this limit, also referred to as the "asset ceiling test", may be influenced by a minimum funding requirement and aims to standardize current practice. The Group expects that this Interpretation will have no impact on its financial position or performance.

(2) Standards and interpretations not yet effective

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

IFRIC 13, "Customer Loyalty Programmes", effective for financial years beginning on or after 1 July 2008
This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. This interpretation will have no impact on the Group's financial statements as no such schemes currently exist.

IFRIC 15, "Agreements for the Construction of Real Estate", effective for financial years beginning on or after 1 January 2009 and is to be applied retrospectively.
IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 'Construction Contracts' or IAS 18 'Revenue' and, accordingly, when revenue from such construction should be recognised. This Interpretation has not yet been endorsed by the EU. IFRIC 15 will not have any impact on the financial statements because the group does not conduct construction of real estate activity.

IFRIC 16, "Hedges of a Net Investment in a foreign operation", effective for financial years beginning on or after 1 October 2008 and is to be applied prospectively.
IFRIC 16 clarifies three main issues, namely:
- A presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.
- Hedging instrument(s) may be held by any entity or entities within the group.
- While IAS 39, 'Financial Instruments: Recognition and Measurement', must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21 'The Effects of Changes in Foreign Exchange Rates' must be applied in respect of the hedged item.

This Interpretation has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this interpretation and which accounting policy to adopt for the recycling on the disposal of the net investment.

2. ACCOUNTING POLICIES (continued)

IFRIC 17, "Distributions of Non-cash Assets to Owners", effective for annual periods beginning on or after 1 July, 2009.
IFRIC 17 clarifies the following issues, namely:

- a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity;
- an entity should measure the dividend payable at the fair value of the net assets to be distributed;
- an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss; and
- an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions. This Interpretation has not yet been endorsed by the EU. It is to be applied prospectively and earlier application is permitted. The Group is in the process of assessing the impact of this interpretation.

IFRIC 18, "Transfers of Assets from Customers", effective for financial years beginning on or after 1 July 2009 and is to be applied prospectively.
However, limited retrospective application is permitted. This Interpretation is of particular relevance for the utility sector as it clarifies the accounting for agreements where an entity receives an item of PP&E (or cash to construct such an item) from a customer and this equipment in turn is used to connect a customer to the network or to provide ongoing access to supply of goods/services. Group is in the process of assessing the impact of this interpretation.

IFRS 2, "Share-based Payments" (Amended), effective for annual periods beginning on or after 1 January 2009.
The amendment clarifies two issues. The definition of 'vesting condition', introducing the term 'non-vesting condition' for conditions other than service conditions and performance conditions. It also clarifies that the same accounting treatment applies to awards that are effectively cancelled by either the entity or the counterparty. The Group expects that this Interpretation will have no impact or no material impact on its financial statements

IFRS 3, "Business Combinations" (Revised) and IAS 27, "Consolidated and Separate Financial Statements" (Amended), effective for annual periods beginning on or after 1 July 2009.
A revised version of IFRS 3 Business Combinations and an amended version of IAS 27 Consolidated and Separate Financial Statements were issued by IASB on January 10, 2008. The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognising subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3 (Revised) and IAS 27 (Amendment) must be applied prospectively and will affect future acquisitions and transactions with minority interests. The revised IFRS 3 and amendments to IAS 27 have not yet been endorsed by the EU.

IFRS 8, "Operating Segments", effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 'Segment reporting'.
IFRS 8 adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Group will make the necessary changes to the presentation of its financial statements in 2009.

IAS 32 and IAS 1, "Puttable Financial Instruments" (Amended), effective for annual periods beginning on or after 1 January 2009.
The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Group does not expect these amendments to impact the financial statements of the Group.

2. ACCOUNTING POLICIES (continued)

IAS 23, "Borrowing Costs" (Revised), effective for annual periods beginning on or after 1 January 2009.
The benchmark treatment in the existing standard of expensing all borrowing costs to the income statement is eliminated in the case of qualifying assets. All borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset must be capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

IAS 39, "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures; Reclassification of Financial Assets", effective from 1 July 2008 and cannot be applied retrospectively to reporting periods before the effective date.
The amendment to IAS 39 permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss ("FVTPL") category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendments do not permit reclassification into FVTPL. The amendment to IFRS 7 relates to the disclosures required to financial assets that have been reclassified.

In May 2008 the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. These amendments are effective for periods beginning on or after 1 January 2009 and have not yet been endorsed by the EU.

IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations" (Amended), effective for annual periods beginning on or after 1 July 2009. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale, under IFRS 5, even when the entity will retain a non-controlling interest in the subsidiary after the sale. To be applied prospectively from the date at which the company first applied IFRS 5. Therefore, any investments in subsidiaries classified as held for sale since IFRS 5 was applied will need to be re-evaluated. Early application is permitted. If early adopted, IAS 27 (as amended in January 2008) must also be adopted from that date.

IFRS 7, "Financial Instruments: Disclosures" (Amended), effective for annual periods beginning on or after 1 January 2009. This amendment removes the reference to 'total interest income' as a component of finance costs.

IAS 1, "Presentation of Financial Statements" (Amended), effective for annual periods beginning on or after 1 January 2009. This amendment clarifies that assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. To be applied retrospectively. Early application is permitted.

IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" (Amended), effective for annual periods beginning on or after 1 January 2009. This amendment clarifies that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

IAS 10, "Events after the Reporting Period" (Amended), effective for annual periods beginning on or after 1 January 2009. This amendment clarifies that dividends declared after the end of the reporting period are not obligations.

IAS 16, "Property, Plant and Equipment" (Amended), effective for annual periods beginning on or after 1 January 2009.

- Replaces the term 'net selling price' with 'fair value less costs to sell', regarding the recoverable amount, to be consistent with IFRS 5 and IAS 36 Impairment of Assets.

- Items of property, plant & equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds on sale are subsequently shown as revenue. IAS 7 Statement of cash flows is also revised, to require cash payments to manufacture or acquire such items to be classified as cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also shown as cash flows from operating activities.

2. ACCOUNTING POLICIES (continued)

IAS 18, "Revenue" (Amended), effective for annual periods beginning on or after 1 January 2009. This amendment replaces the term 'direct costs' with 'transaction costs' as defined in IAS 39.

IAS 19, "Employee Benefits" (Amended), effective for annual periods beginning on or after 1 January 2009.

- Revises the definition of 'past service costs' to include reductions in benefits related to past services ('negative past service costs') and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment. To be applied prospectively – to changes to benefits occurring on or after 1 January 2009. Early application is permitted.
- Revises the definition of 'return on plan assets' to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation. To be applied retrospectively. Early application is permitted.
- Revises the definition of 'short-term' and 'other long term' employee benefits to focus on the point in time at which the liability is due to be settled. To be applied retrospectively. Early application is permitted.
- Deletes the reference to the recognition of contingent liabilities to ensure consistency with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 does not allow for the recognition of contingent liabilities. To be applied retrospectively. Early application is permitted.

IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance" (Amended), effective for annual periods beginning on or after 1 January 2009. Loans granted with no or low interest rates will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates, thereby being consistent with IAS 39. The difference between the amount received and the discounted amount is accounted for as a government grant. To be applied prospectively – to government loans received on or after 1 January 2009. Early application is permitted. However, IFRS 1 First-time Adoption of IFRS has not been revised for first-time adoptees; hence they will be required to impute interest on all such loans outstanding at the date of transition.

IAS 23, "Borrowing Costs" (Amended), effective for annual periods beginning on or after 1 January 2009. The amendment revises the definition of borrowing costs to consolidate the types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method as described in IAS 39. To be applied retrospectively. Early application is permitted.

IAS 27 "Consolidated and Separate Financial Statements" (Amended), effective for annual periods beginning on or after 1 January 2009. When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale. To be applied prospectively from the date at which the company first applied IFRS 5. Therefore, any subsidiaries classified as held for sale since IFRS 5 was adopted will need to be re-evaluated. Early application is permitted.

IAS 28, "Investment in Associates" (Amended), effective for annual periods beginning on or after 1 January 2009.

- If an associate is accounted for at fair value in accordance with IAS 39 (as it is exempt from the requirements of IAS 28), only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. To be applied retrospectively, although an entity is permitted to apply it prospectively. Early application is permitted. If early adopted, an entity must also adopt the amendment below, and the amendments to paragraph 3 of IFRS 7 Financial Instruments: Disclosures, paragraph 1 of IAS 31 Joint Ventures and paragraph 4 of IAS 32 Financial Instruments: Presentation at the same time.
- An investment in an associate is a single asset for the purpose of conducting the impairment test – including any reversal of impairment. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance. Any impairment is reversed if the recoverable amount of the associate increases. If early adopted, an entity must also adopt the amendment above, and the amendments to paragraph 3 of IFRS 7 Financial Instruments: Disclosures, paragraph 1 of IAS 31 Joint Ventures and paragraph 4 of IAS 32 Financial Instruments: Presentation at the same time.

2. ACCOUNTING POLICIES (continued)

IAS 29, "Financial Reporting in Hyperinflationary Economies" (Amended), effective for annual periods beginning on or after 1 January 2009. This amendment revises the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. No specific transition requirements have been stated as it is a clarification of the references rather than a change.

IAS 31, "Interest in Joint ventures" (Amended), effective for annual periods beginning on or after 1 January 2009. This amendment clarifies that if a joint venture is accounted for at fair value, in accordance with IAS 39 (as it is exempt from the requirements of IAS 31), only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expenses will apply. Early application is permitted. If early adopted, an entity must also adopt the amendments to paragraph 3 of IFRS 7 Financial Instruments: Disclosures, IAS 28 Investments in Associates and paragraph 4 of IAS 32 Financial Instruments: Presentation at the same time.

IAS 34, "Interim Financial Reporting" (Amended), effective for annual periods beginning on or after 1 January 2009. This amendment clarifies that earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

IAS 36, "Impairment of assets" (Amended), effective for annual periods beginning on or after 1 January 2009. This amendment clarifies that when discounted cash flows are used to estimate 'fair value less costs to sell', the same disclosure is required as when discounted cash flows are used to estimate 'value in use'. To be applied retrospectively. Early application is permitted.

IAS 38, "Intangible Assets" (Amended), effective for annual periods beginning on or after 1 January 2009.

- Expenditure on advertising and promotional activities is recognised as an expense when the entity either has the right to access the goods or has received the services. To be applied retrospectively. Early application is permitted.
- Deletes references to there being rarely, if ever, persuasive evidence to support an amortisation method for finite life intangible assets that results in a lower amount of accumulated amortisation than under the straight-line method, thereby effectively allowing the use of the unit of production method. To be applied retrospectively. Early application is permitted.
- A prepayment may only be recognised in the event that payment has been made in advance to obtaining right of access to goods or receipt of services.

IAS 39, "Financial instruments recognition and measurement" (Amended), effective for annual periods beginning on or after 1 January 2009.

- Clarifies that changes in circumstances relating to derivatives – specifically derivatives designated or un-designated as hedging instruments after initial recognition – are not reclassifications. Thus, a derivative may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Similarly, when financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of IFRS 4 Insurance Contracts, this is a change in circumstance, not a reclassification. To be applied retrospectively. Early application is permitted.
- Removes the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. To be applied retrospectively. Early application is permitted.
- Requires use of the revised effective interest rate (rather than the original effective interest rate) when remeasuring a debt instrument on the cessation of fair value hedge accounting. To be applied retrospectively. Early application is permitted.

IAS 40, "Investment property" (Amended), effective for annual periods beginning on or after 1 January 2009.

- Revises the scope (and the scope of IAS 16) such that property that is being constructed or developed for future use as an investment property is classified as investment property. If an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. To be applied prospectively. Early application is permitted. An entity is permitted to apply the amendments to investment properties under construction from any date before 1 January 2009 provided that the fair values of investment properties under construction were determined at those dates.
- Revises the conditions for a voluntary change in accounting policy to be consistent with IAS 8.
- Clarifies that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.

2. ACCOUNTING POLICIES (continued)

IAS 41, "Agriculture" (Amended), effective for annual periods beginning on or after 1 January 2009.

- Replaces the term 'point-of-sale costs' with 'costs to sell'. Revises the example of produce from trees in a plantation forest from 'logs' to 'felled trees'.
- Removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used.
- Removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Rather, cash flows that are expected to be generated in the 'most relevant market' are taken into account. To be applied prospectively. Early application is permitted.

3. SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For management purposes, the Bank is organized into three business segments:

Retail banking	- Principally handling individual customers' deposits, and providing consumer loans, overdrafts, credit cards facilities and funds transfer facilities.
Corporate banking	- Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Other	-Principally providing investment banking services including money market and treasury operations, syndicated loans and structured financing transactions, foreign currency and derivative transactions, financial instruments trading and investment, issuance of bonds; within this segment the Group also includes financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group.

The business segment reporting format is the Group's primary basis of segment reporting. Transactions between business segments are conducted at arm's length.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise property and equipment, intangible assets, other assets and other liabilities and taxation. The Group's segment reporting as at 31 December 2008 comprises the following main business segments:

- Corporate banking. Within corporate banking the Group provides corporations (including small-medium enterprises and public institutions) with a range of financial products and services, including lending and deposit taking, providing cash management, foreign commercial business, leasing, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions.
- Retail banking. The Group provides individuals with a range of financial products and services, including lending (consumer loans, vehicles purchase, personal needs, and mortgages), savings and deposit taking business, payment services and securities business.
- Other. Within other the Group incorporates financial products and services provided to or by financial institutions including money market and treasury operations, syndicated loans and structured financing transactions, foreign currency and derivative transactions, financial instruments trading and investment, issuance of bonds. Within other the Group also incorporates financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group.

3. SEGMENT INFORMATION (continued)

Group - Business segments

	Corporate banking		Retail banking		Other		Group	
RON Thousand	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Interest income	2,985,110	1,696,964	2,518,903	1,742,043	1,660,697	691,228	7,164,710	4,130,235
Commission income	264,104	289,691	671,941	601,222	138,534	54,485	1,074,579	945,398
Net trading income	-	-	-	-	256,808	255,914	256,808	255,914
Total income	**3,249,214**	**1,986,655**	**3,190,844**	**2,343,265**	**2,056,039**	**1,001,627**	**8,496,097**	**5,331,547**
Unallocated revenues							274,847	31,690
Unallocated expenses							(6,930,436)	(4,260,581)
Profit before tax							**1,840,508**	**1,102,656**
Profit from discontinues operations, net of taxes							504,005	15,111
Income tax expense							(308,882)	(184,384)
Profit for the year							**2,035,631**	**933,383**

	Corporate banking		Retail banking		Other		Group	
RON Thousand	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Segment assets	22,518,423	21,746,517	23,002,022	15,791,368	20,233,233	23,139,555	65,753,678	60,677,440
Unallocated assets	-	-	-	-	-	-	3,326,940	2,681,423
Total assets	**22,518,423**	**21,746,517**	**23,002,022**	**15,791,368**	**20,233,233**	**23,139,555**	**69,080,618**	**63,358,863**
Segment liabilities	7,892,726	13,528,199	25,115,822	16,592,841	26,035,811	26,758,343	59,044,359	56,879,383
Unallocated liabilities	-	-	-	-	-	-	3,681,531	1,612,103
Total liabilities	**7,892,726**	**13,528,199**	**25,115,822**	**16,592,841**	**26,035,811**	**26,758,343**	**62,725,890**	**58,491,486**

Bank – Business segments

	Corporate banking		Retail banking		Other		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Interest income	2,788,613	1,525,255	2,435,233	1,727,680	1,594,547	662,038	6,818,393	3,914,973
Commission income	245,137	259,990	640,542	601,222	137,680	46,891	1,023,359	908,103
Net trading income	-	-	-	-	257,014	254,501	257,014	254,501
Total income	**3,033,750**	**1,785,245**	**3,075,775**	**2,328,902**	**1,989,241**	**963,430**	**8,098,766**	**5,077,577**
Unallocated revenues							849,857	22,418
Unallocated expenses							(6,626,320)	(4,049,580)
Profit before tax							**2,322,303**	**1,050,415**
Income tax expense							(370,635)	(162,927)
Profit for the year							**1,951,668**	**887,488**

	Corporate banking		Retail banking		Other		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Segment asset	20,139,607	19,445,711	22,776,966	15,615,678	18,632,710	22,201,289	61,549,283	57,262,678
Unallocated assets	-	-	-	-	-	-	2,954,521	2,348,472
Total assets	**20,139,607**	**19,445,711**	**22,776,966**	**15,615,678**	**18,632,710**	**22,201,289**	**64,503,804**	**59,611,150**
Segment liabilities	8,253,867	13,724,188	25,097,567	16,527,586	21,666,526	23,481,513	55,017,960	53,733,287
Unallocated liabilities	-	-	-	-	-	-	3,603,573	1,354,548
Total liabilities	**8,253,867**	**13,724,188**	**25,097,567**	**16,527,586**	**21,666,526**	**23,481,513**	**58,621,533**	**55,087,835**

4. INTEREST AND SIMILAR INCOME

RON Thousand	Group 2008	Group 2007	Bank 2008	Bank 2007
Due from banks	576,436	440,977	532,806	386,941
Loans and advances to customers	5,461,755	3,457,778	5,168,805	3,278,473
Financial investments – available-for-sale	122,238	108,964	117,930	104,597
Financial investments – held-to-maturity	15,737	344	15,737	344
Interest from derivatives	929,395	58,398	929,396	58,398
Dividend income	5,313	5,394	39,407	50,156
Rental income	12,083	5,332	7,929	3,090
Financial assets designated at fair value through profit or loss	8,182	32,076	5,034	31,593
Other	33,571	20,972	1,349	1,381
	7,164,710	**4,130,235**	**6,818,393**	**3,914,973**

Interest from derivatives includes the interest received from interest rate swap transactions.

