Banca Comerciala Romana S.A.

Consolidated and Individual Financial Statements
(The Group and the Parent Bank)

Prepared in accordance with International Financial Reporting Standards.

31 December 2009

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

ERNST & YOUNG

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 statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 as adopted by the European Union. 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.

Ernst & Young

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 2009, 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

02 March 2010

BCR

STATEMENT OF COMPREHENSIVE INCOME

Consolidated and Bank

for the year ended 31 December 2009

		Group		Bank	
RON Thousand	**Notes**	**2009**	**2008**	**2009**	**2008**
Continuing operations					
Interest and similar income	4	8,840,364	7,164,710	8,495,260	6,818,3
Interest and similar expenses	5	(5,002,060)	(4,124,308)	(4,876,468)	(3,934,3
Net interest income		**3,838,304**	**3,040,402**	**3,618,792**	**2,884,(**
Fee and commission income	6	924,224	1,074,579	870,794	1,023,3
Fee and commission expenses	6	(216,248)	(159,365)	(212,175)	(155,0
Net fee and commission income	6	**707,976**	**915,214**	**658,619**	**868,2**
Net trading income	7	423,798	256,808	416,760	257,(
Net gain or loss on financial assets designated at fair value through profit or loss		38,687	(45,791)	38,319	(45,5
Other operating income	9	228,486	320,638	348,781	895,2
Total operating income		**5,237,251**	**4,487,271**	**5,081,271**	**4,859,1**
Credit loss expense	10	(2,282,380)	(628,633)	(2,047,221)	(616,7
Net operating income		**2,954,871**	**3,858,638**	**3,034,050**	**4,242,4**
Personnel expenses	11	(921,743)	(1,051,058)	(843,349)	(973,8
Depreciation and impairment of property and equipment	20	(134,463)	(124,922)	(124,966)	(120,0
Amortization of intangible assets	21	(42,756)	(30,957)	(41,053)	(29,7
Other operating expenses	12	(819,369)	(811,193)	(732,007)	(796,5
Total operating expenses		**(1,918,351)**	**(2,018,130)**	**(1,741,375)**	**(1,920,1**
Profit before tax		**1,036,520**	**1,840,508**	**1,292,675**	**2,322,3**
Income tax expense	13	(170,459)	(308,882)	(181,976)	(370,6
Profit for the year from continuing operations		**866,061**	**1,531,626**	**1,110,699**	**1,951,**
Discontinued operations					
Profit for the year from discontinued operations, net of tax	8	-	504,005	-	
Profit for the year		**866,061**	**2,035,631**	**1,110,699**	**1,951,**
Other comprehensive income					
Net gain/(loss) on available-for-sale financial investments		207,565	(273,924)	204,167	(270,5
Exchange differences on translation of foreign operations		34,521	59,702	-	
Net loss on hedge of net investment		(26,730)	-	-	
Management share options plan		-	1,395	-	1,
Actuarial gains on defined benefit plans		3,295	4,204	4,123	3,
Income tax relating to the components of other comprehensive income		(30,087)	42,811	(33,327)	42,
Other comprehensive income for the year, net of tax		**188,584**	**(165,812)**	**174,963**	**(222,7**
Total comprehensive income for the year, net of tax		**1,054,645**	**1,869,819**	**1,285,662**	**1,728,**
Profit attributable to:					
Equity holders of the parent		871,692	2,032,682	1,110,899	1,951
Non-controlling interests		(5,631)	2,949	-	
Total comprehensive income attributable to:					
Equity holders of the parent		1,060,225	1,867,448	1,285,662	1,728
Non-controlling interests		(5,580)	2,371	-	

The financial statements were approved by the Management Board on 2 March 2010 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

BCR

STATEMENT OF FINANCIAL POSITION

Consolidated and Bank

at 31 December 2009

		Group		Bank	
RON Thousand	Notes	2009	2008	2009	2008
ASSETS					
Cash and balances with central banks	15	9,896,521	14,627,318	9,819,190	14,549,574
Due from banks	16	1,892,966	1,117,964	1,453,062	1,120,862
Reverse repurchase agreements		15,687	13,650	15,687	13,650
Derivative financial instruments	28	13,222	-	13,222	-
Financial assets held for trading	17	401,351	223,022	401,351	223,020
Financial assets designated at fair value through profit or loss	17	165,537	191,595	165,537	191,445
Loans and advances to customers	18	47,367,246	45,521,595	43,630,890	42,916,496
Financial investments – available-for-sale	19	3,063,235	1,406,077	3,815,868	1,677,656
Financial investments – held-to-maturity	19	2,388,919	696,851	2,155,958	665,559
Property and equipment	20	1,726,600	1,720,530	998,729	1,613,290
Goodwill and other intangible assets	21	389,199	273,726	285,539	233,649
Current tax assets		155,631	-	149,168	-
Deferred tax assets	13	50,683	2,344	-	-
Other assets	22	1,810,519	1,330,708	1,622,385	1,107,581
Assets held for sale	24	65,457	1,953,218	291	191,022
TOTAL ASSETS		**69,402,775**	**69,080,618**	**64,526,877**	**64,503,804**
LIABILITIES AND EQUITY					
Due to banks	23	21,123,456	22,572,339	16,418,673	19,582,189
Repurchase agreements		-	114,233	-	114,233
Derivative financial instruments	28	1,848,236	1,399,977	1,848,240	1,399,977
Due to customers	25	35,628,109	32,894,315	35,824,902	33,237,201
Debt issued and other borrowed funds	26	534,712	985,825	534,712	985,825
Current tax liabilities		1,835	165,051	-	145,882
Deferred tax liabilities	13	363,001	141,593	329,504	140,260
Other liabilities	29	1,200,631	1,577,326	1,123,427	1,520,986
Provisions	30	195,296	166,096	186,446	164,980
Subordinated liabilities	27	1,906,112	1,330,000	1,906,112	1,330,000
Liabilities associated with assets held for sale	25	-	1,379,135	-	-
TOTAL LIABILITIES		**62,801,388**	**62,725,890**	**58,172,016**	**58,621,533**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT					
Issued capital	32	2,119,693	2,119,693	2,119,693	2,119,693
Retained earnings	32	3,329,857	3,271,237	3,234,348	2,936,721
Available-for-sale reserve	32	(46,026)	(220,084)	(45,250)	(216,751)
Foreign currency translation reserve	32	134,402	102,583	-	-
Other capital reserve	32	1,036,695	1,054,039	1,046,070	1,042,608
		6,574,621	**6,327,468**	**6,354,861**	**5,882,271**
Non-controlling interests		26,766	27,260	-	-
TOTAL EQUITY		**6,601,387**	**6,354,728**	**6,354,861**	**5,882,271**
TOTAL LIABILITIES AND EQUITY		**69,402,775**	**69,080,618**	**64,526,877**	**64,503,804**

The financial statements were approved by the Management Board on 2 March 2010 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

STATEMENT OF CHANGES IN EQUITY
Consolidated and Bank
for the year ended 31 December 2009

GROUP

	Attributable to equity holders of parent					
RON Thousand	Issued capital	Retained earnings	Other capital reserve	Total	Non-controlling interests	Total equity
At 31 December 2008	**2,119,693**	**3,271,237**	**936,538**	**6,327,468**	**27,260**	**6,354,728**
Net gain on available-for-sale financial investments	-	-	207,561	207,561	24	207,585
Exchange differences on translation of foreign operations	-	-	34,488	34,488	33	34,521
Actuarial gain/(loss) on defined benefit plans	-	-	3,297	3,297	(2)	3,295
Net loss on hedge of net investment	-	-	(26,730)	(26,730)	-	(26,730)
Income tax relating to the components of other comprehensive income	-	-	(30,083)	(30,083)	(4)	(30,087)
Other comprehensive income for the year	**-**	**-**	**188,533**	**188,533**	**51**	**188,584**
Profit for the year	-	871,692	-	871,692	(5,631)	866,061
Total comprehensive income for the year	**-**	**871,692**	**188,533**	**1,060,225**	**(5,580)**	**1,054,645**
Contribution of non-controlling interests to share capital of subsidiaries	-	-	-	-	5,408	5,408
Distribution of dividends (Note 14)	-	(813,072)	-	(813,072)	(322)	(813,394)
At 31 December 2009	**2,119,693**	**3,329,857**	**1,125,071**	**6,574,621**	**26,766**	**6,601,387**
At 31 December 2007	**2,119,693**	**1,608,468**	**1,101,771**	**4,829,932**	**37,445**	**4,867,377**
Net losses on available-for-sale financial investments	-	-	(273,480)	(273,480)	(444)	(273,924)
Exchange differences on translation of foreign operations	-	-	59,907	59,907	(205)	59,702
Actuarial gain on defined benefit plans	-	-	4,204	4,204	-	4,204
Management share options plan (MSOP)	-	-	1,395	1,395	-	1,395
Income tax relating to the components of other comprehensive income	-	-	42,741	42,741	70	42,811
Other comprehensive income for the year	**-**	**-**	**(165,233)**	**(165,233)**	**(579)**	**(165,812)**
Profit for the year	-	2,032,682	-	2,032,682	2,949	2,035,631
Total comprehensive income 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**