5. INTEREST AND SIMILAR EXPENSE

RON Thousand	Group 2008	Group 2007	Bank 2008	Bank 2007
Due to banks	1,888,866	832,710	1,699,216	707,358
Due to customers	1,823,667	1,139,824	1,823,511	1,147,261
Debt issued and other borrowed funds	146,257	190,298	146,263	190,380
Interest from derivatives	197,895	4,471	197,788	4,471
Subordinated liabilities	67,623	-	67,613	-
	4,124,308	**2,167,303**	**3,934,391**	**2,049,470**

6. NET FEES AND COMMISSION INCOME

RON Thousand	Group 2008	Group 2007	Bank 2008	Bank 2007
Lending business	390,811	395,526	384,268	385,425
Payment transfers	631,591	518,324	612,542	505,941
Other fees received	52,177	31,548	26,549	16,737
Total fees and commission income	**1,074,579**	**945,398**	**1,023,359**	**908,103**
Lending business	77,598	18,718	77,124	17,042
Payment transfers	78,133	60,957	76,487	59,060
Other fees paid	3,634	8,177	1,450	8,071
Total fees and commission expense	**159,365**	**87,852**	**155,061**	**84,173**
Net fees and commission income	**915,214**	**857,546**	**868,298**	**823,930**

7. NET TRADING INCOME

RON Thousand	Group 2008	Group 2007	Bank 2008	Bank 2007
Debt securities (i)	10,913	-	10,913	-
Net realized foreign exchange gains from foreign exchange transactions (ii)	301,953	413,873	290,050	407,054
Net effect of translation of foreign currency denominated asset and liabilities	(55,452)	(157,959)	(43,343)	(152,553)
Other interest rate instruments	(606)	-	(606)	-
Net trading income	**256,808**	**255,914**	**257,014**	**254,501**

(i) Debt securities income includes the effect of buying and selling, and changes in the fair value of government securities and corporate debt bonds.

(ii) Net realized foreign exchange gains from foreign exchange transactions include gains and losses mainly from money market instruments and also from currency swaps, spot and forward contracts.

8. DISCONTINUED OPERATIONS

On 17 December 2008, the Group sold the insurance business consisting of BCR Asigurari and BCR Asigurari de Viata.

Profit from discontinued operations

RON Thousand	2008	2007
Income/(expense) from discontinued operations (i)	(24,182)	18,243
Taxes on income from discontinued operations	3,705	(3,132)
Profit from selling discontinued operations	635,347	-
Taxes on profit from selling	(110,865)	-
	504,005	**15,111**

(i) Income/(expense) from discontinued operations

RON Thousand	2008 General insurance	2008 Life insurance	2008 Total	2007 General insurance	2007 Life insurance	2007 Total
Premiums earned	314,245	155,284	469,529	305,113	57,808	362,921
Investment income from technical business	(6,768)	-	(6,768)	9,090	-	9,090
Claims incurred	(244,802)	(51,786)	(296,588)	(190,712)	(26,088)	(216,800)
Change in underwriting reserves	-	(60,517)	(60,517)	-	(6,997)	(6,997)
Operating expenses	(136,675)	(12,499)	(149,174)	(111,643)	(7,290)	(118,933)
Sundry underwriting profit/(loss)	40,136	(25,979)	14,157	10	(15,309)	(15,299)
Underwriting profit/(loss)	**(33,864)**	**4,503**	**(29,361)**	**11,858**	**2,124**	**13,982**
Financial profit/loss	327	-	327	86	-	86
Carry forward-underwriting	-	4,852	4,852	-	4,175	4,175
Total	**(33,537)**	**9,355**	**(24,182)**	**11,944**	**6,299**	**18,243**

9. OTHER OPERATING INCOME

	Group		Bank	
RON Thousand	2008	2007	2008	2007
Gains from sales of available-for-sale financial investments (i)	287,604	4,408	865,141	3,483
Gains from sales of fixed assets	2,816	3,980	1,750	3,647
Negative Goodwill	-	998	-	-
Other (ii)	30,218	31,621	28,479	24,515
	320,638	**41,007**	**895,370**	**31,645**

(i) Included in "Gains from sales of available-for-sale financial investments" are the amounts transferred from equity to the income statement on the derecognition of available-for-sale investments. At the Bank level the net gain from sale of insurance subsidiaries, is also included (Note 8).

(ii) Other income includes income from non-banking activities, mainly services related to cash transportation and collection, indemnities paid by insurance companies, services of Electronic Archive registration, and sales of payment documents.

10. CREDIT LOSS EXPENSE

	Group		Bank	
RON Thousand	2008	2007	2008	2007
Net charge of provision for impairment losses on loans and advances to customers	723,708	339,202	704,970	255,875
Loans written-off	-	46,284	-	46,284
Recoveries from loans previously written-off	(97,963)	(221,042)	(91,021)	(142,482)
Allocation of risk provisions – for letters of guarantees given	2,888	-	2,779	-
	628,633	**164,444**	**616,728**	**159,677**

11. PERSONNEL EXPENSES

	Group		Bank	
RON Thousand	2008	2007	2008	2007
Wages and salaries	780,514	910,920	720,593	865,437
Social security costs	249,518	254,283	233,756	241,919
Benefit paid on normal age retirement – Defined benefit plan (Note 32)				
Interest cost	4,324	8,467	4,307	8,451
Current service cost	5,780	11,204	5,694	11,128
Past Service Cost	1,029	-	1,024	-
Total defined benefit plan costs	**11,133**	**19,671**	**11,025**	**19,579**
Contribution pension plan	9,893	8,679	8,439	7,265
	1,051,058	**1,193,553**	**973,813**	**1,134,200**

The number of employees of the Bank at 31 December 2008 was 9,099 employees (31 December 2007: 10,032 employees). The number of the employees of the Group at 31 December 2008 was 10,243 employees (31 December 2007: 12,223 employees).

12. OTHER OPERATING EXPENSES

	Group		Bank	
RON Thousand	2008	2007	2008	2007
Advertising and marketing	73,396	75,046	63,331	61,021
Administrative	463,094	321,481	463,296	330,700
Payment into deposit insurance fund	26,168	19,681	25,713	19,609
Impairment for assets held for sale	150,000	-	150,000	-
Other	98,535	59,176	94,209	46,929
	811,193	**475,384**	**796,549**	**458,259**

13. TAXATION

Consolidated income statement

The components of income tax expense for the years ended 31 December 2008 and 2007 are:

	Group		Bank	
RON Thousand	2008	2007	2008	2007
Current income tax	159,728	104,075	222,262	87,463
Deferred tax relating to origination and reversal of temporary differences	149,154	80,309	148,373	75,464
Income tax expense reported in the income statement	**308,882**	**184,384**	**370,635**	**162,927**

Reconciliation of the total tax charge

A reconciliation between the tax expense and the accounting profit multiplied by Romania's tax rate for the years ended 31 December 2008 and 2007 is as follows:

	Group		Bank	
RON Thousand	2008	2007	2008	2007
Accounting profit before tax	**1,840,508**	**1,102,656**	**2,322,303**	**1,050,415**
At statutory income tax rate of 16% (2007: 16%)	294,481	176,425	371,568	168,066
Effect of different tax rates in other countries	11,332	11,606	-	-
Income not subject to tax	(36,221)	(42,960)	(36,431)	(38,038)
Non deductible expenses	39,290	39,313	35,498	32,899
Income tax expense reported in the income statement	**308,882**	**184,384**	**370,635**	**162,927**
The effective tax rate	16.78%	16.72%	15.96%	15.51%

Consolidated statement of changes in equity

Deferred tax related to items charged or credited directly to equity during the year is as follows:

GROUP

RON Thousand	2008 Available-for-sale reserve	2008 Actuarial gains / (losses)	2008 Total	2007 Available-for-sale reserve	2007 Actuarial gains / (losses)	2007 Total
At 1 January	**1,325**	**8,436**	**9,761**	**2,534**	**1,476**	**4,010**
Net gain of financial investments (available-for-sale)	(43,484)	-	(43,484)	(1,209)	-	(1,209)
Actuarial gains / (losses)	-	673	673	-	6,960	6,960
At 31 December	**(42,159)**	**9,109**	**(33,050)**	**1,325**	**8,436**	**9,761**

13. TAXATION (continued)

BANK

RON Thousand	2008 Available-for-sale reserve	2008 Actuarial gains / (losses)	2008 Total	2007 Available-for-sale reserve	2007 Actuarial gains / (losses)	2007 Total
1 January	**2,006**	**8,451**	**10,457**	**3,325**	**1,712**	**5,037**
Net gain of financial investments (available-for-sale)	(43,292)	-	(43,292)	(1,319)	-	(1,319)
Actuarial gains / (losses)	-	584	584	-	6,739	6,739
31 December	**(41,286)**	**9,035**	**(32,251)**	**2,006**	**8,451**	**10,457**

The deferred tax included in the balance sheet and changes recorded in the income tax expense are as follows:

GROUP:

RON Thousand	Deferred tax asset 2008	Deferred tax liability 2008	Income statement 2008	Deferred tax asset 2007	Deferred tax liability 2007	Income statement 2007
Loans to customers, credit institutions	-	(179,910)	(169,901)	187	(10,196)	(91,484)
Available-for-sale reserve	(75)	42,234	(637)	984	(2,290)	262
Financial assets designated at fair value through profit or loss	-	1,758	2,526	-	(768)	4,456
Financial investments – available-for-sale	590	(32,402)	5,069	(1,115)	(35,766)	(2,206)
Intangible assets	184	(13,547)	357	(13)	(13,707)	182
Property and equipment	2	4,161	(253)	282	4,134	(372)
Other assets	(41)	5,128	577	(198)	4,708	4,655
Tax losses carried forward (including current year)	1,868	547	31	2,384	-	(1,531)
Amounts owed to customers, credit institutions	-	(1,160)	1,255	(20)	(2,395)	1,854
Debts issued and other borrowed funds	-	(128)	464	-	(592)	488
Provisions for early retirement and retirement benefits	-	10,135	26	309	10,473	(2,100)
Other provisions	-	10,271	16,507	-	(6,236)	(2,287)
Other liabilities	(184)	11,320	(5,175)	(724)	11,442	7,774
	2,344	**(141,593)**	**(149,154)**	**2,076**	**(41,193)**	**(80,309)**

BANK:

RON Thousand	Deferred tax asset 2008	Deferred tax liability 2008	Income statement 2008	Deferred tax asset 2007	Deferred tax liability 2007	Income statement 2007
Loans to customers, credit institutions	-	(184,243)	(174,047)	-	(10,196)	(91,060)
Available-for-sale reserve	-	41,286	-	-	(2,006)	-
Financial assets designated at fair value through profit or loss	-	2,481	2,481	-	-	5,225
Financial investments – available-for-sale	-	(30,766)	5,000	-	(35,766)	(3,098)
Intangible assets	-	(13,559)	148	-	(13,706)	191
Property and equipment	-	4,361	(103)	-	4,464	71
Other assets	-	4,771	755	-	4,016	4,237
Amounts owed to customers, credit institutions	-	(1,053)	1,341	-	(2,394)	1,499
Debts issued and other borrowed funds	-	(129)	463	-	(592)	488
Provision for retirement benefits	-	19,871	10,291	-	10,167	(1,868)
Other liabilities	-	16,720	5,298	-	11,422	8,851
	-	**(140,260)**	**(148,373)**	**-**	**(34,591)**	**(75,464)**

Deferred tax on loans to customers is due to the temporary difference between statutory allowance and IFRS allowance (refer to Note 34).

14. DIVIDENDS PAID

Declared and paid during the year:

2008: RON Thousand 369,913 (2007: RON Thousand 367,927).

15. CASH AND BALANCES WITH CENTRAL BANKS

RON Thousand	Group 2008	Group 2007	Bank 2008	Bank 2007
Cash on hand (Note 36)	1,263,859	1,235,734	1,259,504	1,230,010
Current account with the central banks (Note 36)	13,363,459	16,067,603	13,290,070	15,951,763
	14,627,318	**17,303,337**	**14,549,574**	**17,181,773**

The current accounts held by the Bank with the National Bank of Romania are for compliance with the minimum reserve requirements. These funds are not available for the Bank's daily business. At 31 December 2008, the mandatory minimum reserve was set at 18% (starting with November 2008) for RON and 40% for EUR denominated funds attracted and 40% for funds attracted in USD and other currencies (31 December 2007: 20% for RON and 40% for USD and EUR).

16. DUE FROM BANKS

RON Thousand	Group 2008	Group 2007	Bank 2008	Bank 2007
Nostro account	38,917	41,407	36,394	34,623
Placements with the central banks	376	804,744	376	800,381
Placements with other banks	978,159	1,600,026	1,001,560	1,563,380
Loans and advances to banks	100,532	806,711	82,532	100,719
	1,117,984	**3,252,888**	**1,120,862**	**2,499,103**

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

RON Thousand	Group 2008	Group 2007	Bank 2008	Bank 2007
Listed debt securities (i)	-	396,907	-	396,880
Listed equity securities (ii)	8,591	59,128	8,465	58,799
Unlisted debt securities	131,505	-	131,481	-
Unlisted equity securities	51,499	14,029	51,499	14,029
	191,595	**470,064**	**191,445**	**469,708**

(i) Listed debt securities include Romanian sovereign bonds, listed corporate and municipality bonds.
(ii) Listed equity securities include SIF's (see Note 33) shares and other quoted shares on Bucharest Stock Exchange.

18. LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Public sector	3,691,907	2,878,515	3,690,118	2,830,568
Commercial customers	19,503,029	17,090,193	17,095,437	14,802,562
Private customers	24,480,681	19,430,798	24,242,354	19,255,108
	47,675,617	**39,399,506**	**45,027,909**	**36,888,238**
Less: Allowance for impairment losses	(2,154,022)	(1,792,432)	(2,111,413)	(1,758,546)
	45,521,595	**37,607,074**	**42,916,496**	**35,129,692**

(a) Allowance for impairment losses

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
At 1 January	**1,792,432**	**725,704**	**1,758,546**	**700,649**
Charges for the year	628,633	164,444	616,728	159,677
Recoveries	97,963	221,042	91,021	142,482
Amounts written off	-	(46,284)	-	(46,284)
Reintegration of loans previously written-off	-	725,820	-	725,820
Effect of change in foreign exchange	80,208	3,521	79,130	78,017
Unwinding	(39,773)	(1,815)	(39,773)	(1,815)
Sale of doubtful loans	(405,441)	-	(394,239)	-
At 31 December	**2,154,022**	**1,792,432**	**2,111,413**	**1,758,546**

The provision for interest receivable in amount of RON thousand 68,303 was reclassified into Other assets in accordance with a change in the presentation requirements of Erste Group (Note 23).

(b) Analysis by sector

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Individuals	21,048,902	17,081,413	20,623,780	16,579,000
Commerce	4,812,243	4,422,889	4,093,149	3,449,720
Constructions	3,710,316	1,731,986	3,439,604	1,530,623
Public institutions	3,691,907	2,862,664	3,690,118	2,821,961
Agriculture, Fishery and Food Industry	3,472,767	3,038,093	3,363,869	2,951,767
Transports	1,555,675	1,123,098	945,876	834,551
Financial intermediaries and real estate transactions	1,383,142	2,028,934	1,342,186	1,884,633
Metallic and non-metallic products industry	1,100,092	995,220	1,100,092	917,094
Chemical and petrochemical industry	763,214	1,197,864	763,214	1,114,262
Tourism and public catering	532,469	567,308	448,378	526,131
Textile industry, leather and footwear	512,459	509,038	512,459	482,090
Metallurgical industry	481,245	526,519	481,245	526,519
Machines and equipment industry	466,862	377,459	466,862	303,880
Electrical and thermal power industry	355,786	451,891	351,279	444,675
Wood industry	302,598	396,922	302,598	304,499
Transportation means industry	205,921	275,055	205,921	275,055
Extracting industry	126,647	501,357	86,545	457,690
Others (including governmental credit)	3,153,372	1,311,796	2,810,734	1,484,088
	47,675,617	**39,399,506**	**45,027,909**	**36,888,238**
Less: allowance for impairment losses	(2,154,022)	(1,792,432)	(2,111,413)	(1,758,546)
	45,521,595	**37,607,074**	**42,916,496**	**35,129,692**

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

c) Finance lease receivables

The Group acts as a lessor under finance leases through the subsidiary BCR Leasing SA, mainly on motor vehicles and equipment. The leases are mainly denominated in EUR and typically run for a period of between 1-15 years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease based on fixed and variable (based on EURIBOR) interest rates. The receivables are secured by the underlying assets and by other collateral. Loans and advances to customers include the following finance lease receivables:

RON Thousand	2008	2007
Gross investment in finance leases	2,695,114	1,709,830
Unearned finance income	(386,391)	(246,749)
Allowance for impairment	(18,455)	(10,247)
Net investment in finance leases	**2,290,268**	**1,452,834**
Net investment in finance leases, with remaining maturities		
Less than one year	732,886	512,667
Between one and five years	1,397,064	929,814
More than 5 years	160,318	10,353
Net investment in finance leases	**2,290,268**	**1,452,834**

19. FINANCIAL INVESTMENTS

Available-for-sale

	Group		Bank	
RON Thousand	2008	2007	2008	2007
Listed investments				
Debt securities	-	238,100	-	145,029
Equities	16,903	-	16,903	-
	16,903	**238,100**	**16,903**	**145,029**
Non-listed investments				
Other debt securities	1,353,974	1,383,821	1,353,974	1,382,023
Unlisted equity securities	10,740	-	3,990	-
Equities:				
- investments in subsidiaries	-	-	280,102	465,410
- other investments	24,460	63,649	22,687	55,280
	1,389,174	**1,447,470**	**1,660,753**	**1,902,713**
Total available for sale investments	**1,406,077**	**1,685,570**	**1,677,656**	**2,047,742**

Listed debt securities include state bonds quoted on Bucharest Stock Exchange.

Unlisted debt securities available-for-sale of the Group and Bank include treasury bills denominated in RON and foreign currencies, certificates of deposit issued by National Bank of Romania and unlisted corporate and municipality bonds.

19. FINANCIAL INVESTMENTS (continued)

Held-to-maturity

	Group		Bank	
RON Thousand	2008	2007	2008	2007
Listed debt securities	665,559	10	665,559	-
Non-listed debt securities	33,292	10,605	-	2,941
	698,851	**10,615**	**665,559**	**2,941**

The financial investments held-to-maturity are debt securities issued by the Romanian Government

The debt securities have a maturity between January 2009 and May 2013, are denominated in RON, and bear interest rates between 8% and 21% per year.

20. INVESTMENTS OF INSURANCE COMPANIES

RON Thousand	2008 General insurance	2008 Life insurance	2008 Total	2007 General insurance	2007 Life insurance	2007 Total
Held-to-maturity portfolio	-	-	-	23,116	19,597	42,713
Fair value through profit or loss portfolio	-	-	-	27,526	-	27,526
Available-for-sale portfolio	-	-	-	46,607	7,955	54,562
Other	-	-	-	208,527	79,870	288,397
Total	-	-	-	**305,776**	**107,422**	**413,198**

In December 2008 the insurance subsidiaries BCR Asigurari (general insurance) and BCR Asigurari de Viata (life insurance) were sold.

21. PROPERTY AND EQUIPMENT

	Group				Bank			
RON Thousand	Land and buildings	Computer hardware	Other furniture and equipment	Total	Land and buildings	Computer hardware	Other furniture and equipment	Total
Cost:								
At 1 January 2008	**1,577,387**	**239,060**	**632,347**	**2,448,794**	**1,461,055**	**232,555**	**612,396**	**2,306,006**
Additions	65,387	44,399	101,011	210,797	64,543	42,216	99,678	206,437
Disposals	(12,194)	(4,286)	(8,526)	(25,006)	(5,519)	(626)	(1,538)	(7,683)
Exchange rate adjustment	109	8	31	148	-	-	-	-
At 31 December 2008	**1,630,689**	**279,181**	**724,863**	**2,634,733**	**1,520,079**	**274,145**	**710,536**	**2,504,760**
Depreciation and impairment:								
At 1 January 2008	**216,664**	**193,642**	**394,121**	**804,427**	**203,930**	**188,618**	**381,800**	**774,348**
Disposals	(3,340)	(3,894)	(6,939)	(14,173)	(907)	(626)	(1,408)	(2,941)
Depreciation charge for the year	43,597	26,710	54,615	124,922	42,179	25,704	52,180	120,063
Exchange rate adjustment	181	(274)	(880)	(973)	-	-	-	-
At 31 December 2008	**257,102**	**216,184**	**440,917**	**914,203**	**245,202**	**213,696**	**432,572**	**891,470**
Net book value:								
At 1 January 2008	**1,360,723**	**45,418**	**238,226**	**1,644,367**	**1,257,125**	**43,937**	**230,596**	**1,531,658**
At 31 December 2008	**1,373,587**	**62,997**	**283,946**	**1,720,530**	**1,274,877**	**60,449**	**277,964**	**1,613,290**
Cost:								
At 1 January 2007	**1,545,750**	**220,125**	**596,524**	**2,362,399**	**1,429,252**	**214,022**	**579,387**	**2,222,661**
Additions	37,524	30,908	44,590	113,022	37,435	30,283	41,580	109,298
Disposals	(6,535)	(12,015)	(8,955)	(27,505)	(5,632)	(11,750)	(8,571)	(25,953)
Exchange rate adjustment	648	42	188	878	-	-	-	-
At 31 December 2007	**1,577,387**	**239,060**	**632,347**	**2,448,794**	**1,461,055**	**232,555**	**612,396**	**2,306,006**
Depreciation and impairment:								
At 1 January 2007	**168,977**	**175,281**	**351,339**	**695,597**	**161,805**	**170,845**	**338,260**	**670,910**
Disposals	(988)	(12,784)	(9,105)	(22,877)	(150)	(12,689)	(8,684)	(21,523)
Depreciation charge for the year	48,699	31,138	51,797	131,634	42,275	30,462	52,224	124,961
Exchange rate adjustment	(24)	7	90	73	-	-	-	-
At 31 December 2007	**216,664**	**193,642**	**394,121**	**804,427**	**203,930**	**188,618**	**381,800**	**774,348**
Net book value:								
At 1 January 2007	**1,376,773**	**44,844**	**245,185**	**1,666,802**	**1,267,447**	**43,177**	**241,127**	**1,551,751**
At 31 December 2007	**1,360,723**	**45,418**	**238,226**	**1,644,367**	**1,257,125**	**43,937**	**230,596**	**1,531,658**

The Bank has purchased a number of IT equipment and vehicles under finance lease agreements. At 31 December 2008, the net carrying amount of leased equipments was RON thousand 503 (31 December 2007: RON thousand 5,565). The leased equipment secures lease obligations.

The fair value of land and buildings at 31 December 2008 is RON thousand 1,428,830 for the Group and RON thousand 1,330,120 for the Bank.

There are no fixed assets pledged as collateral as at 31 December 2008, and 31 December 2007.

22. GOODWILL AND OTHER INTANGIBLE ASSETS

	Group			Bank
RON Thousand	Goodwill	Computer software	Total	Computer software
Cost:				
At 1 January 2008	**26,733**	**339,123**	**365,856**	**324,028**
Increase in shareholding of subsidiary (i)	9,819	-	9,819	-
Additions	-	86,870	86,870	85,026
Disposals	-	(33,767)	(33,767)	(22,002)
Exchange rate adjustment	-	4	4	-
At 31 December 2008	**36,552**	**392,230**	**428,782**	**387,052**
Amortization:				
At 1 January 2008	**-**	**157,187**	**157,187**	**145,690**
Disposals	-	(32,813)	(32,813)	(22,002)
Amortization charge for the year	-	30,957	30,957	29,715
Exchange rate adjustment	-	(275)	(275)	-
At 31 December 2008	**-**	**155,056**	**155,056**	**153,403**
Net book value:				
At 1 January 2008	**26,733**	**181,936**	**208,669**	**178,338**
At 31 December 2008	**36,552**	**237,174**	**273,726**	**233,649**
Cost:				
At 1 January 2007	**-**	**295,711**	**295,711**	**282,695**
Increase in shareholding of subsidiary	26,733	-	26,733	-
Additions	-	43,989	43,989	41,541
Disposals	-	(589)	(589)	(208)
Exchange rate adjustment	-	12	12	-
At 31 December 2007	**26,733**	**339,123**	**365,856**	**324,028**
Amortization:				
At 1 January 2007	**-**	**117,327**	**117,327**	**107,003**
Disposals	-	(516)	(516)	(153)
Amortization charge for the year	-	40,411	40,411	38,840
Exchange rate adjustment	-	(35)	(35)	-
At 31 December 2007	**-**	**157,187**	**157,187**	**145,690**
Net book value:				
At 1 January 2007	**-**	**178,384**	**178,384**	**175,692**
At 31 December 2007	**26,733**	**181,936**	**208,669**	**178,338**

(i) Increase in shareholding of subsidiary

During year 2008, the Group completed the acquisition of 0.38% of the share capital of the subsidiary BCR Leasing from minority shareholders, increasing its shareholding from 98.73 % to 99.11 %.

23. OTHER ASSETS

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Accrued interest receivable, net of provision for impairment	570,771	328,290	541,771	298,204
Prepayments	47,787	38,971	29,065	24,190
Other receivables	483,268	390,749	307,863	247,781
Fair value hedge / measurement of hedged item	228,591	-	228,591	-
Positive clean price from derivatives - banking book	291	-	291	-
	1,330,708	**758,010**	**1,107,581**	**570,175**

Accrued interest receivable

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Due from banks	14,204	95,395	13,846	77,846
Due from customers, net of provision	396,246	104,199	365,531	93,301
Financial instruments - assets	75,780	15,921	77,852	15,921
Other interest bearing assets	84,541	112,775	84,542	111,136
	570,771	**328,290**	**541,771**	**298,204**

24. DUE TO BANKS

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Deposits from other banks	16,401,720	15,650,682	16,010,005	14,875,951
Current accounts of other banks	41,581	71,666	41,581	2,718
Borrowings and financing lines	6,129,038	6,813,125	3,530,603	4,723,241
	22,572,339	**22,535,473**	**19,582,189**	**19,601,910**

The outstanding loans principal arising from the main financing agreements obtained by the Bank is presented below:

RON thousand	**2008**	**2007**
A bank from Ireland (i)	1,008,255	1,039,737
Syndicated loan	-	982,560
Syndicated loan	-	261,591
International Finance Corporation, USA (ii)	361,056	408,851
European Bank for Reconstruction and Development for mortgage loans (iii)	180,226	180,452
European Bank for Reconstruction and Development – SME (iv)	4,428	16,045
European Bank for Reconstruction and Development – SMM (v)	61,372	40,975
EBRD- EEFF (vi)	2,058	-
EBRD- CSF (vii)	1,993	-
European Investment Bank - Global Loan (viii)	39,852	36,102
A bank from Austria	597,780	541,530
A bank from Germany	95,645	144,408
A bank from USA	-	126,357
A bank from Austria	119,556	108,306

24. DUE TO BANKS (CONTINUED)

RON thousand	2008	2007
A bank from Germany	99,630	90,255
A bank from Austria	99,630	90,255
A bank from Germany	99,630	-
A bank from Luxemburg	-	80,982
A bank from Hungary	79,704	72,204
A bank from USA	79,704	72,204
A bank from USA	59,778	72,204
A bank from Holland	-	72,204
A bank from Germany	79,704	-
Other loans	460,602	286,019
Total	**3,530,603**	**4,723,241**

i) A Bank from Ireland

The agreement is dated 8 November 2006, representing a Facility for general corporate purposes. Committed amount represents EUR 500,000,000 and has been fully drawn by the Bank. Part of the loan (EUR 247,000,000) was subsequently transferred to other 4 Banks. The balance at 31st December 2008 was EUR 253,000,000. The facility is payable on 8 November 2009. The interest payment is biannual, in May and November at a variable interest rate of EURIBOR 6 months plus a revised margin.

ii) International Finance Corporation ("IFC")

The Bank has concluded two financing agreements with IFC.

The first agreement is dated 17 December 2002, its purpose being to improve the structure of Bank's balance sheet by reducing maturity mismatches between foreign currency assets and foreign currency liabilities, and to expand Bank's activities with private sector firms and individuals. Committed amount represents USD 75,000,000 and has been fully drawn by the Bank. The reimbursements are due in biannual installments starting with 15 June 2006 and ending on 15 December 2009. Interest payment is biannual at a variable interest rate of LIBOR 6 months plus a revised margin. Based on the amendment dated December 2005, the outstanding loan payable of USD 67,500,000 was converted into a EUR facility, the loan balance being EUR 30,599,234 at 31 December 2008. This revised facility is payable in semi-annual equal installments starting with 15 December 2006 and ending on 15 December 2012 with interest payments also biannual at a variable interest rate of EURIBOR 6 months plus a revised margin.

The second agreement is dated 5 December 2006, its purpose being to provide the Bank with long-term funds to expand its lending to small and medium enterprises and to strengthen its retail lending. Committed amount represents EUR 75,000,000 which has been fully drawn by the Bank. The balance at 31 December 2008 was 60,000,000. The reimbursements are due in biannual installments starting with 15 June 2008 and ending on 15 December 2012. Interest payment is biannual at a variable interest rate of EURIBOR 6 months plus a revised margin.

iii) European Bank for Reconstruction and Development ("EBRD") mortgage loans

The Bank has concluded 2 finance agreements with EBRD for mortgage loans.

The first agreement is dated 14 January 2003, its purpose being to grant mortgages for real estate (houses, flats, and the respective land), as the case may be and the like used or to be used by individual sub-borrowers for personal use in Romania or legal entity sub-borrowers for constructing or buying houses, flats or the like in Romania for their employees.

Committed amount represents EUR 50,000,000 and drawn-downs can be either in EUR or USD. At 25 November 2006 an amendment to this agreement was signed, which among other provisions stipulates that the new repayment period will start on 17 May 2008 in 21 biannual equal installments on 17 May and 17 November. Interest is payable semi-annually at a variable interest rate of LIBOR 6 months plus a revised margin. On the basis of the second amendment signed at 7 February 2007, at 14 February 2007 a conversion of the outstanding loan from USD to EUR has been made. Consequently the balance of the loan after conversion became 41,984,237 EUR and as the repayment period started on 17 May 2008. The balance was EUR 37,985,738.08 at the end of 31 December 2008.

24. DUE TO BANKS (CONTINUED)

The second agreement is dated 25 November 2005, its purpose also being to grant mortgages for sub-borrowers. Committed amount represents EUR 50,000,000 and drawn-downs can be either in EUR or USD. Bank has drawn only EUR 8.000,000 of the agreement amount and BERD cancelled undrawn balance in amount of EUR 42,000,000.

The loan is repayable in drawn-down in 21 equal bi-annual installments, starting with 17 may 2008, payable on 17 May and 17 November. Interest is payable semi-annually at a variable interest rate of LIBOR 6 months plus a revised margin. At 31 December 2008 the outstanding balance of the loan was of EUR 7,238.095,24 (31 December 2007, EUR 8,000,000).

iv) European Bank for Reconstruction and Development - Small and Medium Enterprises (SME)

There were two agreements dated 22 January 2001 and 9 December 2002 representing a SME Finance Facility to promote lending to SME in the accession countries to European Union. In each agreement the committed amount was EUR 20,000,000. As at 31 December 2008 the outstanding loan principal is nil for the first agreement and EUR 1,111,111.12 (EUR 8,888,888.90 at 31 December 2007) for the second agreement.

The loan re-payment is made in equal biannual installments on 10 May and 10 November. Interest payment is also made in biannual installments.

v) European Bank for Reconstruction and Development - Small and Medium-sized Municipalities (SMM)

The agreement dated 21 December 2004 represents a Finance Facility for small and medium-sized municipalities, their associations and utility companies held or controlled by them, to improve public services, upgrade infrastructure and meet EU environmental directives. Under this Facility, BCR and the SMM borrowers are the recipients of grants provided by the EU in the limit on EUR 3,000,000, in order to support the SMM borrowers and encourage the long term lending, as follows: for BCR – Maturity Enhancement Fee (EUR 1,000,000), Performance Fee (EUR 275,000) and Technical Co-Operation Support (EUR 300,000); for SMM borrowers – Municipality Financial Incentive (EUR 550,000) and Technical Assistance (EUR 875,000).

The committed amount is EUR 20,000,000. As at 31 December 2008 the outstanding loan principal is EUR 15,400,000 (31 December 2007: EUR 7,250,000). The loan re-payment is made in equal biannual installments on 19 May and 19 November. Interest payment is also made in biannual installments.

vi) European Bank for Reconstruction and Development for energy efficiency projects with the support of the European Union

The agreement was concluded on 24 January 2008 and is a facility for financing investment in the industrial sector to reduce energy consumption and improving energy performance. Under this facility, both BCR and sub-lenders are beneficiary of financial incentives to encourage long-term loans, as follows: for BCR - performance fee (up to EUR 800,000) and free assistance provided by EBRD consultants for the promotion of loans and for bank staff training on compliance with eligibility criteria; sub-lenders - financial incentive (3,000,000 EUR), and free technical assistance to prepare documentation on the investment and to verify implementation. Committed amount is EUR 516,438 at 31 December 2008. Loan repayment is made in biannual installments, on June 12 and December 12 starting from 2010. Interest is paid in half-yearly installments.

vii) European Bank for Reconstruction and Development to support the competitiveness of SMEs supported European Union and the Romanian Government, through the Ministry of Development, Public Works and Housing

The agreement was concluded on 15 May 2008 and represents a facility financing to SMEs to meet one or more Priority Directive of the European Union on environmental protection, safety and health at work, quality and safety of products applicable in the relevant industrial sector . Under this facility, both BCR and SMEs are the beneficiaries of financial incentives to encourage long-term loans, as follows: for BCR - Administrative incentive (up to EUR 400,000) and free assistance provided by EBRD consultants for the promotion of loans and for training of bank staff on compliance with eligibility criteria; for SME borrowers - financial incentive (4,000,000 EUR), and free technical assistance to prepare documentation on the investment and to verify implementation. Committed amount is EUR 500,000 at 31 December 2008. Loan repayment is made in biannual installments, on June 12 and December 12 starting from 2010 . Interest payment is also made in biannual installments.

24. DUE TO BANKS (CONTINUED)

viii) European Investment Bank (EIB) - Global Loan

BCR signed with the EIB on 24 November 2006 the financing for a loan in the overall total of EUR 50 million, for financing investment projects of small or medium size, developed by SMEs in any field (except the restricted / excluded from the EIB) and / or other private or public entities, regardless of their size and structure of social capital in fields of environment, infrastructure, knowledge based economy, rational use of energy, health, education.

The loan was contracted with Erste Bank Guarantee.
The amount drawn by BCR from EIB global loan at 31 December 2008 was EUR 10 million.
The loan is repaid in biannual installments, on May 23 and November 23. The loan was contracted for 8 years and has a grace period of 2 years; the first capital payment will be on 24 May 2010.

Interest is paid in half-yearly installments, at the same dates as the principal.

ix) Interest Rates

Loans from banks and other financial institutions outstanding at 31 December 2008 bear interest rates between 3% - 6.9% p.a. (31 December 2007: 3% - 6.83% p.a.).

The final maturities of loans from banks and other financial institutions other than the facilities provided by EBRD and IFC, vary between June 2009 and October 2022.

In general, the loan agreements concluded with the banks and other financial institutions provide that if the Bank fails to perform any of its obligations under these agreements or any other agreements between the Bank and the other banks and financial institutions and such failure continues for a certain period after the other banks and financial institutions notify the Bank of that failure, these banks and other financial institutions may, under certain circumstances and by notice to the Bank, require the Bank to repay the loans immediately.

No assets of the Bank have been pledged as collateral for the above loans.

The additional loans taken by the Bank's consolidated subsidiaries from other banks and other financial institutions that are outstanding at 31 December 2008 bear interest rates linked to EURIBOR plus margins varying between 1.875% and 4%. The loans taken by the subsidiary BCR Leasing SA is collateralized by the subsidiary's net lease receivable (refer to Note 18).

25. ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

At the end of first quarter of the year 2008, the Group announced its decision to dispose of the subsidiary Anglo-Romanian Bank Ltd. and, therefore classified it as disposal group for sale. The Group considered the subsidiary met the criteria to be classified as held for sale at that date for the following reasons:

- Anglo-Romanian Bank Ltd. is available for immediate sale and can be sold to a potential buyer in its current condition.
- The Group has a plan to sell and has entered into preliminary negotiations with a potential buyer. Should negotiations with the party not lead to a sale, a number of other potential buyers have been identified.

Assets of disposal group

RON Thousand	2008	2007
Loans and advances to credit institutions	634,896	818,727
Loans and advances to customers	1,077,519	857,572
Other assets	240,803	201,675
Total	**1,953,218**	**1,877,974**

Liabilities associated with assets of the disposal group

RON Thousand	2008	2007
Liabilities to credit institutions	1,083,670	1,129,956
Liabilities to customers	240,593	241,850
Other liabilities	54,872	455,660
Total	**1,379,135**	**1,827,466**

26. DUE TO CUSTOMERS

	Group		Bank	
RON Thousand	2008	2007	2008	2007
Corporate customers:				
Current accounts	1,535,331	1,803,616	1,513,512	1,803,616
Term deposits	6,247,438	7,302,570	6,630,398	7,487,953
Retail customers:				
Current/saving accounts	8,999,024	6,174,290	8,997,918	6,174,290
Term deposits	16,112,522	14,851,171	16,095,373	14,785,915
	32,894,315	**30,131,647**	**33,237,201**	**30,251,774**

27. DEBT ISSUED AND OTHER BORROWED FUNDS

	Group		Bank	
RON Thousand	2008	2007	2008	2007
Bonds issued	242,022	2,006,890	242,022	2,044,225
Certificates of deposit	743,803	1,835,374	743,803	1,835,374
	985,825	**3,842,264**	**985,825**	**3,879,599**

In December 2008 the issued corporate bonds with a face amount of EUR 500 million were repaid.