BANK

RON Thousand	Issued capital	Retained earnings	Other capital reserves	Total
At 31 December 2008	**2,119,693**	**2,936,721**	**825,857**	**5,882,271**
Net gain on available-for-sale financial investments	-	-	204,167	204,167
Actuarial gain	-	-	4,123	4,123
Income tax relating to the components of other comprehensive income	-	-	(33,327)	(33,327)
Other comprehensive income for the year	**-**	**-**	**174,963**	**174,963**
Profit for the year	-	1,110,699	-	1,110,699
Total comprehensive income for the year	**-**	**1,110,699**	**174,963**	**1,285,662**
Distribution of dividends (Note 14)	**-**	(813,072)	-	(813,072)
At 31 December 2009	**2,119,693**	**3,234,348**	**1,000,820**	**6,354,861**
At 31 December 2007	**2,119,693**	**1,354,967**	**1,048,655**	**4,523,315**
Net loss on available-for-sale financial investments	-	-	(270,576)	(270,576)
Actuarial gain	-	-	3,675	3,675
Management share options plan	-	-	1,395	1,395
Income tax relating to the components of other comprehensive income	-	-	42,708	42,708
Other comprehensive income for the year	**-**	**-**	**(222,798)**	**(222,798)**
Profit for the year	-	1,951,668	-	1,951,668
Total comprehensive income 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**

STATEMENT OF CASH FLOWS
Consolidated and Bank
for the year ended 31 December 2009

RON Thousand	Notes	Group 2009	Group 2008	Bank 2009	Bank 2008
OPERATING ACTIVITIES					
Profit before tax from continuing operations		1,036,520	1,840,508	1,292,675	2,322,303
Profit before tax from discontinued operations		-	611,165	-	-
Profit before tax		1,036,520	2,451,673	1,292,675	2,322,303
Adjustments for:					
Change in operating assets	35	(3,725,429)	(8,844,460)	(3,180,201)	(8,892,801)
Change in operating liabilities	35	959,245	4,059,146	394,701	4,919,543
Non-cash items included in profit before tax	35	2,355,508	1,703,964	2,095,842	1,558,619
Net gain from investing activities	35	11,227	(799,095)	(246,143)	(906,059)
Payments made against provisions	35	(31,765)	(81,305)	(31,404)	(81,176)
Income tax paid		(347,349)	(63,663)	(321, 353)	(38,407)
Net cash flows from/(used in) operating activities		**257,957**	**(1,573,740)**	**4,117**	**(1,117,978)**
INVESTING ACTIVITIES					
Purchase of property, equipment and intangibles		(301,436)	(297,667)	(212,094)	(291,463)
Proceeds from sale of property and equipment		-	12,816	733,484	6,230
Purchase of financial investments		(6,321,609)	(1,165,478)	(6,255,513)	(1,425,794)
Proceeds from sale of financial investments		3,140,943	855,630	3,130,795	1,536,829
Acquisition of non-controlling interests		-	(84,101)	-	-
Dividends received		2,833	5,313	126,572	39,407
Proceeds from sale of discontinued operations		-	678,018	-	-
Net cash flows from/(used in) investing activities		**(3,479,269)**	**4,531**	**(2,476,756)**	**(134,791)**
FINANCING ACTIVITIES					
Proceeds from subordinated liabilities		576,112	1,330,000	576,112	1,330,000
Proceeds from debt issued and other borrowed funds		2,989,368	1,494,712	1,091,533	299,622
Repayment of debt issued and other borrowed funds		(3,556,429)	(4,895,830)	(2,809,365)	(3,963,023)
Repayment of finance lease liabilities		-	-	(503)	(9,860)
Contribution of non-controlling interest to share capital increase of subsidiaries		5,408	-	-	-
Dividends paid to non-controlling interests		(322)	-	-	-
Dividends paid to equity holders of the parent		(813,072)	(369,913)	(813,072)	(369,913)
Net cash flows used in financing activities		**(798,935)**	**(2,441,031)**	**(1,955,295)**	**(2,713,174)**
Net decrease in cash and cash equivalents		(4,020,247)	(4,010,240)	(4,427,934)	(3,965,943)
Cash and cash equivalents at 1 January		**15,691,111**	**19,701,351**	**15,613,367**	**19,579,310**
Cash and cash equivalents at 31 December	35	**11,670,864**	**15,691,111**	**11,185,433**	**15,613,367**
Operational cash flows from interest					
Interest paid		5,100,917	4,011,861	4,974,121	3,830,954
Interest received		8,201,877	6,922,229	7,978,491	6,574,826

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, letters of credit 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 2009 were authorized for issue in accordance with a resolution of the Management Board on 2 March 2010.

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 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", "BCR Partener IFN" 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 33.

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

2. ACCOUNTING POLICIES (continued)

The Bank has the following subsidiaries consolidated in the financial statements of the Group as at 31 December 2009 and 31 December 2008:

Company's Name	Country of incorporation	Nature of the business	Shareholding 31 December 2009	Shareholding 31 December 2008
Anglo-Romanian Bank Ltd	United Kingdom	Banking	100%	100%
BCR Chisinau SA	Moldova	Banking	100%	100%
Financiara SA	Romania	Financial	97.46%	97.46%
BCR Securities SA	Romania	Brokerage	89.24%	89.24%
BCR Leasing IFN SA	Romania	Financial leasing	99.35%	99.11%
BCR Asset Management SA	Romania	Asset Management (company under liquidation)	81.25%	81.25%
Bucharest Financial Plazza SRL	Romania	Real Estate	97.46%	97.46%
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%
BCR Banca pentru Locuinte SA	Romania	Housing loans	80.00%	80.00%
BCR Partener IFN SA	Romania	Consumer loans	99.99%	-
BCR Finance BV	The Netherlands	Financial	100%	-
Suport Colect SRL	Romania	Workout	100%	-
BCR Procesare SRL	Romania	Cash processing and storing	100%	-
BCR Real Estate Management SRL	Romania	Real estate management	100%	-
BCR Fleet Management SRL	Romania	Operational leasing	99.35%	-

(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 profit or loss 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.

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 39.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Bank.

(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”.

2. ACCOUNTING POLICIES (continued)

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 profit or loss from the date of acquisition or up to the date of disposal, as appropriate.

The Bank sponsors the formation of special purpose entities (SPEs), primarily for the purpose of facilitation of investments by the Bank's clients, and to accomplish certain narrow and well defined objectives. The Bank consolidates those SPEs if the substance of its relationship with them indicates that it has control over them.

Non-controlling 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 profit or loss 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 profit or loss in the year of acquisition.

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 Bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.), concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

The impairment loss on loans and advances is disclosed in more detail in Note 10 and Note 18.

(3) Impairment of available-for-sale 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% and 'prolonged' greater than 1 year. In addition, the Group evaluates other factors, such as the share price volatility.

2. ACCOUNTING POLICIES (continued)

(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 31 for the assumptions used.

2.3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the separate financial statements of the Bank and of the consolidated financial statements of the Group are set out below.

(1) Foreign currency translation

The 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 profit or loss.

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 profits or losses 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 statement of comprehensive income 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 or the Bank commits to purchase or sell the asset. Derivatives are recognized on trade date basis.

2. ACCOUNTING POLICIES (continued)

(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 rate swaps. 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.

(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 statement of financial position 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 statement of financial position 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 statement of comprehensive income. The losses arising from impairment of such investments are recognized in the statement of comprehensive income line 'Impairment losses on financial investments'.

If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

2. ACCOUNTING POLICIES (continued)

(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 investments – 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 statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income 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.

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 statement of comprehensive income 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 profit or loss 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 profit or loss 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.

(x) Reclassification of financial assets

For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate method. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate method. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the profit or loss.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Group does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition. An analysis of reclassified assets is disclosed in Note 19.

2. ACCOUNTING POLICIES (continued)

(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 statement of financial position. The corresponding cash received, including accrued interest, is recognized on the statement of financial position as a 'Repurchase agreement', reflecting its economic substance as a loan to the Group or the Bank. 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 statement of financial position as 'Financial assets held for trading pledged as collateral'.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized on the statement of financial position. The corresponding cash paid, including accrued interest, is recognized on the statement of financial position 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 statement of financial position 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 statement of financial position, 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 statement of financial position 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.

2. ACCOUNTING POLICIES (continued)

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 statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the statement of financial position date. Where a fair value cannot 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 statement of financial position 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 asset'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 profit or loss. 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 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 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.

2. ACCOUNTING POLICIES (continued)

(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 profit or loss.

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 statement of financial position 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 profit or loss – is removed from equity and recognized in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; 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 profit or loss, the impairment loss is reversed through the profit or loss.

(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.

(8) Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate. In order to manage particular risks, the Group 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 profit or loss.

(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 statement of financial position items) designated as hedged items, by interest rate swaps designated as hedging instruments.

2. ACCOUNTING POLICIES (continued)

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 profit or loss.

(ii) Hedges of a net investment

Gain or losses on the hedging instrument relating to the effective portion of the hedge are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the profit or loss.

The Group uses deposits as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

(9) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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 statement of financial position.

(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.

(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 statement of financial position 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 statement of comprehensive income.

2. ACCOUNTING POLICIES (continued)

(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.

(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.

2. ACCOUNTING POLICIES (continued)

(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 statement of comprehensive income 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.

(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 profit or loss in the expense category consistent with the function of the intangible asset.

2. ACCOUNTING POLICIES (continued)

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 statement of comprehensive income in 'Credit loss expense'. The premium received is recognized in the statement of comprehensive income 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.

(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 profit or loss 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.

2. ACCOUNTING POLICIES (continued)

(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 the 2004 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 statement of financial position date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position 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.

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.

2. ACCOUNTING POLICIES (continued)

The carrying amount of deferred tax assets is reviewed at each statement of financial position 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 statement of financial position 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 statement of financial position date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the profit or loss.