28. SUBORDINATED LOANS

In 2008, the Bank contracted two subordinated loans in RON as follows:

- RON 550,000 thousand with an interest rate of 18.54% and with the maturity date of 17 April 2018;
- RON 780,000 thousand with an interest rate 19.03% and with the maturity date of 18 December 2018.

The loan agreements do not stipulate circumstances in which early disbursement is required and no provisions for converting subordinated debt in equity or other liability.

29. DERIVATIVE FINANCIAL INSTRUMENTS

RON Thousand	2008			2007		
	Assets	Liabilities	Notional	Assets	Liabilities	Notional
Hedging instruments						
Cross currency swaps	291	1,324,898	10,801,154	-	-	-
Derivatives - other than hedging instruments						
Foreign currency swaps and forward contracts	-	72,874	5,986,837	-	70,872	6,453,754
Other contracts	-	2,205	68,214	-	-	-
TOTAL	**291**	**1,399,977**	**16,856,205**		**70,872**	**6,453,754**

30. OTHER LIABILITIES

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Accrued interest payable (i)	590,309	477,862	562,824	459,387
Accounts payable and sundry creditors	941,700	806,096	914,372	611,754
Deferred income	45,317	57,704	43,287	31,746
Finance lease payable (ii)	-	-	503	5,220
	1,577,326	**1,341,662**	**1,520,986**	**1,108,107**

(i) Accrued interest payable relates to the following financing sources:

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Due to banks	289,015	292,339	260,902	273,865
Due to customers	288,809	179,063	288,798	179,062
Debt issued and other borrowed funds	12,485	6,460	13,124	6,460
	590,309	**477,862**	**562,824**	**459,387**

(ii) Finance lease payable

	Bank	
RON Thousand	**2008**	**2007**
Up to one year	503	4,824
Between one year and five years	-	396
	503	**5,220**

31. PROVISIONS

RON Thousand	Group 2008	Group 2007	Bank 2008	Bank 2007
Provision for guarantees off balance sheet	2,962	-	2,779	-
Provision for retirement benefits (Note 32)	60,264	63,778	59,976	63,525
Provision for pensions	-	7,057	-	-
Provision for litigations	70,693	5,808	70,048	5,076
Provisions for lay-offs (i)	32,177	72,381	32,177	72,381
Underwriting provisions net of ceded business (ii)	-	370,000	-	-
	166,096	**519,024**	**164,980**	**140,982**

The movement of provisions during 2008 is as follows:

GROUP

RON Thousand	Provision for litigations	Provisions for lay-offs	Provision for guarantees off balance sheet	Provision for pensions	Underwriting provisions net of ceded business
At 1 January 2008	**5,808**	**72,381**	**-**	**7,057**	**370,000**
Arising during the year	67,713	27,328	2,962	-	-
Transfer from provision from retirement benefits (Note 32)	-	4,849	-	-	-
Utilised	(2,828)	(72,381)	-	-	-
Held for sale and discontinued operations	-	-	-	(7,057)	(370,000)
At 31 December 2008	**70,693**	**32,177**	**2,962**	**-**	**-**

Bank

RON Thousand	Provision for litigations	Provisions for lay-offs	Provision for guarantees off balance sheet
At 1 January 2008	**5,076**	**72,381**	**-**
Arising during the year	67,713	27,332	2,779
Transfer from provision from retirement benefits (Note 32)	-	4,845	-
Utilised	(2,741)	(72,381)	-
At 31 December 2008	**70,048**	**32,177**	**2,779**

(i) Provision for lay-offs

On 20 November 2008 and 29 December 2008 the Bank officially announced a collective lay-off program. The Bank's management has performed an assessment regarding the number of employees that would be affected by this program.

(ii) Underwriting provisions net of ceded business

In December 2008, the Group's insurance business was sold. During 2008, before the sale, the insurance business was classified as discontinued operations in accordance with IFRS 5.

32. RETIREMENT BENEFIT COSTS

Changes in the present value of the defined benefit obligation are as follows:

	Group		Bank	
RON Thousand	2008	2007	2008	2007
Opening defined benefit obligation	**63,778**	**117,566**	**63,525**	**117,336**
Interest cost	4,324	8,467	4,307	8,451
Current service cost	5,780	11,204	5,694	11,128
Benefits paid	(6,096)	(31,277)	(6,054)	(31,269)
Actuarial losses on obligations	(3,702)	(42,182)	(3,675)	(42,121)
Past Service Cost	1,029	-	1,024	-
Curtailment of benefits	(4,849)	-	(4,845)	-
	60,264	**63,778**	**59,976**	**63,525**

Defined benefit obligation

According to the collective labor agreement, employees of the Bank and one of its subsidiaries are entitled to one lump sum payment on the date of normal age retirement, of up to 6 gross monthly salaries (the Bank) and up to 3 gross monthly salaries (the subsidiary), depending on seniority.

This is a defined benefit plan that defines an amount of benefit that an employee is entitled to receive on the date of normal age retirement, dependent on one or more factors such as age, years of service and salary. A full actuarial valuation by a qualified independent actuary is carried out every year.

The plan liability is measured on an actuarial basis using the projected unit credit method adjusted for unrecognized actuarial gains and losses. The defined benefit plan liability is discounted using rates equivalent to the market yields at the balance sheet date of high-quality corporate bonds that are denominated in the currency in which benefits will be paid, and that have a maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the statement of changes in equity.

Curtailment of benefits refers to the defined benefit obligation related to the employees that are part of the planned lay-off scheme for 2009 (Note 31).

The principal assumptions used in determining the defined benefit obligation of the Group's plan are shown below:

	2008 %	2007 %
Discount rate	7.5%	7%
Future salary increases	5%	5%
Mortality rates	ETTL- PAGLER	ETTL- PAGLER
Disability rates	ETTL- PAGLER	ETTL- PAGLER

33. ISSUED CAPITAL AND RESERVES

The statutory share capital of the Bank as at 31 December 2008 and 31 December 2007 is represented by 792,468,750 ordinary shares of RON 1 each (31 December 2007: 792,468,750 ordinary shares of RON 1 each). The shareholders of the Bank are as follows:

	2008		2007	
	Number of shares	Percentage holding (%)	Number of shares	Percentage holding (%)
Erste Bank der oesterreichischen Sparkassen AG	549,230,910	69.3063	548,165,833	69.1719
Societatea de Investitii Financiare ("SIF") „Banat Crisana"	47,548,125	6.0000	47,548,125	6.0000
Societatea de Investitii Financiare ("SIF") „Moldova"	47,548,125	6.0000	47,548,125	6.0000
Societatea de Investitii Financiare ("SIF") „Transilvania"	47,548,125	6.0000	47,548,125	6.0000
Societatea de Investitii Financiare ("SIF") „Muntenia"	47,548,125	6.0000	47,548,125	6.0000
Societatea de Investitii Financiare ("SIF") „Oltenia"	48,479,429	6.1175	48,479,429	6.1175
MEI Roemenie en Bugarije Fonds NV	-	-	171,875	0.0217
Middle Europe Opportunity Funds II NV	-	-	103,125	0.0130
SC Actinvest SA	15,773	0.0020	15,773	0.0020
SC Carina Import Export SRL	4,376	0.0006	4,376	0.0006
Certinvest SA	1,000	0.0001	1,000	0.0001
SC Milord Impex SRL	1,951	0.0003	1,951	0.0003
SC Yoyo Impex SRL	2,359	0.0003	2,359	0.0003
SC Cozamin SRL	10,647	0.0013	10,647	0.0013
Individuals	4,529,805	0.5716	5,319,882	0.6713
Total	**792,468,750**	**100.000**	**792,468,750**	**100.0000**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general shareholders' meetings of the Bank.

The reconciliation of the statutory share capital of the Bank to the share capital in the balance sheet is presented below:

RON thousand	2008	2007
Share capital as per Romanian statutory accounts	792,469	792,469
IAS 29 hyperinflation adjustment recorded in prior years (i.e. until 31 December 2003)	1,327,224	1,327,224
Share capital in the balance sheet	**2,119,693**	**2,119,693**

33. ISSUED CAPITAL AND RESERVES (continued)

The reconciliation of opening and closing balances of share capital, reserves and accumulated profit is presented below:

GROUP

RON Thousand	Attributable to equity holders of parent: Issued capital	Retained earnings	Other capital reserve	Total	Minority interest	Total equity
At 31 December 2007	**2,119,693**	**1,608,468**	**1,101,771**	**4,829,932**	**37,445**	**4,867,377**
Net gains/(losses) on available-for-sale financial investments	-	-	(273,480)	(273,480)	(444)	(273,924)
Foreign currency translation	-	-	59,907	59,907	(205)	59,702
Actuarial gains (i)	-	-	4,204	4,204	-	4,204
Management share options plan (MSOP)	-	-	1,395	1,395	-	1,395
Deferred tax	-	-	42,741	42,741	70	42,811
Total income and expense for the year recognized directly in equity	-	-	**(165,233)**	**(165,233)**	**(579)**	**(165,812)**
Profit for the year	-	2,032,682	-	2,032,682	2,949	2,035,631
Total income and expense for the year	-	**2,032,682**	**(165,233)**	**1,867,449**	**2,370**	**1,869,819**
Acquisition of minority shareholdings	-	-	-	-	(12,555)	(12,555)
Distribution of dividends (Note 14)	-	(369,913)	-	(369,913)	-	(369,913)
At 31 December 2008	**2,119,693**	**3,271,237**	**936,538**	**6,327,468**	**27,260**	**6,354,728**
At 31 December 2006	**2,119,693**	**1,051,614**	**1,044,423**	**4,215,730**	**33,270**	**4,249,000**
Net gains/(losses) on available-for-sale financial investments	-	-	(8,198)	(8,198)	274	(7,924)
Foreign currency translation	-	-	30,388	30,388	573	30,961
Actuarial gains (i)	-	-	40,909	40,909	2	40,911
Deferred tax	-	-	(5,751)	(5,751)	(41)	(5,792)
Total income and expense for the year recognized directly in equity	-	-	**57,348**	**57,348**	**808**	**58,156**
Profit for the year	-	924,781	-	924,781	8,602	933,383
Total income and expense for the year	-	**924,781**	**57,348**	**982,129**	**9,410**	**991,539**
Acquisition of minority shareholdings	-	-	-	-	(2,706)	(2,706)
Distribution of dividends (Note 14)	-	(367,927)	-	(367,927)	(2,529)	(370,456)
At 31 December 2007	**2,119,693**	**1,608,468**	**1,101,771**	**4,829,932**	**37,445**	**4,867,377**

(i) Amount RON 4,204 thousands (31 December 2007: RON 40,911 thousand) also includes actuarial gains on pension and other elements in amounts of RON 503 thousand (31 December 2007: RON thousand (1,271)).

33. ISSUED CAPITAL AND RESERVES (continued)

BANK

RON Thousand	Issued capital	Retained earnings	Other capital reserves	Total
At 31 December 2007	**2,119,693**	**1,354,967**	**1,048,655**	**4,523,315**
Net gains on available-for-sale financial investments	-	-	(270,576)	(270,576)
Actuarial gain / (losses)	-	-	3,675	3,675
Management share options plan	-	-	1,395	1,395
Deferred tax	-	-	42,708	42,708
Total income and expense for the year recognized directly in equity	**-**	**-**	**(222,798)**	**(222,798)**
Profit for the year	-	1,951,668	-	1,951,668
Total income and expense for the year	**-**	**1,951,668**	**(222,798)**	**1,728,870**
Distribution of dividends (Note 14)	-	(369,913)	-	(369,913)
At 31 December 2008	**2,119,693**	**2,936,721**	**825,857**	**5,882,271**
At 31 December 2006	**2,119,693**	**835,406**	**1,020,203**	**3,975,302**
Net gains on available-for-sale financial investments	-	-	(8,246)	(8,246)
Actuarial gain / (losses)	-	-	42,118	42,118
Deferred tax	-	-	(5,420)	(5,420)
Total income and expense for the year recognized directly in equity	**-**	**-**	**28,452**	**28,452**
Profit for the year	-	887,488	-	887,488
Total income and expense for the year	**-**	**887,488**	**28,452**	**915,940**
Distribution of dividends (Note 14)	-	(367,927)	-	(367,927)
At 31 December 2007	**2,119,693**	**1,354,967**	**1,048,655**	**4,523,315**

OTHER CAPITAL RESERVES

GROUP 2008

RON Thousand	Available-for-sale reserve	Foreign currency translation reserve	Actuarial gain / (loss)	Management share option plan	Other reserves	Total
At 1 January 2008	**9,982**	**40,051**	**43,842**	**-**	**1,007,896**	**1,101,771**
Fair value change in available-for-sale financial asset	(273,480)	-	-	-	-	(273,480)
Actuarial gains / (losses)	-	-	4,204	-	-	4,204
Management share options plan	-	-	-	1,395	-	1,395
Tax effect	43,414	-	(673)	-	-	42,741
Foreign currency translation	-	62,532	-	-	(2,625)	59,907
At 31 December 2008	**(220,084)**	**102,583**	**47,373**	**1,395**	**1,005,271**	**936,538**

33. ISSUED CAPITAL AND RESERVES (continued)

GROUP 2007

RON Thousand	Available-for-sale reserve	Foreign currency translation reserve	Actuarial gain / (loss)	Other reserves	Total
At 1 January 2007	**16,971**	**9,663**	**9,893**	**1,007,896**	**1,044,423**
Fair value change in available-for-sale financial asset	(8,198)	-	-	-	(8,198)
Actuarial gains / (losses)	-	-	40,909	-	40,909
Tax effect	1,209	-	(6,960)	-	(5,751)
Translation reserve	-	30,388	-	-	30,388
At 31 December 2007	**9,982**	**40,051**	**43,842**	**1,007,896**	**1,101,771**

Bank 2008

RON Thousand	Available-for-sale reserves	Actuarial gains / (losses) reserve	Management share option plan	Other reserves	Total
At 1 January 2008	**10,533**	**44,366**	**-**	**993,756**	**1,048,655**
Fair value change in available-for-sale financial assets	(270,576)	-	-	-	(270,576)
Actuarial gain / (loss)	-	3,675	-	-	3,675
MSOP	-	-	1,395	-	1,395
Tax effect	43,292	(584)	-	-	42,708
At 31 December 2008	**(216,751)**	**47,457**	**1,395**	**993,756**	**825,857**

Bank 2007

RON Thousand	Available-for-sale reserves	Actuarial gains / (losses) reserve	Other reserves	Total
At 1 January 2007	**17,460**	**8,987**	**993,756**	**1,020,203**
Fair value change in available-for-sale financial assets	(8,246)	-	-	(8,246)
Actuarial gain / (loss)	-	42,118	-	42,118
Tax effect	1,319	(6,739)	-	(5,420)
At 31 December 2007	**10,533**	**44,366**	**993,756**	**1,048,655**

34. RECONCILIATION OF STATUTORY PROFIT AND RETAINED EARNINGS WITH IFRS BALANCES

GROUP 2008

RON Thousand	Net profit	Retained earnings	Share capital	Other reserves
Bank - statutory	**1,117,639**	**3,403,345**	**792,469**	**993,757**
Subsidiaries - statutory, net of consolidation adjustments	**189,980**	**510,353**	**-**	**-**
Loans allowance	952,628	686,340	-	-
Loans – effective interest rate	210,158	267,280	-	-
Fair value through profit or loss	(35,047)	(48,253)	-	-
Property and equipment	-	(705,844)	-	-
Equity investments	-	(3,416)	-	-
Insurance business	(26,578)	(21,874)	-	-
Borrowings - amortized cost	(11,278)	(23,689)	-	-
Retirement benefit	-	11,689	-	-
Reintegration of loans previously written-off	(77,773)	700,520	-	-
Share capital restatement for hyperinflation	-	(1,327,224)	1,327,224	-
Available-for-sale reserve	-	-	-	(262,173)
Actuarial gains/(losses)	-	-	-	57,322
Translation reserve	-	-	-	102,583
Reversal of provision for administration commissions of dormant current accounts	20,000	20,000	-	-
Management share option program	-	-	-	1,395
Deferred tax	(148,875)	(226,811)	-	32,979
Other	(81,248)	105,743	-	10,675
Intragroup elimination of dividends	(34,252)	(34,252)	-	-
Effect of deconsolidation of insurance companies	(42,672)	(42,670)	-	-
Total BCR Group	**2,032,682**	**3,271,237**	**2,119,693**	**936,538**
Minority interest	2,949	27,260	-	-
Total	**2,035,631**	**3,298,497**	**2,119,693**	**936,538**

34. RECONCILIATION OF STATUTORY PROFIT AND RETAINED EARNINGS WITH IFRS BALANCES (CONTINUED)

Bank 2008

RON Thousand	Net profit	Retained earnings	Share capital	Other reserves
Statutory	**1,117,639**	**3,403,345**	**792,469**	**993,757**
Loans – allowance for impairment losses	952,628	686,340	-	-
Loans – effective interest rate	210,158	267,280	-	-
Fair value through profit or loss	(35,047)	(48,163)	-	-
Property and equipment	-	(655,602)	-	-
Equity investments	-	(3,416)	-	-
Retirement benefit	(126)	11,563	-	-
Finance lease liability	-	(1,080)	-	-
Borrowings - amortized cost	(11,278)	(23,689)	-	-
Reintegration of loans previously written-off	(77,773)	700,520	-	-
Share capital restatement for hyperinflation	-	(1,327,224)	1,327,224	-
Available-for-sale reserve	-	-	-	(258,037)
Actuarial gains/(losses)	-	-	-	56,496
Reversal of provision for administration commissions of dormant current account	20,000	20,000	-	-
Management share option program	(1,395)	-	-	1,395
Deferred tax	(172,373)	(223,837)	-	32,246
Other	(50,765)	130,684	-	-
Total	**1,951,668**	**2,936,721**	**2,119,693**	**825,857**

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments.

Financial assets

Loans originated by the Group and leases are measured at amortized cost using the effective interest rates less any impairment reserve. The interest rate of approximately 95% of these assets is variable based on current market rates, and consequently, the carrying amounts of these assets approximate their fair value.

For deposits with banks, amortized cost is estimated to approximate fair value due to their short–term nature, interest rates reflecting current market conditions and no significant transaction costs. The amortized cost of treasury securities was not materially different from their quoted prices.

The remeasured cost net of any reserve for impairment of investments that are not listed at a stock exchange is estimated to approximate their fair value.

Financial liabilities

The amortized cost of customer deposits and borrowings is considered to approximate their respective fair values, since these items have predominantly short re-pricing terms, carry interest rates reflecting current market conditions and are settled without significant transaction costs.