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 statement of financial position date are disclosed as an event after the statement of financial position 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. Changes in accounting policies and disclosures

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRIC 13 Customer Loyalty Programmes effective 1 July 2008
- IFRIC 15 Agreements for the Construction of Real Estate effective 1 January 2009
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective 1 October 2008
- IFRIC 9 Remeasurement of Embedded Derivatives (Amended) and IAS 39 Financial Instruments: Recognition and Measurement (Amended) effective for periods ending on or after 30 June 2009
- IFRS 1 First-time Adoption of International Financial Reporting Standards (Amended) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 January 2009
- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations (Amended) effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IFRS 7 Financial Instruments: Disclosures (Amended) effective 1 January 2009
- IAS 1 Presentation of Financial Statements (Revised) effective 1 January 2009
- IAS 32 Financial Instruments: Presentation (Amended) and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (Amended) effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009
- Improvements to IFRSs (May 2008)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IFRIC 16 Hedges of a Net Investment in a foreign operation
This interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risk that qualifies for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how the entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Group has updated its accounting policies. It did not have an impact on the financial position or performance of the Group.

IFRS 8 Operating Segments
This Standard replaces IAS 14 'Segment reporting'. IFRS 8 adopts a management approach to segment reporting. As a result of applying IFRS 8 the Group's operating segments are:

- Retail;
- Local Corporate;
- Real Estate;
- Group Large Corporate (GLC);
- Corporate Finance (CFO);
- Treasury;
- Balance Sheet Management (BSM);
- Corporate Center.

IFRS 8 disclosures are shown in note 3, including the relevant revised comparative information.

IFRS 7 Financial Instruments: Disclosures (Amended)
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by the source of inputs, using a three-level hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between the levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 34. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 39.6.

2. ACCOUNTING POLICIES (continued)

IAS 1 Presentation of Financial Statements (Revised)
The revised standard requires that the statement of changes in equity includes only transactions with shareholders; introduces a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with "other comprehensive income" (either in one single statement or in two linked statements); and requires the inclusion of a third column on the statement of financial position to present the effect of restatements of financial statements or retrospective application of a new accounting policy as at the beginning of the earliest comparative period. The Group made the necessary changes to the presentation of its financial statements in 2009 and has elected to present the statement of comprehensive income in one single statement.

In May 2008 the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 January 2009. These amendments did not have any impact on the accounting policies, financial position or performance of the Group.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
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.

IFRS 7 Financial Instruments: Disclosures
This amendment removes the reference to 'total interest income' as a component of finance costs.

IAS 1 Presentation of Financial Statements
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 statement of financial position.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
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
This amendment clarifies that dividends declared after the end of the reporting period are not obligations.

IAS 16 Property, Plant and Equipment
This amendment clarifies that 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.

IAS 18 Revenue
This amendment replaces the term 'direct costs' with 'transaction costs' as defined in IAS 39.

IAS 19 Employee Benefits
This amendment revises the definitions of 'past service costs', 'return on plan assets' and 'short-term' and 'other long term' employee benefits to focus on the point in time at which the liability is due to be settled.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
Loans granted with no or low interest rates are not 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.

IAS 23 Borrowing Costs
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.

IAS 27 Consolidated and Separate Financial Statements
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.

2. ACCOUNTING POLICIES (continued)

IAS 28 Investment in Associates
This amendment clarifies that (i) if an associate is accounted for at fair value in accordance with IAS 39 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 and (ii) 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 and any impairment is reversed if the recoverable amount of the associate increases.

IAS 29 Financial Reporting in Hyperinflationary Economies
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.

IAS 31 Interest in Joint ventures
This amendment clarifies that if a joint venture is accounted for at fair value, in accordance with IAS 39 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.

IAS 34 Interim Financial Reporting
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
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'.

IAS 38 Intangible Assets
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. It 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. 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
Clarifies that changes in circumstances relating to derivatives – specifically derivatives designated or de-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. 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.

IAS 40 Investment property
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. Clarifies that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.

IAS 41 Agriculture
Replaces the term 'point-of-sale costs' with 'costs to sell'. 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.

2. ACCOUNTING POLICIES (continued)

2.5. Standards issued but not yet effective

IFRIC 17 Distributions of Non-cash Assets to Owners
This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. The interpretation provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The Group does not expect IFRIC 17 to have an impact on the financial statements as the Group has not made any non-cash distributions to shareholders in the past.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
The interpretation is effective for annual periods beginning on or after 1 July 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. This interpretation has not yet been endorsed by the EU. The Group does not expect that the amendment will have impact on the financial position or performance of the Group.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)
The amendment is effective for annual periods beginning on or after 1 January 2011. The purpose of this amendment was to permit entities to recognise as an asset some voluntary prepayments for minimum funding contributions. Earlier application is permitted and must be applied retrospectively. This amendment has not yet been endorsed by the EU. The Group does not expect that the amendment will have impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
The revision and amendment is effective for annual periods beginning on or after 1 July 2009. 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.

IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items
The amendment is effective for annual periods beginning on or after 1 July 2009.The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group does not expect that the amendment will have any impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRS 9 Financial Instruments – Phase 1 financial assets, classification and measurement
The new standard is effective for annual periods beginning on or after 1 January 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)
The amendment is effective for annual periods beginning on or after 1 January 2010. This amendment clarifies the accounting for group cash-settled share-based payment transactions and how such transactions should be accounted for in the individual financial statements of the subsidiary. This interpretation has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IAS 32 Classification on Rights Issues (Amended)
The amendment is effective for annual periods beginning on or after 1 February 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively. The Group does not expect that this amendment will have an impact on the financial position or performance of

the Group.

2. ACCOUNTING POLICIES (continued)

IAS 24 Related Party Disclosures (Revised)
The revision is effective for annual periods beginning on or after 1 January 2011.This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. This interpretation has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IFRS 1 Additional Exemptions for First-time Adopters (Amended)
The amendment is effective for annual periods beginning on or after 1 January 2010. This interpretation has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

In April 2009 the IASB issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 July 2009. This annual improvements project has not yet been endorsed by the EU. These amendments did not have any impact on the accounting policies, financial position or performance of the Group.

*IFRS 2 Share-based Payment***,** effective for annual periods beginning on or after 1 July 2009. Clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2 even though they are out of scope of IFRS 3 (revised). If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, effective for annual periods beginning on or after 1 January 2010. Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

IFRS 8 Operating Segment Information, effective for annual periods beginning on or after 1 January 2010. Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 January 2010. The terms of a liability that could result, at any time, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

IAS 7 Statement of Cash Flows, effective for annual periods beginning on or after 1 January 2010. Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2009 upon cash settlement.

IAS 17 Leases, effective for annual periods beginning on or after 1 January 2009. The amendment removes the specific guidance on classifying land as a lease so that only the general guidance remains.

IAS 18 Revenue, The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

IAS 36 Impairment of Assets, effective for annual periods beginning on or after 1 January 2010. The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

IAS 38 Intangible Assets, effective for annual periods beginning on or after 1 July 2009. Clarifies that if an intangible asset acquired in business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also, clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used. If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

2. ACCOUNTING POLICIES (continued)

IAS 39 Financial Instruments: Recognition and Measurement, effective for annual periods beginning on or after 1 January 2010. The amendment clarifies that:

- A prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
- The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken (Applicable to all unexpired contracts for annual periods beginning on or after 1 January 2010)
- Gains and losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss (Applicable to all unexpired contracts for annual periods beginning on or after 1 January 2010)

IFRIC 9 Reassessment of Embedded Derivatives, effective for annual periods beginning on or after 1 July 2009. The Board amended the scope paragraph of IFRIC 9 to clarify that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or business under common control or the formation of a joint venture. If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation, effective for annual periods beginning on or after 1 July 2009. The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

3 SEGMENT INFORMATION

The 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 the following business segments:

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. Principally handling individual and micro customers' deposits, and providing consumer loans, overdrafts, credit cards facilities and funds transfer facilities.

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. Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers and comprises the following:

Local corporate include:
- Small and Medium Enterprises – companies having annual turnover > 1-8 million EUR;
- Large Corporate –companies having annual turnover > 8-50 million EUR;
- Municipalities

Real Estate companies
Group Large Corporate – companies having annual turnover > 50 million EUR;
Corporate center – unallocated items and items which do not belong to business lines

Corporate finance, Treasury and Balance sheet management - 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.

3. SEGMENT INFORMATION (continued)

The business segment reporting format is the Group's 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 mapping of individual accounts by main line items of income and expenses, respectively assets and liabilities and equity, for purposes of segment reporting is done on an internal management approach, rather than an external financial reporting approach.

Group - Business segments 2009

RON Thousand	Retail	Local Corporate	Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Group
Net Interest Income	2,629,213	836,145	76,356	197,731	135	5,439	(165,006)	258,291	3,838,304
Risk Provisions for Loans and Advances	(1,552,988)	(343,964)	(91,196)	(75,960)	-	-	-	(218,272)	(2,282,380)
Net Commission Income	295,583	221,004	1,890	74,581	1,549	(4,324)	(6)	117,699	707,976
Net Trading Result	53,736	32,639	1,131	6,699	-	306,947	5,189	17,457	423,798
General Administrative Expenses	(1,439,853)	(255,800)	(13,911)	(43,456)	(5,143)	(34,405)	(9,904)	93,868	(1,708,604)
Other Operating Result	(142,492)	(9,054)	(152)	(6,543)	(40)	(388)	(54)	68,463	(90,260)
Result from financial assets - Designated at fair value through P&L	-	200	-	-	-	2,862	30,336	5,289	38,687
Result from financial assets - Available for sale	16	-	-	-	-	(9,939)	5,126	113,796	108,999
Profit before tax	(156,785)	481,170	(25,882)	153,052	(3,499)	266,192	(134,319)	456,591	1,036,520
Income tax expense	25,791	(79,153)	4,258	(25,177)	576	(43,788)	22,096	(75,062)	(170,459)
Profit for the year	**(130,994)**	**402,017**	**(21,624)**	**127,875**	**(2,923)**	**222,404**	**(112,223)**	**381,529**	**866,061**

RON Thousand	Retail	Local Corporate	Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Group
Cash and balances with central banks	37,383	-	-	-	-	-	8,534,757	1,324,381	9,896,521
Loans and advances to credit institutions	818,299	2,636	-	-	-	1,370,903	1,715	(300,587)	1,892,966
Loans and advances to customers	26,977,806	17,194,816	2,113,388	3,450,292	-	-	1,268,460	155,524	51,160,286
Risk provisions for loans and advances	(2,639,142)	(695,779)	(99,964)	(130,711)	-	-	-	(211,755)	(3,777,351)
Trading assets	-	-	-	-	-	401,351	-	-	401,351
Financial assets - Designated at fair value through P&L	-	26,050	-	-	-	-	128,446	11,041	165,537
Fnancial assets - Available for sale	609,394	195,757	-	-	-	495,186	2,313,724	(550,826)	3,063,235
Financial assets - Held to maturity	232,864	-	-	-	-	97	2,155,958	-	2,388,919
Intangible assets	74,183	-	-	-	-	149	-	314,867	389,199
Property and equipment	19,034	72	-	-	-	39	-	1,707,455	1,726,600
Tax assets	23,276	-	-	-	-	-	-	183,038	206,314
Other assets	38,923	160,202	-	-	-	226	-	1,624,390	1,823,741
Assets held for sale	65,166	-	-	-	-	-	-	291	65,457
TOTAL ASSETS	**26,257,186**	**16,883,754**	**2,013,424**	**3,319,581**	**-**	**2,267,951**	**14,403,060**	**4,257,819**	**69,402,775**

3. SEGMENT INFORMATION (continued)

Group - Business segments 2009

RON Thousand	Retail	Local Corporate	Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Group
Deposits by banks	3,692,707	164,349	-	-	-	-	16,418,673	847,727	21,123,456
Customer deposits & Debt securities in issue	26,848,826	4,793,064	84,131	4,715,618	-	-	-	(278,818)	36,162,821
Derivative financial instruments	-	-	-	-	-	-	1,756,803	(3)	1,756,800
Other provisions	1,043	-	-	-	-	-	-	187,559	188,602
Tax liabilities	31,441	-	-	-	-	100	-	333,295	364,836
Other liabilities	57,937	416	-	-	-	220	-	1,240,188	1,298,761
Subordinated liabilities	31,686	-	-	-	-	-	1,906,112	(31,686)	1,906,112
Total Equity	1,794,324	1,344,662	174,298	396,364	2,116	70,346	9,275	2,810,002	6,601,387
TOTAL LIABILITIES AND EQUITY	**32,457,964**	**6,302,491**	**258,429**	**5,111,982**	**2,116**	**70,666**	**20,090,864**	**5,108,263**	**69,402,775**

3. SEGMENT INFORMATION (continued)

Group - Business segments 2008

RON Thousand	Retail	Local Corporate	Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Group
Net Interest Income	2,328,849	567,995	43,584	174,831	320	19,976	(282,573)	187,420	3,040,402
Risk Provisions for Loans and Advances	(427,115)	(161,052)	(7,179)	(35,340)	-	-	-	2,053	(628,633)
Net Commission Income	593,239	184,739	3,387	43,733	-	(1,151)	(322)	91,589	915,214
Net Trading Result	47,436	40,380	1,613	5,191	-	150,334	-	11,854	256,808
General Administrative Expenses	(1,456,674)	(209,247)	(12,388)	(29,127)	(4,367)	(24,411)	(7,568)	355	(1,743,427)
Net Result from Insurance Business	(21,887)	-	-	-	-	-	-	525,892	504,005
Other Operating Result	(40,457)	(5,569)	(183)	(3,122)	(64)	(530)	(62)	(41,684)	(91,671)
Result from financial assets - Designated at fair value through P&L	-	(260)	-	(30,842)	-	(13,659)	(1,030)	-	(45,791)
Result from financial assets – Available for sale	-	-	-	-	-	(509)	(38)	138,153	137,606
Profit before tax	1,023,391	416,986	28,834	125,324	(4,111)	130,050	(291,593)	915,632	2,344,513
Income tax expense	(171,803)	(68,608)	(4,698)	(20,589)	700	(22,349)	48,067	(69,602)	(308,882)
Profit for the year	**851,588**	**348,378**	**24,136**	**104,735**	**(3,411)**	**107,701**	**(243,526)**	**846,030**	**2,035,631**

RON Thousand	Retail	Local Corporate	Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Group
Cash and balances with central banks	77,724	-	-	-	-	-	13,290,070	1,259,524	14,627,318
Loans and advances to credit institutions	373,355	-	-	-	-	1,080,641	-	(322,362)	1,131,634
Loans and advances to customers	26,890,273	15,850,928	1,545,709	3,369,625	-	-	-	19,082	47,675,617
Risk provisions for loans and advances	(1,507,995)	(493,892)	(21,206)	(130,929)	-	-	-	-	(2,154,022)
Trading assets	-	-	-	-	-	223,022	-	-	223,022
Financial assets - Designated at fair value through P&L	-	-	-	-	-	-	191,595	-	191,595
Financial assets - Available for sale	836	151,635	-	10,086	-	126,443	1,074,577	42,500	1,406,077
Financial assets - Held to maturity	32,989	-	-	-	-	-	665,559	303	698,851
Intangible assets	3,343	-	-	-	-	-	-	270,383	273,726
Property and equipment	16,525	-	-	-	-	-	-	1,704,005	1,720,530
Tax assets	1,868	-	-	-	-	-	-	476	2,344
Other assets	236,724	-	-	-	-	-	-	1,093,984	1,330,708
Assets held for sale and discontinued operations	693,439	-	-	-	-	-	-	1,259,779	1,953,218
TOTAL ASSETS	**26,819,081**	**15,508,671**	**1,524,503**	**3,248,782**	**-**	**1,430,106**	**15,221,801**	**5,327,674**	**69,080,618**

3. SEGMENT INFORMATION (continued)

Group - Business segments 2008

RON Thousand	Retail	Local Corporate	Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Group
Deposits by banks	3,023,842	-	-	-	-	-	19,582,189	(33,692)	22,572,339
Customer deposits & Debt securities in issue	25,871,153	3,824,022	53,758	3,630,616	-	114,233	242,022	258,569	33,994,373
Trading liabilities	-	-	-	-	-	-	1,098,512	-	1,098,512
Other provisions	828	-	-	-	-	-	-	133,091	133,919
Tax liabilities	2,374	-	-	-	-	-	-	304,270	306,644
Other liabilities	542,064	-	-	-	-	4,243	-	2,743,796	3,290,103
Subordinated liabilities	-	-	-	-	-	-	1,330,000	-	1,330,000
Total Equity	2,304,855	1,166,585	114,024	248,636	2,005	17,020	4,342	2,497,261	6,354,728
TOTAL LIABILITIES AND EQUITY	**31,745,116**	**4,990,607**	**167,782**	**3,879,252**	**2,005**	**135,496**	**22,257,065**	**5,903,295**	**69,080,618**

3. SEGMENT INFORMATION (continued)

Bank - Business segments 2009

RON Thousand	Retail	Local Corporate	Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Bank
Net Interest Income	2,325,396	836,145	76,356	197,731	135	4,700	(165,006)	343,335	3,618,792
Risk Provisions for Loans and Advances	(1,351,451)	(343,964)	(91,196)	(75,960)	-	-	-	(184,650)	(2,047,221)
Net Commission Income	263,804	221,004	1,890	74,581	1,549	(4,669)	(6)	100,466	658,619
Net Trading Result	66,610	32,639	1,131	6,699	-	306,947	(21,541)	24,275	416,760
General Administrative Expenses	(1,369,477)	(255,800)	(13,911)	(43,456)	(5,143)	(31,449)	(9,904)	107,842	(1,621,298)
Other Operating Result	(59,054)	(9,054)	(152)	(6,543)	(40)	(173)	(54)	194,779	119,709
Result from financial assets - Designated at fair value through P&L	-	200	-	-	-	2,494	30,336	5,289	38,319
Result from financial assets - Available for sale	-	-	-	-	-	(11,457)	5,126	115,326	108,995
Profit before tax	(124,172)	481,170	(25,882)	153,052	(3,499)	266,393	(161,049)	706,662	1,292,675
Income tax expense	17,480	(67,734)	3,643	(21,545)	493	(37,500)	22,671	(99,484)	(181,976)
Profit for the year	**(106,692)**	**413,436**	**(22,239)**	**131,507**	**(3,006)**	**228,893**	**(138,378)**	**607,178**	**1,110,699**

RON Thousand	Retail	Local Corporate	Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Bank
Cash and balances with central banks	-	-	-	-	-	-	8,534,757	1,284,433	9,819,190
Loans and advances to credit institutions	-	-	-	-	-	1,369,543	-	83,519	1,453,062
Loans and advances to customers	22,872,999	17,194,815	2,113,388	3,450,292	-	-	1,268,460	(370,200)	46,529,754
Risk provisions for loans and advances	(1,785,962)	(695,779)	(99,964)	(130,711)	-	-	-	(170,761)	(2,883,177)
Trading assets	-	-	-	-	-	401,351	-	-	401,351
Financial assets - Designated at fair value through P&L	-	26,050	-	-	-	-	128,446	11,041	165,537
Fnancial assets - Available for sale	609,096	195,757	-	-	-	495,083	2,313,724	202,208	3,815,868
Financial assets - Held to maturity	-	-	-	-	-	-	2,155,958	-	2,155,958
Intangible assets	-	-	-	-	-	-	-	285,539	285,539
Property and equipment	-	-	-	-	-	-	-	998,729	998,729
Tax assets	-	-	-	-	-	-	-	149,168	149,168
Other assets	-	-	-	-	-	-	-	1,635,607	1,635,607
Assets held for sale	-	-	-	-	-	-	-	291	291
TOTAL ASSETS	**21,696,133**	**16,720,843**	**2,013,424**	**3,319,581**	**-**	**2,265,977**	**14,401,345**	**4,109,574**	**64,526,877**