Group 2008

RON Thousand	Quoted market price	Valuation techniques - market observable inputs	TOTAL
Financial assets			
Financial assets designated at fair value through profit or loss	35,937	155,658	191,595
Financial investments - available for sale	16,903	1,389,174	1,406,077

Group 2007

RON Thousand	Quoted market price	Valuation techniques - market observable inputs	TOTAL
Financial assets			
Financial assets designated at fair value through profit or loss	456,035	14,029	470,064
Financial investments - available for sale	238,100	1,447,470	1,685,570

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Bank 2008

RON Thousand	Quoted market price	Valuation techniques - market observable inputs	TOTAL
Financial assets			
Financial assets designated at fair value through profit or loss	35,810	155,635	191,445
Financial investments - available for sale	16,903	1,660,753	1,677,656

Bank 2007

RON Thousand	Quoted market price	Valuation techniques - market observable inputs	TOTAL
Financial assets			
Financial assets designated at fair value through profit or loss	455,679	14,029	469,708
Financial investments - available for sale	145,029	1,902,713	2,047,742

36. ADDITIONAL CASH FLOW INFORMATION

Cash and cash equivalents

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Cash on hand (Note 15)	1,263,859	1,235,734	1,259,504	1,230,010
Current account with the central banks (Note 15)	13,363,459	16,067,603	13,290,070	15,951,763
Due from banks	1,063,793	2,398,014	1,063,793	2,397,537
	15,691,111	**19,701,351**	**15,613,367**	**19,579,310**

Change in operating assets

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Net change in due from banks	800,683	(227,150)	44,497	8,152
Net change in reverse repurchase agreements	(13,650)	2,464	(13,650)	2,464
Financial assets held for trading	(220,027)	-	(223,000)	-
Net change in financial assets designated at fair value through profit or loss	278,469	(22,763)	278,263	(8,367)
Net change in loans and advances to customers	(8,543,154)	(12,284,909)	(8,403,532)	(11,421,889)
Net change in other assets	(572,698)	(249,713)	(575,379)	(262,271)
Net change in assets held for sale and discontinued operations	(574,083)	-	-	-
	(8,844,460)	**(12,782,071)**	**(8,892,801)**	**(11,681,911)**

Change in operating liabilities

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Net change in due to banks	720,953	12,973,722	1,172,917	13,996,455
Net change in repurchase agreements	114,233	(301,839)	114,233	(301,839)
Net change in derivative financial investments	1,329,105	-	1,329,105	-
Net change in due to customers	1,671,097	5,051,846	1,893,856	5,286,080
Net change in other liabilities	223,758	811,416	409,432	543,507
	4,059,146	**18,535,145**	**4,919,543**	**19,524,203**

Non-cash items included in profit before tax

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Depreciation of property and equipment	124,922	131,634	120,063	124,961
Amortization of intangible assets	30,957	40,411	29,715	38,840
Impairment losses on loans and advances to customers	628,633	164,444	616,728	159,677
Provision for litigations and off-balance sheet exposure (Note 31)	70,675	3,407	70,492	3,439
Retirement benefit provision (Note 32)	11,133	19,671	11,025	19,579
Provisions for lay-offs (Note 31)	32,177	72,381	32,177	72,381
Other non-monetary adjustments	805,467	616,435	678,419	564,604
	1,703,964	**1,048,383**	**1,558,619**	**983,481**

36. ADDITIONAL CASH FLOW INFORMATION (CONTINUED)

Net gain from investing activities

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Net gain from discontinued operations (Note 8)	504,005	15,111	-	-
Net gain from sale of financial investments	287,794	-	865,164	-
Net gain from sale of property and equipment	1,983	14,742	1,488	164
Dividend income (Note 4)	5,313	5,394	39,407	50,156
	799,095	**35,247**	**906,059**	**50,320**

Payments made against provisions

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Provision for retirement benefits (Note 32)	(6,096)	(31,277)	(6,054)	(31,272)
Provision for lay-off and early retirement (Note 31)	(72,381)	(43,022)	(72,381)	(43,022)
Provision for litigations and off-balance sheet items (Note 31)	(2,828)	(68)	(2,741)	-
	(81,305)	**(74,367)**	**(81,176)**	**(74,294)**

37. INTEREST RATE SENSITIVITY

The sensitivity of the income statement is the effect of the assumed changes of interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and liabilities held at 31 December 2008. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets. The sensitivity of equity is analyzed by maturity of the asset. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

Bank 2008

RON Thousand	less then 1 month	1 to 3 months	3 to 6 months	6 to12 months	Over 1 year	Not sensitive	Total
ASSETS							
Cash and balances with central banks	-	-	-	-	-	14,549,574	14,549,574
Due from banks	100,695	20,427	31,097	-	-	968,643	1,120,862
Reverse repurchase agreements	-	-	-	-	-	13,650	13,650
Financial assets held for trading	54,037	-	-	-	-	168,983	223,020
Financial assets designated at fair value through profit or loss	-	25,639	1,706	-	99,441	64,659	191,445
Loans and advances to customers	4,008,559	6,140,639	9,968,832	19,040,668	71,282	3,686,516	42,916,496
Financial investments – available-for-sale	-	147,704	4,251	-	-	1,525,701	1,677,656
Financial investments – held-to-maturity	-	-	-	-	-	665,559	665,559
Property and equipment	-	-	-	-	-	1,613,290	1,613,290
Goodwill and other intangible assets	-	-	-	-	-	233,649	233,649
Other assets	-	-	-	-	-	1,107,581	1,107,581
Assets held for sale						191,022	191,022
TOTAL ASSETS	**4,163,291**	**6,334,409**	**10,005,886**	**19,040,668**	**170,723**	**24,788,827**	**64,503,804**
LIABILITIES AND EQUITY							
Due to banks	12,528,956	1,236,183	2,701,227	15,944	-	3,099,879	19,582,189
Repurchase agreements	-	-	-	-	-	114,233	114,233
Derivative financial instruments	-	-	-	-	-	1,399,977	1,399,977
Due to customers	14,724,237	787,415	221,190	524,921	-	16,979,438	33,237,201
Debt issued and other borrowed funds	-	-	-	-	-	985,825	985,825
Current tax liabilities	-	-	-	-	-	145,882	145,882
Deferred tax liabilities	-	-	-	-	-	140,260	140,260
Other liabilities	-	-	-	-	-	1,520,986	1,520,986
Provisions	-	-	-	-	-	164,980	164,980
Subordinated Liabilities	-	-	-	-	-	1,330,000	1,330,000
TOTAL LIABILITIES	**27,253,193**	**2,023,598**	**2,922,417**	**540,865**	**-**	**25,881,460**	**58,621,533**
NET	**(23,089,902)**	**4,310,811**	**7,083,469**	**18,499,803**	**170,723**	**(1,092,633)**	**5,882,271**

37. INTEREST RATE SENSITIVITY (CONTINUED)

2007 – RON million

Currency	Decrease in basis points	Sensitivity of net interest income	Sensitivity of equity
RON	(50)	14.91	12.52
EUR	(25)	(18.15)	(15.25)
USD	(150)	10.40	8.74
Others	(50)	(0.05)	(0.04)

Currency	Increase in basis points	Sensitivity of net interest income	Sensitivity of equity
RON	150	(44.73)	(37.57)
EUR	15	10.89	9.15
USD	25	(1.73)	(1.45)
Others	50	0.05	0.04

38. CONTINGENT LIABILITIES AND COMMITMENTS

	Group		Bank	
RON Thousand	2008	2007	2008	2007
Contingent liabilities	4,945,377	4,057,018	4,632,345	3,898,046
Commitments	5,201,752	6,033,023	5,057,194	5,926,813
	10,147,129	**10,090,041**	**9,689,539**	**9,824,859**

Contingent liabilities
The Group issues letters of credit, guarantees (including standby letters of credit) and commits to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods.

Undrawn loan commitments
Undrawn loan commitments represent contractual commitments to grant loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent until the customers maintain specific standards. The Group monitors the maturity of credit commitments as longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Legal claims
Litigation is a common occurrence in the banking industry due to the nature of the business. The Group has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. The Group has several unresolved legal claims for which the provisions were made in accordance with IAS 37 requirements in amount of RON thousand 70,048 as at 31 December 2008 (31 December 2007: RON thousand 5,076) for the Bank, and in amount of RON thousand 70,693 (31 December 2007: RON thousand 5,808) for the Group (Note 31).

39. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2008 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

Transactions with shareholders

The following transactions were carried out with its shareholders, Erste Bank der oesterreichischen Sparkassen AG, SIF Banat-Crisana SA, SIF Moldova SA, SIF Muntenia SA, SIF Oltenia SA, SIF Transilvania SA, at market rates.

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Assets				
Due from banks	86,575	5,447	85,582	5,447
Investments securities available-for-sale	333,842	74,844	333,842	74,844
Total assets	**420,417**	**80,291**	**419,424**	**80,291**
Liabilities				
Deposits from customers	78,931	17,294	78,931	17,294
Loans from banks and other financial institutions	20,847,382	17,540,714	17,920,141	15,468,988
Other liabilities	1,379,303	244,593	497,932	227,300
Total liabilities	**22,305,616**	**17,802,601**	**18,497,004**	**15,713,582**
Guarantees granted	**1,606,921**	**-**	**1,606,921**	**-**
Income				
Interest and dividend income	840,032	787	840,021	787
Commission income	38,258	41	38,258	41
Other operating income	5,640	36,558	5,640	1,333
Total income	**883,930**	**37,386**	**883,919**	**2,161**
Expense				
Interest expense	625,570	233,056	465,820	167,235
Commission expense	33,998	42	33,005	42
Other	2,012	7,899	2,012	7,899
Total expense	**661,580**	**240,997**	**500,837**	**175,176**

39. RELATED PARTY DISCLOSURES (continued)

Transactions with fellow subsidiaries members of Erste Group:

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Assets				
Due from banks	25,365	759	25,365	759
Other assets	-	1	-	1
Total	**25,365**	**760**	**25,365**	**760**
Liabilities				
Loans from banks and other financial institutions	54,183	49,081	54,183	49,081
Other liabilities	23,503	12,064	23,503	12,064
Total	**77,687**	**61,145**	**77,687**	**61,145**
Income				
Interest income	277	27	277	27
Total income	**277**	**27**	**277**	**27**
Expense				
Other operating expenses	35,102	2,050	35,102	2,050
Total expense	**35,102**	**2,050**	**35,102**	**2,050**

Transactions with management

The Group entered into a number of banking transactions with the management in the normal course of business.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. This includes the members of the Supervisory Board, Executive Committee and Asset/Liability Management Committee of the Bank.

These transactions were carried out on commercial terms and conditions and at market rates. The following transactions were carried out with the management:

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Assets				
Loans and advances to customers	448	-	448	-
Total	**448**	**-**	**448**	**-**
Liabilities				
Deposits from customers	4,263	2,869	4,263	2,869
Other	21	-	21	-
Total	**4,284**	**2,869**	**4,284**	**2,869**
Interest and commission income	1	650	1	650
Interest and other expenses	277	11	277	11

39. RELATED PARTY DISCLOSURES (continued)

Transactions with subsidiaries

The Bank holds investments in subsidiaries with whom it entered into a number of banking transactions in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rates. The following transactions were carried out with subsidiaries:

	Bank	
RON Thousand	**2008**	**2007**
Assets		
Due from banks	112,909	104,488
Loans and advances to customers	-	37,249
Investments securities available for sale	-	-
Other assets	1,787	49,953
Total	**114,696**	**191,690**
Liabilities		
Deposits from banks	24,707	2,331
Deposits from customers	387,773	395,183
Debt issued and other borrowed funds	-	37,335
Other liabilities and provisions	925	7,206
Total	**413,405**	**442,055**
Income		
Interest income	15,407	18,599
Commission income	5,670	3,042
Other income	-	26,980
Total income	**21,077**	**48,621**
Expense		
Interest expense	15,143	10,917
Commission expense	69	439
Other expenses	31,431	158
Total expense	**46,643**	**11,514**

40. RISK MANAGEMENT

40.1 Introduction

Risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits, approval authorities (pouvoirs), separation of responsibilities and other controls. The Bank is exposed to credit risk, liquidity risk and market risk, as well as to operational risk.

Consistency in risk management is ensured through an integrated and methodologically coherent approach to all risks, along with regular monitoring that enables risk management to proactively manage their own portfolios and, when necessary, take timely corrective actions.

40.2. Risk management structure and responsibilities

Supervisory Board

The Supervisory Board approves and reviews the Bank's risk profile and the Bank's strategy in respect of risk management.

The Risk Committee of the Supervisory Board

The Risk Committee of the Supervisory Board is responsible for approval of the implementation of the main lending and risk policies, procedures and internal rules, approval of the delegation of the credit authorities (pouvoirs), as well as approval of the implementation of the Management Board's approvals for granting loans with a value exceeding the credit authorities delegated.

Management Board

The Management Board is responsible for the implementation of the risk strategies approved by the Supervisory Board, the maintenance of a proper risk exposure reporting, as well as the maintenance of the risk limits, including for crisis situation.

The Risk Committee of the Management Board

The Risk Committee of the Management Board develops appropriate policies and procedures for identification, assessment, monitoring and control of the significant risks, propose the risk exposure limits according to the Bank complexity and financial status, informs the Supervisory Board about the issues and significant trends which might occur and could influence the Bank's risk profile.

Risks Functional Line

Risk management activities are consolidated under the Risks Functional Line, which consists of four divisions: Retail Risk Management, Corporate Risk Management, Workout and Risk Controlling.

Internal Audit

Risk Management processes throughout the Bank are audited annually by the internal audit function, that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit and Compliance Committee.

40.3. Risk Management activities

In order to manage the risks that could affect its activity and financial performance, the Bank undertakes the necessary steps to identify the risk sources, to asses and monitor the Bank's exposures, to set up risk limits for different counterparties such as countries, sovereigns, banks, financial institutions affiliated to the banking groups, corporate customers/groups of clients, VaR limits, liquidity limits, etc.

The significant risks are identified and assessed for the whole Bank at all organizational levels, for all the Bank transactions and activities.
For the identification and assessment of the significant risks, internal factors are taken into account, such as the complexity of the organizational structure, the types of activities, the staff quality and staff migration, as well as the external factors such as economic environment, the legislative changes, the competition in the banking sector and technological progress.

40. RISK MANAGEMENT (CONTINUED)

40.3 Risk Management activities (continued)

In order to have an appropriate management of the significant risks, the Bank uses:

- **a system of procedures for transactions authorization**, which consists of competences / authority limits (pouvoirs) for granting loans and other related credit products;

- **a system for setting up risk limits** in compliance with the Bank's global risk profile, capital adequacy, liquidity, loan portfolio quality etc;

- **a system of reporting the risk exposure** and the other issues / aspects related to risks;

- **a system of procedures for unexpected situations/crisis** regarding significant risks, including measures necessary to be undertaken by the Bank;

- **a system of procedures that prevents an inadequate information usage**, in order to avoid the Bank's reputation damage, the disclosure of secret and confidential information and the usage of information for the staff's personal benefits;

- **staff recruitment** and salaries criteria, which presume high standards in respect of qualification, expertise and integrity;

- **staff training programs.**

The Bank undertakes the necessary steps in order to ensure and maintain an adequate information system for the identification, measurement, monitoring and reporting of the significant risks, for the whole Bank and for each department or business unit.

The Bank sets up an **appropriate separation of responsibilities** for all the Bank's organizational levels in order to avoid the conflict of interest in front office, risk management and back office activities.

40.4. Integration into the Erste Group standards

In 2008 BCR has continued to implement the necessary measures for its alignment to the standards of the Erste Group and the principles of the Basel II Agreement, based on projects unfolded in collaboration with Erste Group:

- the projects on the implementation of KRIMI APS ratings for individual and corporate clients, FASCOR ratings for municipalities and SL (Specialized Lending) ratings for real estate clients and specialized loans, based on Erste Group standards;
- The Default Database Project, for the elaboration and administration at BCR level of a database with information on clients undergoing default. This database will also be used for the computation of risk parameters;
- The gathering of risk information in a database at BCR level (Local Data Warehouse). This database will be the information source for the Bank's future prudential risk reports.

The implementation of these standards presupposed the consolidation of the management of corporate and retail credit risks, market risks, operational risks, country and banking risks, as well as the assessment of collaterals and workout etc. under the Risk & Financial Functional Line.

Under these terms, risk management specialists were clearly delimited from an organizational point of view from the personnel with responsibilities in the business development field. This clear-cut delimitation from the Front Office area represented the fundament for the implementation of the group principle concerning the two votes necessary for the approval of exposures towards the clients (1st vote is granted by the Front Office personnel, whereas the 2nd vote is granted by the risk management personnel); a new pouvoirs system was implemented for these purposes.

The main objectives of these risk management group standards are two: supporting business lines to reach their projected business targets by ensuring the taking of quick and efficient crediting decisions and protecting the Bank against banking risks using advanced risk management methods and principles.

40. RISK MANAGEMENT (CONTINUED)

40.5 Credit risks

Credit risk arises from all transactions that give rise to actual, contingent or potential claims against Bank's customers. Credit risk consists of default risk – this is the risk that counterparties fail to meet their contractual payment obligations; country risk - is the risk that the Bank can suffer, in any given country, due to nationalization, expropriation of assets, government repudiation of indebtedness etc. and settlement risk - is the risk that the settlement or clearance of transactions will fail.

In respect of credit risk, risk limits are set up for different segments of customers: banks, countries, sovereigns, financial institutions affiliated to banking groups, factoring companies, corporate clients/groups. The Bank set up approval competences (pouvoirs) for each type of customers/groups of customers (corporate, retail, banks etc.), which is the maximum limit for the approval of loans and other credit type products.

The Bank grants loans to the corporate customers that can generate appropriate cash-flows, with a good reputation in the business environment, that have a proper credit rating and to the retail customers which have stable incomes and are trustworthy as regards the fulfillment of the contract obligations towards the Bank.

In the loans approval process the Bank is mainly interested in the first credit repayment source, the customer's capacity to generate cash-flows (for corporate customers) and to gain stable incomes (for retail customers).

In order to asses the performances and financial status of its customers, the Bank uses scoring systems, ratings, methods of analyzing the financial performances (SABINE for corporate and micros, CARLA for banks and financial institutions).

In order to avoid the concentration of credit risk on a small number of clients, the bank monitors the dispersion of credit risk towards client categories, branches, geographical regions, activity sectors and banking products.