3. SEGMENT INFORMATION (continued)

Bank - Business segments 2009

RON Thousand	Retail	Local Corporate	Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Bank
Deposits by banks	-	-	-	-	-	-	16,418,673	-	16,418,673
Customer deposits & Debt securities in issue	26,617,558	4,793,064	84,131	4,715,618	-	-	-	149,243	36,359,614
Trading liabilities	-	-	-	-	-	-	1,756,804	-	1,756,804
Other provisions	-	-	-	-	-	-	-	179,752	179,752
Tax liabilities	-	-	-	-	-	-	-	329,504	329,504
Other liabilities	-	-	-	-	-	-	-	1,221,557	1,221,557
Subordinated liabilities	-	-	-	-	-	-	1,906,112	-	1,906,112
Total Equity	1,280,101	1,345,766	174,298	396,364	2,116	68,692	7,560	3,079,964	6,354,861
TOTAL LIABILITIES AND EQUITY	**27,897,659**	**6,138,830**	**258,429**	**5,111,982**	**2,116**	**68,692**	**20,089,149**	**4,960,020**	**64,526,877**

3. SEGMENT INFORMATION (continued)

Bank - Business segments 2008

RON Thousand	Retail	Local Corporate	Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Bank
Net Interest Income	2,215,245	567,995	43,584	174,831	320	18,632	(282,573)	145,968	2,884,002
Risk Provisions for Loans and Advances	(411,369)	(161,052)	(7,179)	(35,340)	-	-	-	(1,788)	(616,728)
Net Commission Income	568,622	184,739	3,387	43,733	-	(2,253)	(322)	70,392	868,298
Net Trading Result	59,497	40,380	1,613	5,191	-	150,333	-	-	257,014
General Administrative Expenses	(1,397,667)	(209,247)	(12,388)	(29,127)	(4,367)	(22,469)	(7,568)	32,616	(1,650,217)
Other Operating Result	(40,785)	(5,569)	(183)	(3,122)	(64)	(288)	(62)	(39,621)	(89,694)
Result from financial assets - Designated at fair value through P&L	-	(260)	-	(30,842)	-	(13,381)	(1,030)	-	(45,513)
Result from financial assets - Available for sale	-	-	-	-	-	(344)	(38)	715,523	715,141
Profit before tax	993,543	416,986	28,834	125,324	(4,111)	130,230	(291,593)	923,090	2,322,303
Income tax expense	(163,850)	(68,608)	(4,698)	(20,589)	700	(22,378)	48,067	(139,279)	(370,635)
Profit for the year	**829,693**	**348,378**	**24,136**	**104,735**	**(3,411)**	**107,852**	**(243,526)**	**783,811**	**1,951,668**

RON Thousand	Retail	Local Corporate	Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Bank
Cash and balances with central banks	-	-	-	-	-	-	13,290,070	1,259,504	14,549,574
Loans and advances to credit institutions	-	-	-	-	-	1,074,301	-	60,211	1,134,512
Loans and advances to customers	24,241,926	15,850,928	1,545,709	3,369,625	-	-	-	19,721	45,027,909
Risk provisions for loans and advances	(1,465,386)	(493,892)	(21,206)	(130,929)	-	-	-	-	(2,111,413)
Trading assets	-	-	-	-	-	223,020	-	-	223,020
Financial assets - Designated at fair value through P&L	-	-	-	-	-	-	191,445	-	191,445
Fnancial assets - Available for sale	-	151,635	-	10,086	-	124,864	1,074,577	316,494	1,677,656
Financial assets - Held to maturity	-	-	-	-	-	-	665,559	-	665,559
Intangible assets	-	-	-	-	-	-	-	233,649	233,649
Property and equipment	-	-	-	-	-	-	-	1,613,290	1,613,290
Tax assets	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	1,107,581	1,107,581
Assets held for sale and discontinued operations	-	-	-	-	-	-	-	191,022	191,022
TOTAL ASSETS	**22,776,540**	**15,508,671**	**1,524,503**	**3,248,782**	**-**	**1,422,185**	**15,221,651**	**4,801,472**	**64,503,804**

3. SEGMENT INFORMATION (continued)

Bank - Business segments 2008

RON Thousand	Retail	Local Corporate	Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Bank
Deposits by banks	-	-	-	-	-	-	19,582,189	-	19,582,189
Customer deposits & Debt securities in issue	25,826,266	3,824,022	53,758	3,630,616	-	114,233	242,022	646,342	34,337,259
Trading liabilities	-	-	-	-	-	-	1,098,512	-	1,098,512
Other provisions	-	-	-	-	-	-	-	132,802	132,802
Tax liabilities	-	-	-	-	-	-	-	286,142	286,142
Other liabilities	-	-	-	-	-	-	-	1,854,629	1,854,629
Subordinated liabilities	-	-	-	-	-	-	1,330,000	-	1,330,000
Total Equity	1,876,285	1,166,585	114,024	248,636	2,005	12,102	4,342	2,458,292	5,882,271
TOTAL LIABILITIES AND EQUITY	**27,702,551**	**4,990,606**	**167,783**	**3,879,252**	**2,005**	**126,335**	**22,257,065**	**5,378,207**	**64,503,804**

4 INTEREST AND SIMILAR INCOME

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Due from banks	443,142	576,436	429,805	532,806
Loans and advances to customers	6,475,950	5,461,755	6,096,511	5,168,805
Financial investments – available-for-sale	190,277	122,238	186,626	117,930
Financial investments – held-to-maturity	134,485	15,737	132,725	15,737
Interest from derivatives	1,509,559	929,395	1,509,559	929,396
Dividend income	2,833	5,313	126,572	39,407
Rental income	11,328	12,083	9,342	7,929
Financial assets designated at fair value through profit or loss	6,345	8,182	3,392	5,034
Other	66,445	33,571	728	1,349
	8,840,364	**7,164,710**	**8,495,260**	**6,818,393**

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

5 INTEREST AND SIMILAR EXPENSE

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Due to banks	2,124,380	1,888,866	1,994,612	1,699,216
Due to customers	2,455,323	1,823,667	2,459,500	1,823,511
Debt issued and other borrowed funds	44,191	146,257	44,191	146,263
Interest from derivatives	166,014	197,895	166,014	197,788
Subordinated liabilities	210,459	67,623	210,459	67,613
Other	1,693	-	1,692	-
	5,002,060	**4,124,308**	**4,876,468**	**3,934,391**

6 NET FEES AND COMMISSION INCOME

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Lending business	267,311	390,811	256,418	384,268
Payment transfers	557,781	631,591	562,578	612,542
Other fees received	99,132	52,177	51,798	26,549
Total fees and commission income	**924,224**	**1,074,579**	**870,794**	**1,023,359**
Lending business	123,653	77,598	123,662	77,124
Payment transfers	88,065	78,133	86,335	76,487
Other fees paid	4,530	3,634	2,178	1,450
Total fees and commission expense	**216,248**	**159,365**	**212,175**	**155,061**
Net fees and commission income	**707,976**	**915,214**	**658,619**	**868,298**

7 NET TRADING INCOME

RON Thousand	Group 2009	Group 2008	Bank 2009	Bank 2008
Debt securities (i)	172,659	10,913	172,659	10,913
Net realized foreign exchange gains from foreign exchange transactions (ii)	235,368	301,953	233,816	290,050
Net effect of translation of foreign currency denominated asset and liabilities	15,771	(55,452)	10,285	(43,343)
Other interest rate instruments	-	(606)	-	(606)
Net trading income	**423,798**	**256,808**	**416,760**	**257,014**

(i) Net trading income from debt securities classified as trading and from fair value through profit or loss financial assets 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 former subsidiaries BCR Asigurari and BCR Asigurari de Viata.

Profit from discontinued operations

RON Thousand	2009	2008
Income/(expense) from discontinued operations (i)	-	(24,182)
Taxes on income from discontinued operations	-	3,705
Profit from selling discontinued operations	-	635,347
Taxes on profit from selling	-	(110,865)
	-	**504,005**

(i) Income/(expense) from discontinued operations

RON Thousand	2009 General insurance	2009 Life insurance	2009 Total	2008 General insurance	2008 Life insurance	2008 Total
Premiums earned	-	-	-	314,245	155,284	469,529
Investment income from technical business	-	-	-	(6,768)	-	(6,768)
Claims incurred	-	-	-	(244,802)	(51,786)	(296,588)
Change in underwriting reserves	-	-	-	-	(60,517)	(60,517)
Operating expenses	-	-	-	(136,675)	(12,499)	(149,174)
Sundry underwriting profit/(loss)	-	-	-	40,136	(25,979)	14,157
Underwriting profit/(loss)	-	-	-	**(33,864)**	**4,503**	**(29,361)**
Financial profit/loss	-	-	-	327	-	327
Carry forward-underwriting	-	-	-	-	4,852	4,852
Total	-	-	-	**(33,537)**	**9,355**	**(24,182)**

9 OTHER OPERATING INCOME

	Group		Bank	
RON Thousand	2009	2008	2009	2008
Gains from sales of available-for-sale financial investments (i)	(5,163)	287,604	(5,167)	865,141
Gains/(losses) of sales of fixed assets	-	2,816	124,738	1,750
Reversal of impairment of assets held for sale (Note 24); (ii)	150,000	-	150,000	-
Release and utilization of provisions for litigations (Note 30)	32,211	2,778	32,211	2,741
Other (iii)	51,438	27,440	46,999	25,738
	228,486	**320,638**	**348,781**	**895,370**

(i) Included in "Gains from sales of available-for-sale financial investments" are the amounts transferred from equity to the income statement on the derecognizing of available-for-sale investments. At the Bank level the net gain from sale in 2008 of insurance subsidiaries, is also included (Note 8).

(ii) Reversal of impairment for participation in Anglo-Romanian Bank.

(iii) 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	2009	2008	2009	2008
Loans and advances to customers				
Retail	1,552,988	427,115	1,351,451	411,369
Local Corporate	324,231	161,052	324,304	161,052
Real Estate	91,196	7,179	91,196	7,179
Group Large Corporate	22,825	32,453	23,022	32,561
Corporate Center	218,271	(2,054)	184,650	1,788
	2,209,511	625,745	1,974,623	613,949
Financial guarantee contracts	72,869	2,888	72,598	2,779
	2,282,380	**628,633**	**2,047,221**	**616,728**

Financial guarantee expense is allocated for Large Corporate and Group Large Corporate.

11 PERSONNEL EXPENSES

	Group		Bank	
RON Thousand	2009	2008	2009	2008
Wages and salaries	673,038	780,514	613,041	720,593
Social security costs	216,477	249,518	201,983	233,756
Benefit paid on normal age retirement – Defined benefit plan costs (Note 31)				
Interest cost	5,525	4,324	5,525	4,307
Current service cost	6,813	5,780	6,820	5,694
Past Service Cost	2,820	1,029	2,820	1,024
Total defined benefit plan costs	**15,158**	**11,133**	**15,165**	**11,025**
Contribution pension plan	17,070	9,893	13,160	8,439
	921,743	**1,051,058**	**843,349**	**973,813**

The number of employees of the Bank at 31 December 2009 was 8,719 employees (31 December 2008: 9,099 employees). The number of the employees of the Group at 31 December 2009 was 9,339 employees (31 December 2008: 10,243 employees).

12 OTHER OPERATING EXPENSES

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Advertising and marketing	65,442	73,396	53,570	63,331
Administrative	544,179	463,094	558,360	463,296
Payment into deposit insurance fund	55,952	26,168	55,899	25,713
Allocation of impairment of financial assets available-for-sale (i)	35,838	-	35,838	-
Allocation of impairment of assets Held for sale (Note 24)	-	150,000	-	150,000
Selling losses from properties and movables	634	-	-	-
Impairment of goods repossessed from lease contracts	76,311	-	-	-
Other	41,013	98,535	28,340	94,209
	819,369	**811,193**	**732,007**	**796,549**

(i) Impairment of available for sale shares and units funds in 2009

13 TAXATION

Consolidated income statement

The components of income tax expense for the years ended 31 December 2009 and 2008 are:

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Current income tax	28,502	159,728	26,057	222,262
Deferred tax relating to origination and reversal of temporary differences	141,957	149,154	155,919	148,373
Income tax expense reported in the income statement	**170,459**	**308,882**	**181,976**	**370,635**

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 2009 and 2008 is as follows:

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Accounting profit before tax	**1,036,520**	**1,840,508**	**1,292,675**	**2,322,303**
At statutory income tax rate of 16% (2008: 16%)	166,115	294,481	206,828	371,568
Effect of different tax rates in other countries	14,331	11,332	-	-
Income not subject to tax	(33,619)	(36,221)	(52,813)	(36,431)
Non deductible expenses	23,632	39,290	27,961	35,498
Income tax expense reported in the income statement	**170,459**	**308,882**	**181,976**	**370,635**
The effective tax rate	16.45%	16.78%	14.08%	15.96%

13. TAXATION (continued)

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	2009 Net investment hedge	2009 Available-for-sale reserve	2009 Actuarial gains / (losses)	2009 Total	2008 Available -for-sale reserve	2008 Actuarial gains / (losses)	2008 Total
At 1 January	**9,109**	**(42,159)**	**-**	**(33,050)**	**1,325**	**8,436**	**9,761**
Net gain of financial investments (available-for-sale)	-	33,507	-	33,507	(43,484)	-	(43,484)
Net investment hedge	-	-	(3,857)	(3,857)	-	-	-
Actuarial gains / (losses)	437	-	-	437	-	673	673
At 31 December	**9,546**	**(8,652)**	**(3,857)**	**(2,963)**	**(42,159)**	**9,109**	**(33,050)**

BANK

RON Thousand	2009 Available-for-sale reserve	2009 Actuarial gains / (losses)	2009 Total	2008 Available -for-sale reserve	2008 Actuarial gains / (losses)	2008 Total
1 January	**(41,286)**	**9,035**	**(32,251)**	**2,006**	**8,451**	**10,457**
Net gain of financial investments (available-for-sale)	32,666	-	32,666	(43,292)	-	(43,292)
Actuarial gains / (losses)	-	661	661	-	584	584
31 December	**(8,620)**	**9,696**	**1,076**	**(41,286)**	**9,035**	**(32,251)**

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 2009	Deferred tax liability 2009	Income statement 2009	Deferred tax asset 2008	Deferred tax liability 2008	Income statement 2008
Loans to customers, credit institutions	-	(333,286)	(153,376)	-	(179,910)	(169,901)
Available-for-sale reserve	-	8,652	-	(75)	42,234	(637)
Financial assets designated at fair value through profit or loss	-	(742)	(2,500)	-	1,758	2,526
Financial investments – available-for-sale	-	(31,777)	35	590	(32,402)	5,069
Held to maturity portfolio	-	(10,573)	(10,573)	-	-	-
Intangible assets	-	(13,849)	(486)	184	(13,547)	357
Property and equipment	19,913	4,281	20,031	2	4,161	(253)
Other assets	-	(14,283)	(19,370)	(41)	5,128	577
Tax losses carried forward (including current year)	30,770	745	29,100	1,868	547	31
Amounts owed to customers, credit institutions	-	(322)	838	-	(1,160)	1,255
Debts issued and other borrowed funds	-	-	128	-	(128)	464
Provisions for early retirement and retirement benefits	-	9,956	1,283	-	10,135	26
Other provisions	-	5,870	(4,401)	-	10,271	16,507
Other liabilities	-	8,470	(2,666)	(184)	11,320	(5,175)
Net investment hedge	-	3,857	-	-	-	-
	50,683	**(363,001)**	**(141,957)**	**2,344**	**(141,593)**	**(149,154)**

13. TAXATION (continued)

BANK:

RON Thousand	Deferred tax asset 2009	Deferred tax liability 2009	Income statement 2009	Deferred tax asset 2008	Deferred tax liability 2008	Income statement 2008
Loans to customers, credit institutions	-	(305,560)	(121,317)	-	(184,243)	(174,047)
Available-for-sale reserve	-	8,620	-	-	41,286	-
Financial assets designated at fair value through profit or loss	-	45	(2,436)	-	2,481	2,481
Financial investments – available-for-sale	-	(30,894)	(128)	-	(30,766)	5,000
Intangible assets	-	(13,444)	115	-	(13,559)	148
Property and equipment	-	5,254	893	-	4,361	(103)
Other assets	-	(12,989)	(17,760)	-	4,771	755
Amounts owed to customers, credit institutions	-	(269)	784	-	(1,053)	1,341
Debts issued and other borrowed funds	-	-	129	-	(129)	463
Provision for retirement benefits	-	22,523	3,311	-	19,871	10,291
Other liabilities	-	(2,790)	(19,510)	-	16,720	5,298
	-	**(329,504)**	**(155,919)**	**-**	**(140,260)**	**(148,373)**

Deferred tax on loans to customers is due to the temporary difference between statutory allowance and IFRS allowance (refer to Note 33).

14 DIVIDENDS PAID

Declared and paid by the Bank to the holders of the parent during the year:

2009: RON Thousand 813,072 (2008: RON Thousand 369,913).

15 CASH AND BALANCES WITH CENTRAL BANKS

RON Thousand	Group 2009	Group 2008	Bank 2009	Bank 2008
Cash on hand (Note 35)	1,292,004	1,263,859	1,284,433	1,259,504
Current account with the central banks (Note 35)	8,604,517	13,363,459	8,534,757	13,290,070
	9,896,521	**14,627,318**	**9,819,190**	**14,549,574**

The current accounts held by the Bank with National Bank of Romania are for compliance with the minimum reserve requirements. Mandatory reserve ratios decreased in 2009 from 18% for RON to 15% (level as of end of December 2009) and from 40% for foreign currencies to 25% (level as of end of December 2009).

16 DUE FROM BANKS

RON Thousand	Group 2009	Group 2008	Bank 2009	Bank 2008
Nostro account	207,983	38,917	140,301	36,394
Placements with the central banks	44,176	376	293	376
Placements with other banks	1,485,153	978,159	1,228,949	1,001,560
Loans and advances to banks	155,654	100,532	83,519	82,532
	1,892,966	**1,117,984**	**1,453,062**	**1,120,862**

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets Held for Trading

RON Thousand	Group		Bank	
	2009	2008	2009	2008
Listed equity securities (i)	3,491	575	3,491	575
Unlisted debt securities (ii)	397,860	136,990	397,860	136,988
Listed bonds	-	85,457	-	85,457
	401,351	**223,022**	**401,351**	**223,020**

Financial assets designated at fair value through profit or loss

RON Thousand	Group		Bank	
	2009	2008	2009	2008
Listed equity securities (i)	11,041	8,591	11,041	8,465
Unlisted debt securities (ii)	93,799	131,505	93,799	131,481
Unlisted equity securities (iii)	60,697	51,499	60,697	51,499
	165,537	**191,595**	**165,537**	**191,445**

(i) Listed equity securities include SIF's shares quoted on Bucharest Stock Exchange;
(ii) Unlisted debt securities include Romanian sovereign bonds, corporate and municipality bonds;
(iii) Unlisted equity securities include investments in unit funds administered by Erste Asset Management.