40.5.1 Maximum credit exposure without taking into account any collateral or other credit enhancements

RON Thousand	Group		Bank	
	2008	2007	2008	2007
Cash and balances with central bank (excluding cash on hand)	13,363,459	16,067,603	13,290,070	15,951,763
Due from banks	1,117,984	3,252,888	1,120,862	2,499,103
Reverse repurchase agreements	13,650	-	13,650	-
Financial assets held for trading	223,022	2,995	223,020	20
Financial assets designated at fair value through profit or loss	191,595	470,064	191,445	469,708
Loans and advances to customers/*	45,521,595	37,607,074	42,916,496	35,129,692
Financial investments – available-for-sale	1,406,077	1,685,570	1,677,656	2,047,742
Financial investments – held-to-maturity	698,851	10,615	665,559	2,941
Other assets	1,330,708	758,010	1,107,581	570,175
Total on-balance sheet	**63,866,941**	**59,854,819**	**61,206,339**	**56,671,144**
Contingent liabilities	4,945,377	4,057,018	4,632,345	3,898,046
Commitments	5,201,752	6,033,023	5,057,194	5,926,813
Total off-balance sheet	**10,147,129**	**10,090,041**	**9,689,539**	**9,824,859**
Total credit risk exposure	**74,014,070**	**69,944,860**	**70,895,878**	**66,496,003**

/* net loans = loans – credit provisions

40.5.2 Risk concentration of the maximum exposure to credit risk

The maximum credit exposure to a client as of 31 December 2008 was RON 800,522 thousands (2007: RON 737,993 thousands) before taking into account the risk weighted assets, and RON 800,522 thousands (2007: RON 727,930 thousands) after.

40. RISK MANAGEMENT (CONTINUED)

40.5.3 Risk concentration of the maximum credit exposure by geographical regions

Financial assets, before taking into account any collateral held or other credit enhancements are distributed by the following geographical regions (*):

RON Thousand	Group		Bank	
	2008	2007	2008	2007
Europe	73,713,632	68,041,478	70,642,602	65,349,603
United Kingdom and Ireland	234,656	943,166	223,156	927,344
Netherlands	18,992	96,811	18,992	96,811
North America	7,302	100,624	6,625	99,737
South America	5,012	4,327	-	283
Asia	34,242	757,885	4,269	21,687
Pacific	-	32	-	-
Africa	40	537	40	538
Australia and Oceania	194	-	194	-
TOTAL	**74,014,070**	**69,944,860**	**70,895,878**	**66,496,003**

where:

Europe: Austria, Croatia, Czech Rep., Denmark, Greece, Hungary, Moldova, Poland, Romania, Slovenia, Sweden Switzerland, Spain, Portugal, Belgium, Norway, France, Germany, Italy, Ukraine

North America: USA, Canada
Asia: Azerbaidjan, South Korea, Saudi Arabia, Turkey, Russian Federation, Kazakhstan, India
South America: Brasil, Chile
Africa: Morocco, Egypt, Tunisia

*) there are no trading activities in 2007, only banking activities.

40. RISK MANAGEMENT (CONTINUED)

40.5.4 Credit exposure by economic sectors

An industry analysis of the financial assets, before and after taking into account collaterals held or other credit enhancements, is as follows:

GROUP

RON Thousand	2008		2007	
	Gross maximum exposure*	Net maximum exposure	Gross maximum exposure*	Net maximum exposure
Private households	20,663,077	11,959,568	16,701,117	9,937,453
Banking and insurance	17,161,479	15,966,919	18,506,260	17,426,350
Manufacturing	9,683,054	2,889,018	10,244,789	1,172,994
Construction	5,722,525	1,094,061	2,706,097	203,822
Public administration	5,443,222	1,462,668	7,889,389	3,880,065
Trade	5,433,281	1,383,597	5,805,363	505,086
Transport and communication	1,975,608	853,446	1,409,697	39,121
Agriculture and forestry	1,740,943	384,554	1,526,216	171,605
Other service activities	1,249,868	303,834	405,128	3,363
Health and social work	968,950	845,036	108,893	6,198
Real estate and other business activities	754,803	43,128	1,961,971	106,198
Energy and water supply	748,715	248,773	690,933	23,425
Hotels and restaurants	533,348	43,240	639,741	24,222
Mining	243,055	154,115	580,153	57,059
Other	1,692,142	1,684,639	769,113	570,108
TOTAL	**74,014,070**	**39,316,596**	**69,944,860**	**34,127,069**

* Exposure less provisions

40. RISK MANAGEMENT (CONTINUED)

40.5.4 Credit exposure on economic sectors (continued)

Bank

RON Thousand	2008		2007	
	Gross maximum exposure	Net maximum exposure	Gross maximum exposure	Net maximum exposure
Private households	20,454,358	11,788,130	17,487,831	9,929,576
Banking and insurance	17,120,446	15,978,822	19,425,541	18,603,196
Manufacturing	9,308,769	2,587,120	9,223,767	766,270
Construction	5,335,773	715,811	2,062,273	74,005
Public administration	5,399,391	1,418,838	5,849,811	2,120,742
Trade	4,612,024	630,711	4,704,142	222,504
Agriculture and forestry	1,685,327	329,660	1,449,123	160,579
Transport and communication	1,329,212	207,051	1,023,342	28,560
Other service activities	1,058,436	140,859	525,109	269,480
Health and social work	919,788	801,481	79,767	2,002
Real estate and other business activities	735,893	24,642	1,815,796	62,444
Energy and water supply	723,886	226,756	568,746	17,378
Hotels and restaurants	449,327	4,611	576,058	23,791
Mining	96,876	7,936	494,054	4,368
Other	1,666,372	1,615,050	1,210,643	425,544
TOTAL	**70,895,878**	**36,477,478**	**66,496,003**	**32,710,439**

Collateral and other credit enhancements

Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral accepted by the Bank are as follows:

- for commercial lending-charges over real estate properties, inventory and trade receivables;
- for retail lending-mortgages over residential properties,
- for real estate lending: mortgage on land and existing constructions and real movable collateral on shares or social parts (in case of loans for the real estate projects unrolled by the specialized companies within real estate projects/especial founded for the unrolling for this projects);

The Bank monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement.

40. RISK MANAGEMENT (CONTINUED)

40.5.5 Credit quality per class of financial assets

Group 2008

RON Thousand	Neither past due nor impaired			Non-performing	Total
	Low Risk	Management attention	Sub-standard		
Due from banks	**1,058,586**	**53,744**	**5,654**	**-**	**1,117,984**
Reverse repurchase agreements	**13,650**	**-**	**-**	**-**	**13,650**
Financial assets designated at fair value through profit or loss	**155,635**	**35,960**	**-**	**-**	**191,595**
Trading Assets					
Treasury bills	82,868	-	-	-	82,868
Listed bonds	85,979	54	-	-	86,033
Unlisted bonds	54,100	21	-	-	54,121
	222,947	**75**	**-**	**-**	**223,022**
Loans and advances to customers*					
Corporate lending	12,434,664	14,153,201	4,400,269	492,341	31,480,475
Small business lending (SME and micros)	385,865	2,041,854	820,721	270,014	3,518,454
Consumer lending	13,272,627	385,574	661,425	1,053,152	15,372,778
Residential mortgages	5,520,247	222,864	231,889	204,268	6,179,268
Other	373,816	101,761	796,114	80	1,271,771
	31,987,219	**16,905,254**	**6,910,418**	**2,019,855**	**57,822,746**
Financial investments - available for sale					
Listed equities	-	16,903	-	-	16,903
Non-listed investments	1,209,014	180,160	-	-	1,389,174
	1,209,014	**197,063**	**-**	**-**	**1,406,077**
Financial investments - held to maturity					
Listed debt securities	665,559	-	-	-	665,559
Unlisted bonds	303	32,989	-	-	33,292
	665,862	**32,989**	**-**	**-**	**698,851**
Total	**35,312,913**	**17,225,085**	**6,916,072**	**2,019,855**	**61,473,925**

* Loans and advances to customers and undrawn credit and loans commitments, promissory notes and guarantees/liabilities out of assets pledged as collateral security

In order to assess the quality of the portfolio, the Bank uses the borrowers' financial performance which is classified in the following categories:

A borrower has certain and permanent income irrespective of the currency in which it is earned and the borrower's loans are denominated in RON or a single foreign currency;
B borrower has certain and permanent income irrespective of the currency in which it is earned and the borrower's loans are denominated in more than one foreign currency (e.g. EUR and USD);
C borrower does not have certain income because of events occurred during the life of the loans (e.g. unemployment);
D borrower is suspected of fraud (e.g. has submitted false information/documents);
E borrower has died, has disappeared or is in jail.

40. RISK MANAGEMENT (CONTINUED)

40.5.5 Credit quality per class of financial assets (continued)

The classification of the portfolio in order to assess the quality is as follows:

- Low risk - Clients which have a debt service between 0 and 15 up to 15 days and financial performance A

- Management attention – Clients which have a debt service between 0 – 15 days and financial performance B or a debt service between 16 – 30 days and financial performance A

- Sub-standard – Clients which have a debt service between 0 – 15 days and financial performance C or D or E or a debt service between 16 – 30 days and financial performance B or C or D or E or a debt service between 31-90 days and financial performance A or B or C or D or E

- Non-performing loans (contaminated exposure) according to EBG standards:

    i. for all segments excepting retail segment: clients which have a debt service over 90 days;
    ii. for retail segment: The sum of all exposures of defaulted products (type of products Secured / Unsecured), with debt service over 90 days, of defaulted customers. (e.g. if a customer defaults on one of his unsecured consumer loans, all unsecured consumer loans of this customer are considered NPLs, even if for the others unsecured he is current with his installments; at the same time his mortgage loan exposures remain performing, provided that there are no overdue payments outstanding);
    iii. all loans/exposure of the customers undergoing legal procedures.

Group 2007

RON Thousand	Neither past due nor impaired			Non-performing	Total
	Low Risk	Management attention	Sub-standard		
Due from banks	**1,553,570**	**1,245,604**	**403,132**	**50,582**	**3,252,888**
Financial assets designated at fair value through profit or loss	**364,365**	**105,699**	**-**	**-**	**470,064**
Loans and advances to customers*					
Corporate lending	11,322,006	5,203,174	1,498,805	303,961	18,327,946
Small business lending (SME and micros)	1,129,993	7,852,185	2,299,697	274,375	11,556,250
Consumer lending	8,490,271	7,621,123	103,196	486,528	16,701,118
Residential mortgages	456,934	1,091,594	366,528	46,916	1,961,972
Other	602,903	277,985	39,712	21,661	942,261
	22,002,107	**22,046,061**	**4,307,938**	**1,133,441**	**49,489,547**
Financial investments – available for sale					
Listed equities	238,100	-	-	-	238,100
Non-listed investments	1,363,234	84,236	-	-	1,447,470
	1,601,334	**84,236**	**-**	**-**	**1,685,570**
Financial investments – held to maturity					
Listed debt securities	10	-	-	-	10
Unlisted bonds	10,605	-	-	-	10,605
	10,615	**-**	**-**	**-**	**10,615**
Total	**25,531,991**	**23,481,600**	**4,711,070**	**1,184,023**	**54,908,684**

* Loans and advances to customers and undrawn credit and loans commitments, promissory notes and guarantees/liabilities out of assets pledged as collateral security

40. RISK MANAGEMENT (CONTINUED)

40.5.5 Credit quality per class of financial assets (continued)

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of assets:

Bank 2008

RON Thousand	Neither past due nor impaired			Non-performing	Total
	Low Risk	Management attention	Sub-standard		
Due from banks	**1,120,862**	**-**	**-**	**-**	**1,120,862**
Reverse repurchase agreements	**13,650**				**13,650**
Financial assets designated at fair value through profit or loss	**155,636**	**35,809**	**-**	**-**	**191,445**
Trading Assets					
Treasury bills	82,868	-	-	-	82,868
Listed bonds	85,979	54	-	-	86,033
Unlisted bonds	54,100	19	-	-	54,119
	222,947	**73**	**-**	**-**	**223,020**
Loans and advances to customers*					
Corporate lending	10,419,778	13,811,740	4,054,630	471,009	28,757,157
Small business lending (SME and micros)	265,712	2,013,326	804,624	273,261	3,356,923
Consumer lending	13,097,938	385,434	654,816	1,051,422	15,189,610
Residential mortgages	5,493,414	222,865	231,889	203,367	6,151,535
Other	364,263	101,763	796,117	80	1,262,223
	29,641,105	**16,535,128**	**6,542,076**	**1,999,139**	**54,717,448**
Financial investments available for sale					
Listed equities	-	16,903	-	-	16,903
Non-listed investments	1,444,287	216,466	-	-	1,660,753
	1,444,287	**233,369**	**-**	**-**	**1,677,656**
Financial investments held to maturity					
Listed debt securities					
Non-listed debt securities	665,559	-	-	-	665,559
	665,559	**-**	**-**	**-**	**665,559**
Total	**33,264,046**	**16,804,379**	**6,542,076**	**1,999,139**	**58,609,640**

* Loans and advances to customers and undrawn credit and loans commitments, promissory notes and guarantees/liabilities out of assets pledged as collateral security

40. RISK MANAGEMENT (CONTINUED)

40.5.5 Credit quality per class of financial assets (continued)

Bank 2007

RON Thousand	Neither past due nor impaired: Low Risk	Neither past due nor impaired: Management attention	Neither past due nor impaired: Sub-standard	Non-performing	Total
Due from banks	**1,471,500**	**1,027,603**	**-**	**-**	**2,499,103**
Financial assets designated at fair value through profit or loss	**364,365**	**105,343**	**-**	**-**	**469,708**
Loans and advances to customers*					
Corporate lending	10,653,928	5,120,744	1,385,838	263,036	17,423,546
Small business lending (SME and micros)	1,129,993	7,852,185	2,299,697	274,375	11,556,250
Consumer lending	7,599,471	4,794,346	527,089	411,563	13,332,469
Residential mortgages	422,393	2,855,668	144,408	36,102	3,458,571
Other	602,903	277,985	39,712	21,661	942,261
	20,408,688	**20,900,928**	**4,396,744**	**1,006,737**	**46,713,097**
Financial investments available for sale					
Listed equities	145,029	-	-	-	145,029
Non-listed investments	1,822,441	80,272	-	-	1,902,713
	1,967,470	**80,272**	**-**	**-**	**2,047,742**
Financial investments held to maturity					
Non-listed debt securities	2,941	-	-	-	2,941
	2,941	**-**	**-**	**-**	**2,941**
Total	**24,214,964**	**22,114,146**	**4,396,744**	**1,006,737**	**51,732,591**

* Loans and advances to customers and undrawn credit and loans commitments, promissory notes and guarantees/liabilities out of assets pledged as collateral security

40. RISK MANAGEMENT (continued)

40.5.6 Loan Portfolio on time bands

The exposure from loans, RON and foreign currency, on maturity bands, RON equivalent, as at 31 December 2008:
Bank

RON Thousand	TOTAL		Exposure contaminated with the debt service					
	LOANS		1 - 30 days		31- 90 days		NPL* (more than 90 days)	NPL* / Total loans
	Amount	%	Amount	% in Total loans	Amount	% in Total loans	Amount	%
GLC*	3,392,458	16.3	65,752		3,422		-	
LC*	4,446,667	21.3	408,130		90,227		65,308	1.5
SME*	8,553,713	41.1	432,015		505,310		380,608	4.4
Municipalities	2,885,482	13.8	30,186		2,104		2,791	0.1
Real estate financing	1,556,183	7.5	24,881		121,410		-	-
I. Corporate clients, out of which:	**20,834,503**	**100.0**	**960,964**	**4.6**	**722,473**	**3.5**	**448,707**	**2.2**
Individuals	20,623,780	85.2	1,612,156		842,731		1,267,195	6.1
Micro	3,569,626	14.8	177,570		126,762		273,066	7.6
II. Retail loans, out of which:	**24,193,406**	**100.0**	**1,789,726**	**7.4**	**969,493**	**4.0**	**1,540,261**	**6.4**
Total loans (I+II)	**45,027,909**	**100**	**2,750,690**	**6.1**	**1,691,966**	**3.8**	**1,988,968**	**4.4**

*) GLC – Group Large Corporate clients; LC – Large Corporate clients; SME – Small and Medium Enterprises; NPL – Non-performing loans.

The exposure from loans, RON and foreign currency, on maturity bands, RON equivalent, as at 31 December 2007:
Bank

RON Thousand	TOTAL		Exposure contaminated with the debt service					
	LOANS		1 - 30 days		31- 90 days		NPL* (more than 90 days)	NPL* / Total loans
	Amount	%	Amount	% in Total loans	Amount	% in Total loans	Amount	%
GLC*	3,647,248	21.4	62,898		-		-	-
LC*	3,902,896	22.9	338,131		59,468		77,294	2
SME*	6,919,544	40.6	463,142		155,198		121,273	1.8
Municipalities	1,925,883	11.3	5,792		2,784		630	-
Real estate financing	647,642	3.8	74,232		23,560		-	-
I. Corporate clients, out of which:	**17,043,213**	**100.0**	**944,195**	**5.5**	**241,010**	**1.4**	**199,197**	**1.2**
Individuals	16,579,012	83.7	1,173,032		421,934		443,900	2.7
Micro	3,219,013	16.3	159,425		78,084		120,236	3.7
II. Retail loans, out of which:	**19,798,025**	**100.0**	**1,332,457**	**6.7**	**500,018**	**2.5**	**564,136**	**2.8**
III. Other customers	**47,000**	**100.0**	**-**		**-**		**-**	
Total loans (I+II+III)	**36,888,238**	**100.0**	**2,276,652**	**6.2**	**741,028**	**2.0**	**763,333**	**2.1**

*) GLC – Group Large Corporate clients; LC – Large Corporate clients; SME – Small and Medium Enterprises; NPL – Non-performing loans.

40. RISK MANAGEMENT (continued)

40.5.7 Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances
The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances
Allowances are assessed collectively for losses on loans and advances that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

Financial guarantees and letters of credit are assessed and provision made in a similar manner as for loans.

40. RISK MANAGEMENT (continued)

40.6 Liquidity risk

40.6.1 Liquidity risk management

Liquidity risk arises from the potential inability to meet all payments obligations when they come due. The Bank manages the liquidity risk with the purpose of maintaining an adequate liquidity, so as to cover at all times its financial commitments on all time bands, as well as to maximize the net interest income.

The Bank pays careful attention to liquidity risk management by setting fundamental objectives such as ensuring the necessary funds to cover, at any time, all financial obligations assumed by the Bank, and setting an appropriate balance sheet structure, for minimizing any potentially negative effects. In this respect, the Bank concentrates its efforts on identifying the liquidity risk sources, evaluating its risk exposures and setting appropriate limits to mitigate the possible consequences of liquidity risk.

The Bank assesses its liquidity by:
- Analyzing the structure of assets, in terms of their liquidity and marketability;
- Analyzing liabilities (in terms of their volatility) and off-balance sheet elements (implying potential ins/outs of funds);
- Analyzing main currencies liquidity, both individually and aggregated.

In order to evaluate and control the liquidity risk of the Bank's portfolio, the Bank employs the following instruments:
- Asset and Liability Management (ALM), focused on suitably determining the appropriate balance sheet structure, by correlating resources and placements in terms of their structure and maturity;
- Computing and monitoring the liquidity ratios by maturity ranges, based on the future cash-flows analysis, in terms of on- and off-balance sheet assets and liabilities;
- Establishing minimum limits for the liquidity ratios;
- GAP analysis (aggregated and separated, for RON and foreign currencies);
- Monthly computation of certain liquidity ratios.

For every financial year the Bank prepares:
- A strategy for managing liquidity under normal circumstances encompassing the main objectives of the Bank, with the purpose to maintain an adequate portfolio liquidity, by re-evaluating it in line with the business environment requirements;
- A strategy for managing liquidity in crisis situations, comprising the measures required to successfully overcome a potential crisis.

The table below presents the evolution of the ratio of liquid assets to customers (banking and non-banking customers) liabilities:

	2008	2007
	(%)	(%)
December	29.01	36.45
Average	30.64	37.24
Max	33.78	41.3
Min	28.80	34.75

40. RISK MANAGEMENT (continued)

40.6 Liquidity risk (continued)

40.6.2 Liquidity analysis of assets and liabilities

The tables below show an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

Group 2008

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Assets								
Cash and balances with central banks	14,627,318	-	-	14,627,318	-	-	-	14,627,318
Due from banks	48,889	1,003,915	35,180	1,087,984	30,000	-	30,000	1,117,984
Reverse repurchase agreements	13,650	-	-	13,650	-	-	-	13,650
Financial assets held for trading	575	13,684	82,967	97,226	125,796	-	125,796	223,022
Financial assets designated at fair value through profit or loss	126	24	-	150	104,136	87,309	191,445	191,595
Loans and advances to customers	1,048,510	3,407,400	6,445,669	10,901,579	7,818,546	26,801,470	34,620,016	45,521,595
Financial investments – available-for- sale	24,460	19,646	1,124	45,230	878,824	482,023	1,360,847	1,406,077
Financial investments – held-to- maturity	-	19,477	13,535	33,012	280	665,559	665,839	698,851
Property and equipment	-	-	-	-	5,383	1,715,147	1,720,530	1,720,530
Goodwill and other intangible assets	36,745	-	-	36,745	2,393	234,588	236,981	273,726
Deferred tax assets	476	-	-	476	-	1,868	1,868	2,344
Other assets	317,905	767,767	725	1,086,397	229,221	15,090	244,311	1,330,708
Assets held for sale	326,644	319,257	684,529	1,330,430	483,951	138,837	622,788	1,953,218
Total assets	**16,445,298**	**5,551,170**	**7,263,729**	**29,260,197**	**9,678,530**	**30,141,891**	**39,820,421**	**69,080,618**
Liabilities								
Due to banks	144,739	775,743	5,852,824	6,773,306	10,563,753	5,235,280	15,799,033	22,572,339
Repurchase agreements	114,233	-	-	114,233	-	-	-	114,233
Derivative financial instruments	1,399,977	-	-	1,399,977	-	-	-	1,399,977
Due to customers	12,589,214	18,083,169	1,954,527	32,626,910	224,469	42,936	267,405	32,894,315
Debt issued and other borrowed funds	306,894	280,550	395,074	982,518	3,307	-	3,307	985,825
Current tax liabilities	19,168	145,883	-	165,051	-	-	-	165,051
Deferred tax liabilities	589	-	-	589	-	141,004	141,004	141,593
Other liabilities	618,565	729,931	162	1,348,658	228,668	-	228,668	1,577,326
Provisions	165,163	-	288	165,451	645	-	645	166,096
Subordinated liabilities	-	-	-	-	-	1,330,000	1,330,000	1,330,000
Liabilities associated with assets held for sale	188,933	788,781	388,380	1,366,094	11,718	1,323	13,041	1,379,135
Total liabilities	**15,547,475**	**20,804,057**	**8,591,255**	**44,942,787**	**11,032,560**	**6,750,543**	**17,783,103**	**62,725,890**
Net	**897,823**	**(15,252,887)**	**(1,327,526)**	**(15,682,590)**	**(1,354,030)**	**23,391,348**	**22,037,318**	**6,354,728**

40. RISK MANAGEMENT (continued)

40.6 Liquidity risk (continued)

40.6.2 Liquidity analysis of assets and liabilities (continued)

Group 2007

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Assets								
Cash and balances with central banks	17,303,337	-	-	17,303,337	-	-	-	17,303,337
Due from banks	2,411,892	246,185	407,751	3,065,828	187,060	-	187,060	3,252,888
Financial assets held for trading	2,993	-	-	2,993	-	2	2	2,995
Financial assets designated at fair value through profit or loss	-	-	27	27	215,831	254,206	470,037	470,064
Loans and advances to customers	1,748,475	2,039,875	5,744,957	9,533,307	6,970,990	21,102,777	28,073,767	37,607,074
Financial investments – available-for- sale	520,690	1,579	359,003	881,272	674,153	130,145	804,298	1,685,570
Financial investments – held-to- maturity	4,507	1,192	4,736	10,435	180	-	180	10,615
Investment of insurance companies	71,085	52,495	181,419	304,999	48,029	60,170	108,199	413,198
Property and equipment	-	-	-	-	-	1,644,367	1,644,367	1,644,367
Intangible assets	-	-	-	-	-	208,669	208,669	208,669
Deferred tax assets	-	-	1,840	1,840	-	236	236	2,076
Other assets	746,489	4,514	4,734	755,737	2,024	249	2,273	758,010
Total assets	**22,809,468**	**2,345,840**	**6,704,467**	**31,859,775**	**8,098,267**	**23,400,821**	**31,499,088**	**63,358,863**
Liabilities								
Due to banks	1,213,529	2,911,012	9,171,153	13,295,694	9,094,847	144,932	9,239,779	22,535,473
Derivative financial instruments	70,872	-	-	70,872	-	-	-	70,872
Due to customers	8,739,240	18,488,446	2,223,943	29,451,629	657,066	22,952	680,018	30,131,647
Debt issued and other borrowed funds	673,729	681,577	2,223,415	3,578,721	263,543	-	263,543	3,842,264
Current tax liabilities	3,741	-	5,610	9,351	-	-	-	9,351
Deferred tax liabilities	215	-	-	215	-	40,978	40,978	41,193
Other liabilities	1,322,239	3,240	11,880	1,337,359	3,745	558	4,303	1,341,662
Provisions	295,027	50,751	152,616	498,394	20,377	253	20,630	519,024
Total liabilities	**12,318,592**	**22,135,026**	**13,788,617**	**48,242,235**	**10,039,578**	**209,673**	**10,249,251**	**58,491,486**
Net	**10,490,876**	**(19,789,186)**	**(7,084,150)**	**(16,382,460)**	**(1,941,311)**	**23,191,148**	**21,249,837**	**4,867,377**

40. RISK MANAGEMENT (continued)

40.6 Liquidity risk (continued)

40.6.2 Liquidity analysis of assets and liabilities (continued)

Bank 2008

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Assets								
Cash and balances with central banks	14,549,574	-	-	14,549,574	-	-	-	14,549,574
Due from banks	45,315	1,005,053	10,000	1,060,368	60,494	-	60,494	1,120,862
Reverse repurchase agreements	13,650	-	-	13,650	-	-	-	13,650
Financial assets held for trading	575	13,682	82,967	97,224	125,796	-	125,796	223,020
Financial assets designated at fair value through profit or loss	-	-	-	-	104,136	87,309	191,445	191,445
Loans and advances to customers	1,029,154	3,265,911	5,966,982	10,262,047	6,209,538	26,444,911	32,654,449	42,916,496
Financial investments – available-for-sale	302,790	13,706	321	316,817	878,819	482,020	1,360,839	1,677,656
Financial investments – held-to-maturity	-	-	-	-	-	665,559	665,559	665,559
Property and equipment	-	-	-	-	-	1,613,290	1,613,290	1,613,290
Goodwill and other intangible assets	-	-	-	-	-	233,649	233,649	233,649
Other assets	290,341	588,649	-	878,990	228,591	-	228,591	1,107,581
Assets held for sale	191,022	-	-	191,022	-	-	-	191,022
Total assets	**16,422,421**	**4,887,001**	**6,060,270**	**27,369,692**	**7,607,374**	**29,526,738**	**37,134,112**	**64,503,804**
Liabilities								
Due to banks	144,739	680,018	5,361,107	6,185,864	8,535,062	4,861,263	13,396,325	19,582,189
Repurchase agreements	114,233	-	-	114,233	-	-	-	114,233
Derivative financial instruments	1,399,977	-	-	1,399,977	-	-	-	1,399,977
Due to customers	12,636,309	18,375,233	1,973,453	32,984,995	222,890	29,316	252,206	33,237,201
Debt issued and other borrowed funds	306,894	280,550	395,074	982,518	3,307	-	3,307	985,825
Current tax liabilities	-	145,882	-	145,882	-	-	-	145,882
Deferred tax liabilities	-	-	-	-	-	140,260	140,260	140,260
Other liabilities	613,411	678,984	-	1,292,395	228,591	-	228,591	1,520,986
Provisions	164,980	-	-	164,980	-	-	-	164,980
Subordinated liabilities	-	-	-	-	-	1,330,000	1,330,000	1,330,000
Total liabilities	**15,380,543**	**20,160,667**	**7,729,634**	**43,270,844**	**8,989,850**	**6,360,839**	**15,350,689**	**58,621,533**
Net	**1,041,878**	**(15,273,666)**	**(1,669,364)**	**(15,901,152)**	**(1,382,476)**	**23,165,899**	**21,783,423**	**5,882,271**

40. RISK MANAGEMENT (continued)

40.6 Liquidity risk (continued)

40.6.2 Liquidity analysis of assets and liabilities (continued)

Bank 2007

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Assets								
Cash and balances with central banks	17,181,773	-	-	17,181,773	-	-	-	17,181,773
Due from banks	2,334,572	76,847	3,701	2,415,120	57,289	26,694	83,983	2,499,103
Financial assets held for trading	20	-	-	20	-	-	-	20
Financial assets designated at fair value through profit or loss	-	-	-	-	215,831	253,877	469,708	469,708
Loans and advances to customers	1,482,149	1,747,166	4,720,375	7,949,690	6,050,226	21,129,776	27,180,002	35,129,692
Financial investments – available-for-sale	520,690	1,054	322,857	844,601	609,614	593,527	1,203,141	2,047,742
Financial investments – held-to-maturity	-	-	2,941	2,941	-	-	-	2,941
Property and equipment	-	-	-	-	-	1,531,658	1,531,658	1,531,658
Intangible assets	-	-	-	-	-	178,338	178,338	178,338
Other assets	570,175	-	-	570,175	-	-	-	570,175
Total assets	**22,089,379**	**1,825,067**	**5,049,874**	**28,964,320**	**6,932,960**	**23,713,870**	**30,646,830**	**59,611,150**
Liabilities								
Due to banks	919,768	2,665,963	8,141,641	11,727,372	7,729,692	144,846	7,874,538	19,601,910
Derivative financial instruments	70,872	-	-	70,872	-	-	-	70,872
Due to customers	9,067,918	18,288,226	2,225,319	29,581,463	647,355	22,956	670,311	30,251,774
Debt issued and other borrowed funds	673,729	681,577	2,260,750	3,616,056	263,543	-	263,543	3,879,599
Deferred tax liabilities	-	-	-	-	-	34,591	34,591	34,591
Other liabilities	1,108,107	-	-	1,108,107	-	-	-	1,108,107
Provisions	140,982	-	-	140,982	-	-	-	140,982
Total liabilities	**11,981,376**	**21,635,766**	**12,627,710**	**46,244,852**	**8,640,590**	**202,393**	**8,842,983**	**55,087,835**
Net	**10,108,003**	**(19,810,699)**	**(7,577,836)**	**(17,280,532)**	**(1,707,630)**	**23,511,477**	**21,803,847**	**4,523,315**

40. RISK MANAGEMENT (continued)

40.6 Liquidity risk (continued)

40.6.3 Analysis of financial liabilities by remaining contractual maturities

The tables below summarizes the maturity profile of the financial liabilities at 31 December 2008 and at 31 December 2007 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were given immediately. However, the Group and the Bank expect that many customers will not request repayment on the earliest date the Group or the Bank could be required to pay and the tables do not reflect the expected cash-flows indicated by the Group's and the Bank's deposit retention history.

Group 2008

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Due to banks	145,254	782,640	6,112,994	7,040,888	12,817,741	7,097,033	19,914,774	26,955,662
Repurchase agreements	114,233	-	-	114,233	-	-	-	114,233
Derivative financial instruments	1,399,977	-	-	1,399,977	-	-	-	1,399,977
Due to customers	12,632,305	18,237,908	2,038,152	32,908,365	270,568	57,633	328,201	33,236,566
Debt issued and other borrowed funds	307,436	281,789	403,795	993,020	27,094	7,583	34,677	1,027,697
Current tax liabilities	19,168	145,883	-	165,051	-	-	-	165,051
Deferred tax liabilities	589	-	-	589	-	141,004	141,004	141,593
Other liabilities	618,565	729,931	162	1,348,658	228,668	-	228,668	1,577,326
Provisions	165,163	-	288	165,451	645	-	645	166,096
Subordinated liabilities	-	-	-	-	-	2,579,203	2,579,203	2,579,203
Total undiscounted financial liabilities	**15,402,690**	**20,178,151**	**8,555,391**	**44,136,232**	**13,344,716**	**9,882,456**	**23,227,172**	**67,363,404**

Group 2007

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Due to banks	1,213,758	2,927,430	9,429,797	13,570,985	10,326,007	177,631	10,503,638	24,074,623
Derivative financial instruments	70,872	-	-	70,872	-	-	-	70,872
Due to customers	8,741,351	18,565,475	2,270,271	29,577,097	722,767	26,777	749,544	30,326,641
Debt issued and other borrowed funds	673,908	687,021	2,287,241	3,648,170	389,505	-	389,505	4,037,675
Current tax liabilities	3,741	-	5,610	9,351	-	-	-	9,351
Deferred tax liabilities	215	-	-	215	-	40,978	40,978	41,193
Other liabilities	1,322,239	3,240	11,880	1,337,359	3,745	558	4,303	1,341,662
Provisions	295,027	50,751	152,616	498,394	20,377	253	20,630	519,024
Total undiscounted financial liabilities	**12,321,111**	**22,233,917**	**14,157,415**	**48,712,443**	**11,462,401**	**246,197**	**11,708,598**	**60,421,041**

40. RISK MANAGEMENT (continued)

40.6 Liquidity risk (continued)

40.6.3 Analysis of financial liabilities by remaining contractual maturities (continued)

Bank 2008

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Due to banks	145,254	686,064	5,599,419	6,430,737	10,356,188	6,590,009	16,946,197	23,376,934
Repurchase agreements	114,233	-	-	114,233	-	-	-	114,233
Derivative financial instruments	1,399,977	-	-	1,399,977	-	-	-	1,399,977
Due to customers	12,679,561	18,476,168	2,057,888	33,213,617	268,665	39,350	308,015	33,521,632
Debt issued and other borrowed funds	307,436	281,789	403,795	993,020	26,927	5,177	32,104	1,025,124
Current tax liabilities	-	-	-	-	-	145,882	145,882	145,882
Deferred tax liabilities	-	-	-	-	-	140,260	140,260	140,260
Other liabilities	613,411	678,984	-	1,292,395	228,591	-	228,591	1,520,986
Provisions	164,980	-	-	164,980	-	-	-	164,980
Subordinated liabilities	-	-	-	-	-	2,579,203	2,579,203	2,579,203
Total undiscounted financial liabilities	**15,424,852**	**20,123,005**	**8,061,102**	**43,608,959**	**10,880,371**	**9,499,881**	**20,380,252**	**63,989,211**

Bank 2007

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Due to banks	919,937	2,681,000	8,371,251	11,972,188	8,776,053	177,525	8,953,578	20,925,766
Derivative financial instruments	70,872	-	-	70,872	-	-	-	70,872
Due to customers	9,070,112	18,363,947	2,271,676	29,705,735	712,086	26,782	738,868	30,444,603
Debt issued and other borrowed funds	673,908	687,021	2,326,067	3,686,996	387,643	-	387,643	4,074,639
Deferred tax liabilities	-	-	-	-	-	34,591	34,591	34,591
Other liabilities	1,108,107	-	-	1,108,107	-	-	-	1,108,107
Provisions	140,982	-	-	140,982	-	-	-	140,982
Total undiscounted financial liabilities	**11,983,918**	**21,731,968**	**12,968,994**	**46,684,880**	**9,875,782**	**238,898**	**10,114,680**	**56,799,560**

40.6.4 Analysis of contingent liabilities and commitments by remaining contractual maturities

The tables below show the contractual expiry by maturity of the contingent liabilities and commitments.