18 LOANS AND ADVANCES TO CUSTOMERS

RONThousand	Group		Bank	
	2009	2008	2009	2008
Public sector(i)	5,605,724	3,691,907	5,449,473	3,690,118
Commercial customers	21,468,209	19,503,029	18,499,546	17,095,437
Private customers	24,070,666	24,480,681	22,565,048	24,242,354
	51,144,599	**47,675,617**	**46,514,067**	**45,027,909**
Less: Allowance for impairment losses	(3,777,351)	(2,154,022)	(2,883,177)	(2,111,413)
	47,367,248	**45,521,595**	**43,630,890**	**42,916,496**

(i) including governmental credit

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

(a) Allowance for impairment losses

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
At 1 January	**2,154,022**	**1,792,432**	**2,111,413**	**1,758,546**
Charges for the year (Note 10)	2,209,511	625,745	1,974,623	613,949
Recoveries	5,442	97,963	2,710	91,021
Amounts written off	(3,325)	-	-	-
Effect of change in foreign exchange	52,025	83,096	37,713	81,909
Unwinding	(86,696)	(39,773)	(86,697)	(39,773)
Sale of doubtful loans	(553,628)	(405,441)	(1,156,585)	(394,239)
At 31 December	**3,777,351**	**2,154,022**	**2,883,177**	**2,111,413**

(b) Analysis by sector

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Individuals	21,016,575	21,048,902	19,841,804	20,623,780
Commerce	4,712,487	4,812,243	3,869,439	4,093,149
Constructions	4,560,497	3,710,316	4,142,337	3,439,604
Public institutions	5,134,502	3,691,907	4,695,091	3,690,118
Agriculture, Fishery and Food Industry	4,193,486	3,472,767	4,066,160	3,363,869
Transports	1,422,963	1,555,675	776,595	945,876
Financial intermediaries and real estate transactions	1,713,098	1,383,142	1,599,928	1,342,186
Metallic and non-metallic products industry	1,162,180	1,100,092	1,162,180	1,100,092
Chemical and petrochemical industry	669,974	763,214	669,974	763,214
Tourism and public catering	569,024	532,469	468,612	448,378
Textile industry, leather and footwear	481,506	512,459	481,506	512,459
Metallurgical industry	537,563	481,245	537,563	481,245
Machines and equipment industry	403,720	466,862	403,720	466,862
Electrical and thermal power industry	472,466	355,786	455,393	351,279
Wood industry	476,113	302,598	476,113	302,598
Transportation means industry	208,978	205,921	208,978	205,921
Extracting industry	171,084	126,647	69,317	86,545
Others (including governmental credit)	3,238,383	3,153,372	2,589,357	2,810,734
	51,144,599	**47,675,617**	**46,514,067**	**45,027,909**
Less: allowance for impairment losses	(3,777,351)	(2,154,022)	(2,883,177)	(2,111,413)
	47,367,248	**45,521,595**	**43,630,890**	**42,916,496**

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	2009	2008
Gross investment in finance leases	2,396,373	2,695,114
Unearned finance income	(304,199)	(386,391)
Allowance for impairment	(115,459)	(18,455)
Net investment in finance leases	**1,976,715**	**2,290,268**
Net investment in finance leases, with remaining maturities		
Less than one year	652,781	732,886
Between one and five years	1,147,058	1,397,064
More than 5 years	176,876	160,318
Net investment in finance leases	**1,976,715**	**2,290,268**

19 FINANCIAL INVESTMENTS

Available-for-sale

	Group		Bank	
RON Thousand	2009	2008	2009	2008
Listed investments				
Equities	19,029	16,903	19,029	16,903
	19,029	**16,903**	**19,029**	**16,903**
Non-listed investments				
Other debt securities	3,008,220	1,353,974	2,999,747	1,353,974
Unlisted equity securities	11,798	10,740	4,816	3,990
Equities:				
- investments in subsidiaries (i)	-	-	766,514	280,102
- other investments	24,188	24,460	25,762	22,687
	3,044,206	**1,389,174**	**3,796,839**	**1,660,753**
Total available for sale investments	**3,063,235**	**1,406,077**	**3,815,868**	**1,677,656**

(i)Movement in investments in subsidiaries :

Subsidiary	RON Thousand	Description
Anglo Romanian Bank Ltd - EUR	190,731	reclassification from assets held for sale (Note 24)
BCR Chisinau – MDL	54,101	increase in existing capital
BCR Banca Pentru Locuinte SA	20,000	increase in existing capital
BCR Finance BV - EUR	1,715	new subsidiary set-up
BCR Leasing IFN SA	120,010	increase in existing capital
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	90,000	increase in existing capital
BCR Partener IFN SA	750	new subsidiary set-up
Suport Colect SRL	1,556	new subsidiary set-up
BCR Procesare SRL	7,550	new subsidiary set-up
Total	**486,413**	

19. FINANCIAL INVESTMENTS (continued)

Listed equities include investments in SIF's shares quoted on Bucharest Stock Excahnge

Unlisted debt securities available for sale of Group and Bank include treasury bills denominated in RON and foreign currencies, certificates of deposit issued by the National Bank of Romania and unlisted corporate and municipality bonds. The Bank included bonds issued by the Romanian State which are not quoted on an active market.

Unlisted equity securities include investments in unit funds administrated by Erste Asset Management.

Held-to-maturity

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Non-listed debt securities	2,388,919	698,851	2,155,958	665,559
	2,388,919	**698,851**	**2,155,958**	**665,559**

The financial investments held-to-maturity are state bonds issued by the Romanian Government.

The debt securities have a maturity between March 2010 and June 2017, are denominated in RON, and the related yields are between 7.78% and 8.34% per year.

On 31 December 2009, government bonds in amount of RON 88,722,164 (31 December 2008: RON 152,933,112) have been used as collateral to the National Bank of Romania in order to ensure final settlement of interbank multilateral clearing operations according to NBR Rule No. 1/2005, for the settlement of transactions through ROCLEAR Bucharest, NBR's Clearing House, and VISA and Mastercard card transactions.

Following the decision to run fixed rate positioning on the long end of the yield curve in Held to Maturity and to invest short term T-Bills (up to and including 1 year) as a liquidity reserve in Available-for-Sale the ISIN RO0717DBN038 was reclassified from Available-for-Sale portfolio to Held to Maturity portfolio.

The Bank considered the new cost of the reclassified bond as being the fair value at the moment of reclassification, of RON 277 million. The difference of RON 63 million between the new cost and the maturity amount is amortised by the Bank over the remaining life of the financial asset until 11 June 2017.

20 PROPERTY AND EQUIPMENT

RON Thousand	Group Land and buildings	Group Computer hardware	Group Other furniture and equipment	Group Total	Bank Land and buildings	Bank Computer hardware	Bank Other furniture and equipment	Bank Total
Cost:								
At 1 January 2009	**1,630,689**	**279,181**	**724,863**	**2,634,733**	**1,520,079**	**274,145**	**710,536**	**2,504,760**
Additions	49,537	29,864	55,697	135,098	40,451	29,110	49,590	119,151
Disposals	-	(2,491)	(23,447)	(25,938)	(763,137)	(284)	(18,617)	(782,038)
Reclassification from assets held for sale of ARB's fixed assets	6,672	3,732	6,330	16,734	-	-	-	-
Exchange rate adjustment	252	60	3	315	-	-	-	-
At 31 December 2009	**1,687,150**	**310,346**	**763,446**	**2,760,942**	**797,393**	**302,971**	**741,509**	**1,841,873**
Depreciation and impairment:								
At 1 January 2009	**257,102**	**216,184**	**440,917**	**914,203**	**245,202**	**213,696**	**432,572**	**891,470**
Disposals	-	(2,491)	(23,447)	(25,938)	(154,391)	(284)	(18,617)	(173,292)
Depreciation charge for the year	49,386	26,785	58,312	134,483	44,695	25,543	54,728	124,966
Reclassification from assets held for sale of ARB's fixed assets	2,431	3,314	5,200	10,945	-	-	-	-
Exchange rate adjustment	106	(20)	563	649	-	-	-	-
At 31 December 2009	**309,025**	**243,772**	**481,545**	**1,034,342**	**135,506**	**238,955**	**468,683**	**843,144**
Net book value:								
At 1 January 2009	**1,373,587**	**62,997**	**283,946**	**1,720,530**	**1,274,877**	**60,449**	**277,964**	**1,613,290**
At 31 December 2009	**1,378,125**	**66,574**	**281,901**	**1,726,600**	**661,887**	**64,016**	**272,826**	**998,729**
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**

The Bank purchased during the year 2009 a number of IT equipment and vehicles under finance lease agreements. At 31 December 2009, the net carrying amount of leased equipments was RON thousand 1,411 (31 December 2008: RON thousand 503). The leased equipment secures lease obligations.

The fair value of land and buildings is RON thousand 1,601,822 for the Group and RON thousand 702,091 for the Bank. The fair value of land and buildings has been assessed as at 31 December 2009 by an independent evaluator.

There are no fixed assets pledged as collateral as at 31 December 2009, and 31 December 2008.

21 GOODWILL AND OTHER INTANGIBLE ASSETS

RON Thousand	Group				Bank
	Goodwill	Computer software	Customer relationship	Total	Computer software
Cost:					
At 1 January 2009	**36,552**	**392,230**	**-**	**428,782**	**387,052**
Additions	-	93,791	72,547	166,338	92,943
Reclassification from assets held for sale of ARB's fixed assets	-	11,306	-	11,306	-
Disposals	-	(15,761)	-	(15,761)	(3,196)
Exchange adjustment	-	143	-	143	-
At 31 December 2009	**36,552**	**481,709**	**72,547**	**590,808**	**476,799**
Amortization:					
At 1 January 2009	**-**	**155,056**	**-**	**155,056**	**153,403**
Disposals	-	(6,864)	-	(6,864)	(3,196)
Reclassification from assets held for sale of ARB's fixed assets	-	10,551	-	10,551	-
Amortization charge for the year	-	41,900	856	42,756	41,053
Exchange adjustment	-	110	-	110	-
At 31 December 2009	**-**	**200,753**	**856**	**201,609**	**191,260**
Net book value:					
At 1 January 2009	**36,552**	**237,174**	**-**	**273,726**	**233,649**
At 31 December 2009	**36,552**	**280,956**	**71,691**	**389,199**	**285,539**
Cost:					
At 1 January 2008	**26,733**	**339,123**	**-**	**365,856**	**324,028**
Increase in shareholding of subsidiary	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**

The intangible assets comprise mainly software and the increase is due to the acquisition of software applications (Oracle licenses for the core banking system and Krimi for loans) that were not yet put in function until December 2009.
No impairment test of goodwill was performed, due to low materiality level.
Costumer relationships arise from acquisition of pension contracts by the subsidiary BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA, from another pension fund.