Group 2008

RON Thousand	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Contingent liabilities	1,439,964	726,186	2,166,150	1,897,171	882,056	2,779,227	4,945,377
Commitments	1,621,526	1,039,609	2,661,135	758,024	1,782,593	2,540,617	5,201,752
Total	**3,061,490**	**1,765,795**	**4,827,285**	**2,655,195**	**2,664,649**	**5,319,844**	**10,147,129**

Group 2007

RON Thousand	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Contingent liabilities	1,341,194	983,416	2,324,610	1,470,496	261,912	1,732,408	4,057,018
Commitments	1,661,540	1,144,316	2,805,856	814,072	2,413,095	3,227,167	6,033,023
Total	**3,002,734**	**2,127,732**	**5,130,466**	**2,284,568**	**2,675,007**	**4,959,575**	**10,090,041**

40. RISK MANAGEMENT (continued)

40.6 Liquidity risk (continued)

40.6.4 Analysis of contingent liabilities and commitments by remaining contractual maturities (continued)

Bank 2008

RON Thousand	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Contingent liabilities	1,348,817	680,220	2,029,037	1,777,084	826,224	2,603,308	4,632,345
Commitments	1,576,463	1,010,718	2,587,181	736,959	1,733,054	2,470,013	5,057,194
Total	**2,925,280**	**1,690,938**	**4,616,218**	**2,514,043**	**2,559,278**	**5,073,321**	**9,689,539**

Bank 2007

RON Thousand	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Contingent liabilities	1,288,640	944,881	2,233,521	1,412,876	251,649	1,664,525	3,898,046
Commitments	1,632,289	1,124,171	2,756,460	799,740	2,370,613	3,170,353	5,926,813
Total	**2,920,929**	**2,069,052**	**4,989,981**	**2,212,616**	**2,622,262**	**4,834,878**	**9,824,859**

40.7 Currency risk

Group 2008

RON Thousand	RON	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	5,056,427	8,851,312	693,121	26,458	14,627,318
Due from banks	439,547	537,047	84,223	57,167	1,117,984
Reverse repurchase agreements	13,650	-	-	-	13,650
Financial assets held for trading	222,940	82	-	-	223,022
Financial assets designated at fair value through profit or loss	191,595	-	-	-	191,595
Loans and advances to customers	20,552,213	23,653,970	1,209,516	105,896	45,521,595
Financial investments – available-for-sale	1,405,295	642	113	27	1,406,077
Financial investments – held-to-maturity	665,862	-	-	32,989	698,851
Property and equipment	1,718,978	-	-	1,552	1,720,530
Goodwill and other intangible assets	272,791	-	-	935	273,726
Deferred tax assets	2,344	-	-	-	2,344
Other assets	164,221	11,890	1,147,242	7,355	1,330,708
Assets held for sale	481,113	764,602	685,193	22,310	1,953,218
Total assets	**31,186,976**	**33,819,545**	**3,819,408**	**254,689**	**69,080,618**
Liabilities					
Due to banks	12,614,258	9,752,759	122,193	83,129	22,572,339
Repurchase agreements	114,233	-	-	-	114,233
Derivative financial instruments	1,397,954	1,957	66	-	1,399,977
Due to customers	22,141,644	9,164,694	1,449,863	138,114	32,894,315
Debt issued and other borrowed funds	646,035	299,026	40,764	-	985,825
Current tax liabilities	165,051	-	-	-	165,051
Deferred tax liabilities	141,576	-	17	-	141,593
Other liabilities	1,000,742	523,334	53,250		1,577,326
Provisions	148,437	4,172	13,304	183	166,096
Subordinated liabilities	1,330,000	-	-	-	1,330,000
Liabilities associated with assets held for sale	78,272	599,750	678,054	23,059	1,379,135
Total liabilities	**39,778,202**	**20,345,692**	**2,357,511**	**244,485**	**62,725,890**
Net	**(8,591,226)**	**13,473,853**	**1,461,897**	**10,204**	**6,354,728**

40. RISK MANAGEMENT (continued)

40.7 Currency risk (continued)

Group 2007

RON Thousand	RON	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	7,054,322	10,196,170	29,436	23,409	17,303,337
Due from banks	1,696,010	673,526	825,079	58,273	3,252,888
Financial assets held for trading	16	2,979	-	-	2,995
Financial assets designated at fair value through profit or loss	102,589	367,475	-	-	470,064
Loans and advances to customers	18,004,540	18,094,623	1,434,461	73,450	37,607,074
Financial investments – available-for-sale	1,311,158	335,519	38,893	-	1,685,570
Financial investments – held-to-maturity	10	-	2,941	7,664	10,615
Investments of insurance companies	360,802	48,635	3,745	16	413,198
Property and equipment	1,642,589	487	-	1,291	1,644,367
Intangible assets	207,077	631	-	961	208,669
Deferred tax assets	236	1,840	-	-	2,076
Other assets	547,317	178,339	28,311	4,043	758,010
Total assets	**30,926,666**	**29,900,224**	**2,362,866**	**169,107**	**63,358,863**
Liabilities					
Due to banks	4,721,810	16,209,189	1,590,568	13,906	22,535,473
Derivative financial instruments	70,872	-	-	-	70,872
Due to customers	21,845,819	6,676,592	1,458,852	150,384	30,131,647
Debt issued and other borrowed funds	1,362,043	2,406,765	73,456	-	3,842,264
Current tax liabilities	4,298	4,888	-	165	9,351
Deferred tax liabilities	41,167	-	-	26	41,193
Other liabilities	760,076	418,982	158,044	4,560	1,341,662
Provisions	510,768	8,204	-	52	519,024
Total liabilities	**29,316,853**	**25,724,620**	**3,280,920**	**169,093**	**58,491,486**
Net	**1,609,813**	**4,175,604**	**(918,054)**	**14**	**4,867,377**

40. RISK MANAGEMENT (continued)

40.7 Currency risk (continued)

Bank 2008

RON Thousand	RON	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	5,056,177	8,802,551	672,248	18,598	14,549,574
Due from banks	467,112	537,409	61,344	54,997	1,120,862
Reverse repurchase agreements	13,650	-	-	-	13,650
Financial assets held for trading	222,938	82	-	-	223,020
Financial assets designated at fair value through profit or loss	191,445	-	-	-	191,445
Loans and advances to customers	20,521,510	21,236,739	1,154,705	3,542	42,916,496
Financial investments – available-for-sale	1,375,773	273,700	28,183	-	1,677,656
Financial investments – held-to-maturity	665,559	-	-	-	665,559
Property and equipment	1,613,290	-	-	-	1,613,290
Goodwill and other intangible assets	233,649	-	-	-	233,649
Other assets	953,783	141,816	11,262	720	1,107,581
Assets held for sale	191,022	-	-	-	191,022
Total assets	**31,505,908**	**30,992,297**	**1,927,742**	**77,857**	**64,503,804**
Liabilities					
Due to banks	12,614,258	6,919,868	19,547	28,516	19,582,189
Repurchase agreements	114,233	-	-	-	114,233
Derivative financial instruments	1,397,954	1,957	66	-	1,399,977
Due to customers	22,322,141	9,342,466	1,453,575	119,019	33,237,201
Debt issued and other borrowed funds	646,035	299,026	40,764	-	985,825
Current tax liabilities	145,882	-	-	-	145,882
Deferred tax liabilities	140,260	-	-	-	140,260
Other liabilities	978,814	489,524	52,648		1,520,986
Provisions	147,504	4,172	13,304	-	164,980
Subordinated liabilities	1,330,000	-	-	-	1,330,000
Total liabilities	**39,837,081**	**17,057,013**	**1,579,904**	**147,535**	**58,621,533**
Net	**(8,331,173)**	**13,935,284**	**347,838**	**(69,678)**	**5,882,271**

40. RISK MANAGEMENT (continued)

40.7 Currency risk (continued)

Bank 2007

RON Thousand	RON	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	7,020,917	10,118,657	23,228	18,971	17,181,773
Due from banks	1,707,637	518,656	230,588	42,222	2,499,103
Financial assets held for trading	13	7	-	-	20
Financial assets designated at fair value through profit or loss	102,233	367,475	-	-	469,708
Loans and advances to customers	17,786,843	16,051,943	1,288,675	2,231	35,129,692
Financial investments - available-for-sale	1,766,047	257,268	24,427	-	2,047,742
Financial investments - held-to-maturity	-	-	2,941	-	2,941
Property and equipment	1,531,658	-	-	-	1,531,658
Intangible assets	178,338	-	-	-	178,338
Other assets	404,725	144,864	20,112	474	570,175
Total assets	**30,498,411**	**27,458,870**	**1,589,971**	**63,898**	**59,611,150**
Liabilities					
Due to banks	4,620,133	13,979,517	1,000,682	1,578	19,601,910
Derivative financial instruments	70,872	-	-	-	70,872
Due to customers	22,056,391	6,619,125	1,435,202	141,056	30,251,774
Debt issued and other borrowed funds	1,374,125	2,432,018	73,456	-	3,879,599
Deferred tax liabilities	34,591	-	-	-	34,591
Other liabilities	648,374	413,530	43,853	2,350	1,108,107
Provisions	139,871	1,111	-	-	140,982
Total liabilities	**28,944,357**	**23,445,301**	**2,553,193**	**144,984**	**55,087,835**
Net	**1,554,054**	**4,013,569**	**(963,222)**	**(81,086)**	**4,523,315**

40.8 Market Risk

Market risk is the risk of loss that could arise from adverse changes in the market prices and rates, equity prices, foreign exchange rates and commodity prices, the correlations between them and their levels of volatility.

In terms of market risk, BCR focuses on:

- setting an appropriate structure of its assets and liabilities, enabling it to avoid significant negative impact on the Bank's activity and financial performance, should the interest rates, foreign exchange rates and market prices change;
- identifying the causes behind the market risk, assessing its exposure to such risks and taking necessary steps to mitigate them.

The evolution of the foreign currency ("FX") positions, as percentage of own funds, computed according to the regulations issued by the National Bank of Romania were:

Exposure on currencies		2008 % of own funds	2007 % of own funds
EUR	Average	1.35%	0.85%
	Maximum	8.67%	2.78%
USD	Average	0.41%	0.15%
	Maximum	1.77%	0.28%
Others	Average	N/A	N/A
	Maximum	N/A	N/A
Total	Average	**1.75%**	**0.99%**
	Maximum	**8.70%**	**3.90%**

In 2007 and 2008, BCR maintained low total FX positions. There was only one exception in December 2008, namely when the subsidiaries BCR Asigurari and BCR Asigurari de Viata were sold and the Bank cashed in EUR 171.52 million (hence the maximum values for EUR and total FX positions).

40. RISK MANAGEMENT (continued)

40.8 Market Risk (continued)

The value at risk ("VaR") of the total FX position was:

1 day, 99%, RON VaR		2008	2007
The VaR of the total FX position	Average	825,302	341,053
	Maximum	5,468,150	1,455,726

The maximum value of the VaR shown in the table above occurred in December 2008 and is due to the same transactions mentioned above (selling of BCR Asigurari and BCR Asigurari de Viata). Thus, ignoring the effects of this transaction, the maximum VaR in 2008 would be 2,452,883 RON.

Currently BCR computes the VaR using the Historical simulation method by remotely accessing a computer in Vienna and running the application KVaR. The parameters of the VaR computation are: holding period = 1 day, confidence level = 99%, lambda = 1, length of risk factors time series = 730 days. This is the standard across Erste Group.

In 2007, BCR did not have trading book activities.
In 2008, the bank began to unfold trading activities and the trading book ("TB") consisted of:

- The total FX position (resulting from all FX transactions done by the Bank), managed by Financial Markets Division.
- All transactions on the fixed income ("FI") market done by the Financial Markets Division beginning with January 2008, excepting those done at the order of the Balance sheet Management Division ("BSM").
- Positions on common stock taken by the Equity Sales and Trading Department within Financial Markets Division.

Formally, in order to have a clear distinction between TB and banking book ("BB"), BCR elaborated an internal procedure regarding the determination of the TB and also defined a clear folder structure in Kondor+ which allows an appropriate classification of TB/BB transactions.

In 2008, the Bank implemented a new and more complex system of market risk limits for the whole activity of the Financial Markets Division, namely:

➢ <u>**Limits for the Trading Book**</u>
- **Limits on the FX position:**
  - Exposure (Delta) limits for both the main individual FX positions and the total FX position :

Currency	Limit	Utilization degree as of 31 December 2008
EUR	EUR 50,000,000	5.81%
USD	EUR 20,000,000	0.82%
Others	EUR 5,000,000	19.34%
Total	**EUR 50,000,000 /***	**7.42%**

/* this limit can be increased to EUR 80 million with a special approval from the Vice-president in charge with Financial Markets Division

  - 1 Day, 99% - VaR limit on the FX position. As of 31 December 2008, the limit was EUR 1.5 million and its utilization degree was 7.84%.
- **Limits of Fixed Income Trading Book ("FI TB"):**
  - Present value of a basis point ("PVBP") limit for positions on the domestic (RON denominated) FI market. As of 31 December 2008, the limit was EUR 25 thousand and its utilization degree was 52.36%.
  - 1 Day, 99% - VaR limit on FI TB. As of 31 December 2008, the limit was EUR 3 million and its utilization degree was 77.60%.

40. RISK MANAGEMENT (continued)

40.8 Market Risk (continued)

- **Limits on common stock position:**
  - Exposure (delta) limits on the common stock position:

	Limit	Utilization degree as of 31 December 2008
EB	EUR 3,000,000	4.36%
Others	EUR 2,000,000	9.31%
Total	**EUR 5,000,000**	**6.34%**

  - 1 Day, 99% - VaR limit on common stock position. As of 31 December 2008, the limit was EUR 0.4 million and its utilization degree was 3.57%.

➢ <u>Limits for the Banking Book</u>

- **Limits for money market ("MM"):**
  - PVBP limits for MM :

Currency	Limit	Utilization degree as of 31 December 2008
RON	EUR 40,000	8.67%
EUR	EUR 21,000	43.03%
USD	EUR 10,000	7.90%
Others	EUR 15,000	0.14%
Total	**EUR 70,000**	**15.86%**

  - 1 Day, 99% - VaR limit on total MM position. As of 31 December 2008, the limit was EUR 4 million and its utilization degree was 68.69%.
- **Limits for fixed income**
  - PVBP limits for FI BB (AFS and HTM) :

Currency	Limit	Utilization degree as of 31 December 2008
RON	EUR 21,000	41.13%
EUR	EUR 6,000	0.00%
USD	EUR 6,000	0.00%
Others	EUR 3,000	0.00%
Total	**EUR 30,000**	**28.79%**

  - 1 Day, 99% - VaR limit on the FI market (HTM, AFS). As of 31 December 2008, the limit was EUR 2.5 million and its utilization degree was 71.50%.

➢ <u>Global VaR limit:</u>
1 Day, 99% - VaR limit on Trading Book *plus* MM. As of 31 December 2008, the limit was EUR 5 million and its utilization degree was 63.25%.

The Bank developed specific norms for transactions with financial derivatives, used both as products offered to customers for risk mitigation and for hedging against the market risk exposure of its own portfolio.

In 2009, the market risk limits system will be further improved by adding a structure of monthly and yearly Stop Loss ("S/L") limits for the TB activities.

40. RISK MANAGEMENT (continued)

40.9 Operational risk

Operational risk represents the risk to register losses or do not make the estimated profit generated both by the internal factors (inadequate spreading out of some internal activities, human factor, inadequate systems etc,) and external factors (economical conditions, changes in the banking field, technological progress etc).

The Bank administers operational risks by approaching the main operational risk categories (e.g., internal fraud, external fraud, the requirements relating to personnel additions and the security of the working environment, erroneous practices related to the clientele, products and activities, etc,) and ensuring the appropriate frame for the identification, assessment, notification, monitoring and reporting of this significant risk.

The Bank remains committed to the objective of increasing shareholder value by developing and growing business that is consistent with risk appetite, and through building more effective risk management capabilities. Responsibility for risk management resides at all levels within the Group, from the Executive down through the organization to each business manager and risk specialist. The Bank is seeking an appropriate balance in its business, and continuing to build the risk management capabilities that will help to deliver growth plans in a controlled environment.

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

In order to decrease its exposure to operational risks, the operational risk strategy of BCR for 2008 had the following priorities:

- the implementation of procedures and work norms that would limit any potential operational risks;
- the centralized check-up, aside from the check-up performed by the Front Office ("FO"), of the information afferent to individual loan applicants, with the purpose of decreasing the number of frauds related to the utilization of fake income / ID papers;
- the closing of insurance policies covering operational risks (internal fraud, external fraud, legal civil liability) and own patrimony damages;
- the finalization of the implementation of a business continuity plan, given the emergent crisis.

40.10 Insurance risk

The Group was exposed to insurance risk through its subsidiaries BCR Asigurari (general insurance) and BCR Asigurari de Viata (life insurance). In December 2008, these subsidiaries were sold. Until the date of sale, the policies for management of insurance risk were as described below.

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of the underwriting strategy and guidelines as well as the use of reinsurance arrangements.

The majority of reinsurance business ceded is placed on a quota share basis with retention limits varying by product line. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the balance sheet as reinsurance assets.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

40. RISK MANAGEMENT (continued)

40.10 Insurance risk (continued)

The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the balance sheet date.

The business of the Group comprises both life and general insurance contracts.

(1) Life insurance contracts

The Group principally writes life insurance contracts (where the life of the policyholder is insured against death or permanent disability, usually for a predetermined amount) and health insurance contracts. The Group has just started these products and they have not had a material impact on the current year's financial statements.

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, a regular review of actual claims experience and product pricing. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

(2) General insurance contracts

The Group principally issues the following types of general insurance contracts: motor (MTPL and Casco); household, property and commercial; and business interruption.

The risk from these contracts is mitigated through the diversification of the risk of loss to a large portfolio of insurance contracts and geographical areas. The Group also has limited its exposure by imposing maximum claim levels equal to the insured amounts.

41. CAPITAL ADEQUACY

41.1 Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with the capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

41.2 Capital adequacy

The solvency ratio according to national regulations (Basel II requirements) as at 31 December 2008 was of 10.58% (31 December 2007: 9.0%).

In addition to the above ratio the Bank and the Group also monitor the adequacy of their capital using ratios established by the Bank for International Settlements ("BIS") in July 1988, based upon financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

Based upon financial information prepared in accordance with IFRS the Tier 1 and the Tier 1 plus Tier 2 capital adequacy ratios at 31 December 2008 were:

- 12.93% and 14.42%, respectively (31 December 2007: 9.03% and 10.15%, respectively) for the Bank
- 13.20% and 14.56%, respectively (31 December 2007: 9.76% and 10.90%, respectively) for the Group.

41. CAPITAL ADEQUACY (continued)

41.2 Capital adequacy (continued)

Under BIS guidelines, on balance exposures are allocated to standardized approach asset classes, a risk weighting being assigned according to these classes and the loan quality. The following categories of risk weights are applied: 0%, 10%, 20%, 35%, 50%, 75%, 100%, 150%, 200% and other risk weights according to national law; for example cash and exposures to central banks denominated and financed in local currency or EUR have a zero risk weighting which means that no capital is required to support the holding of these assets. Premises and equipment carries a 100% risk weighting, meaning that it must be supported by capital equal to 8% of the carrying amount. Other asset categories have intermediate weightings.

Off-balance-sheet credit related commitments, letters of guarantee and derivatives are taken into account by applying different categories of credit conversion factors, designed to convert these items into balance sheet equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for balance sheet assets.

The total credit risk capital requirement is calculated as 8% of the risk weighted assets.

Also, in order to calculate the capital adequacy ratio, the Bank computes a capital requirement for market and operational risks.

Tier 1 capital consists of shareholders' equity and subordinated liabilities less reserve for banking risks. Tier 2 capital includes the Bank and the Group's eligible long-term debt, general credit risk reserves up to 1.25% of the risk-weighted assets and revaluation reserves.

	Group		Bank	
RON Thousand	**2008**	**2007**	**2008**	**2007**
Tier 1 capital	6,727,690	4,128,510	5,975,763	3,553,879
Tier 1+ Tier 2 capital	7,420,471	4,610,476	6,664,408	3,997,026
Risk weighted assets (credit, market and operational risks)	50,977,084	42,285,690	46,231,945	39,371,135
BIS Capital ratios				
Tier 1 capital	13.20%	9.76%	12,93%	9.03%
Tier 1+ Tier 2 capital	14.56%	10.90%	14.42%	10.15%

42. SUBSEQUENT EVENTS

Dividends proposed for approval at the Annual General Meeting (not recognized as a liability as at 31 December 2008).

Proposed equity dividend on ordinary shares: RON thousand 813,072.7.