22 OTHER ASSETS

	Group		Bank	
RON Thousand		**2008**		**2008**
Accrued interest receivable, net of provision for impairment	1,209,258	570,771	1,058,540	541,771
Prepayments	35,480	47,787	17,962	29,065
Other receivables*	486,017	483,268	466,119	307,863
Fair value hedge / measurement of hedged item	79,764	228,591	79,764	228,591
Positive clean price from derivatives - banking book	-	291	-	291
	1,810,519	**1,330,708**	**1,622,385**	**1,107,581**

* Other receivables contain accrued commissions and receivables from other sundry debtors.

Accrued interest receivable

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Due from banks	139,810	14,204	34,115	13,846
Due from customers, net of provision	755,562	396,246	717,008	365,531
Financial instruments – assets	169,433	75,780	162,964	77,852
Other interest bearing assets	78,355	84,541	78,355	84,542
Derivatives	66,098	-	66,098	-
	1,209,258	**570,771**	**1,058,540**	**541,771**

23 DUE TO BANKS

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Deposits from other banks	14,891,153	16,401,720	14,101,098	16,010,005
Current accounts of other banks	180,655	41,581	180,655	41,581
Borrowings and financing lines	6,051,648	6,129,038	2,136,920	3,530,603
	21,123,456	**22,572,339**	**16,418,673**	**19,582,189**

23. DUE TO BANKS ((continued)

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

RON thousand	2009	2008
A bank from Ireland (i)	-	1,008,255
International Finance Corporation, USA (ii)	497,550	361,056
European Bank for Reconstruction and Development for mortgage loans (iii)	171,087	180,226
European Bank for Reconstruction and Development – SME (iv)	-	4,428
European Bank for Reconstruction and Development – SME (v)	422,820	-
European Bank for Reconstruction and Development – SMM (vi)	74,857	61,372
EBRD- EEFF (vii)	27,553	2,058
EBRD- CSF (viii)	63,423	1,993
European Investment Bank - Global Loan (ix)	211,410	39,852
A bank from Austria	-	597,780
A bank from Germany	33,762	95,645
A bank from Austria	126,834	119,556
A bank from Germany	-	99,630
A bank from Austria	-	99,630
A bank from Germany	-	99,630
A bank from Hungary	65,714	79,704
A bank from USA	-	79,704
A bank from USA	-	59,778
A bank from Germany	84,654	79,704
Other loans	357,256	460,602
Total	**2,136,920**	**3,530,603**

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 was fully repaid at the maturity on 11 November 2009.

ii) International Finance Corporation ("IFC")

The Bank has concluded three 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 22,949,424 at 31 December 2009. 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 2009 was EUR 45,000,000. 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.

The third agreement is dated 30 June 2009, its purpose being to provide the Bank with long-term funds to expand its lending to the clients from agribusiness sector. Committed amount represent EUR 50,000,000 which has been fully drawn by the Bank. The balance at 31 December 2009 was EUR 50,000,000. The reimbursements are due in biannual installments starting with 15 July 2011 and ending on 15 July 2014. Interest payment is biannual at a variable interest rate of EURIBOR 6 months plus a revised margin.

23. DUE TO BANKS (continued)

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 33,987,239 as of 31 December 2009 (31 December 2008, EUR 37,985,738).

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 2009 the outstanding balance of the loan was of EUR 6,476,190 (31 December 2008, EUR 7,238,095).

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 of 31 December 2009 the outstanding loan principal is nil for both agreements (EUR 1,111,111 at 31 December 2008 for the second agreement).

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

The agreement dated 30 March 2009 amounting EUR 100,000,000 represents a Credit Line for small and medium-sized enterprises, used for financing investment projects and working capital. The loan was contracted for 5 years and has a grace period of 2 years; the first capital payment will be on 12 September 2011. As of 31 December 2009 the outstanding principal is EUR 100,000,000. The loan re-payment is made in equal biannual installments on 12 March and 12 September. Interest payment is also made in biannual installments.

vi) 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 of 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 2009 the outstanding loan principal is EUR 17,704,347 (31 December 2008: EUR 15,400,000). The loan re-payment is made in equal biannual installments on 19 May and 19 November. Interest payment is also made in biannual installments.

vii) 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

23. DUE TO BANKS (continued)

free technical assistance to prepare documentation on the investment and to verify implementation. Committed amount is EUR 6,516,438 at 31 December 2009. Loan repayment is made in biannual installments, on June 12 and December 12 starting from 2010. Interest is paid in half-yearly installments.

viii) 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 Directives 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 15,000,000 at 31 December 2009. Loan repayment is made in biannual installments, on June 12 and December 12 starting from 2010. Interest payment is also made in biannual installments.

ix) 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.

As of 31 December 2009 the outstanding loan is EUR 50,000,000 (31 December 2008: EUR 10,000,000). The first tranche amounting EUR 10,000,000 will be 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. The second tranche in value of EUR 25,000,000 has a bullet repayment on 10 February 2017, with a semiannual interest payment. The third tranche in value of EUR 15,000,000 has a bullet repayment on 13 April 2017, with a semiannual interest payment.

x) Interest Rates

Loans from banks and other financial institutions outstanding at 31 December 2009 bear interest rates between 0.9% - 4.159% p.a. (31 December 2008: 3% - 6.9% p.a.).

The final maturities of loans from banks and other financial institutions other than the facilities provided by EBRD and IFC, vary between March 2010 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 2009 bear interest rates linked to EURIBOR plus margins varying between 0.6% and 3.308%. Also linked to ROBOR, 6 months plus 1.58% - 2.58% margin.

24 ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

At the end of the first quarter of 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 disposal group for sale at that date for the following reasons:

- Anglo-Romanian Bank Ltd. was available for immediate sale and could be sold to a potential buyer in its condition at the date of the announcement;
- The Group had a plan to sell it and entered into preliminary negotiations with a potential buyer.

However, due to unfavorable market conditions in 2009, negotiations with potential buyers did not result in the sale of this subsidiary and consequently the Group discontinued in June 2009 its classification as disposal group for sale. Consequently, in the consolidated financial statements of the Group for the year ended 31 December 2009, Anglo-Romanian Bank Ltd. was consolidated as a normal subsidiary.

The effect on the statement of comprehensive income of the allocation of impairment for participation in Anglo Romanian Bank in amount of RON 150 mil was included in Other operating expenses (Note 12) in 2008 and the release of the impairment is included in Other operating income (Note 9).

Assets held for sale

RON Thousand	2009	2008
Loans and advances to credit institutions	-	634,896
Loans and advances to customers	-	1,077,519
Other assets	65,457	240,803
Total	**65,457**	**1,953,218**

Liabilities associated with assets held for sale

RON Thousand	2009	2008
Liabilities to credit institutions	-	1,083,670
Liabilities to customers	-	240,593
Other liabilities	-	54,872
Total	**-**	**1,379,135**

25 DUE TO CUSTOMERS

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Corporate customers:				
Current accounts	1,587,767	1,535,331	1,475,749	1,513,512
Term deposits	7,551,913	6,247,438	8,112,925	6,630,398
Retail customers:				
Current/saving accounts	6,301,462	8,999,024	6,288,265	8,997,918
Term deposits	20,186,967	16,112,522	19,947,963	16,095,373
	35,628,109	**32,894,315**	**35,824,902**	**33,237,201**

26 DEBT ISSUED AND OTHER BORROWED FUNDS

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Bonds issued	138,074	242,022	138,074	242,022
Certificates of deposit	396,638	743,803	396,638	743,803
	534,712	**985,825**	**534,712**	**985,825**

In November 2009 the Bank repaid the corporate bonds issued in 2006 with a face amount of RON 242 million and issued new listed medium term notes denominated in RON in amount of RON 70 million and listed medium term notes denominated in EUR in amount of RON 16.1 million .

27 SUBORDINATED LIABILITIES

In 2009, the Bank contracted one subordinated loan in EUR as follows:

- EUR 120,000 thousand with an interest rate of EURIBOR 6M plus 4.20% p.a. and with the maturity date of 30 September 2016.

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

- RON 550,000 thousand with an interest rate of ROBOR 1M plus 2.53% p.a. with the maturity date on 17 April 2018;
- RON 780,000 thousand with an interest rate ROBOR 1M plus 3.54% p.a. with the maturity date on 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.

During 2009 the Bank issued the following subordinated bonds:

- Subordinated bonds in amount of RON 18,418,224 with zero coupon and maturity more than 5 years (maturity date of 02.12.2016);
- Subordinated bonds in amount of EUR 11,898,592, RON equivalent 50,309,626, with zero coupon and maturity more than 5 years.

28 DERIVATIVE FINANCIAL INSTRUMENTS

RONThousand	2009			2008		
	Assets	Liabilities	Notional	Assets	Liabilities	Notional
Hedging instruments						
Cross currency swaps	-	1,836,482	12,192,231	-	1,324,898	10,801,154
	-	**1,836,482**	**12,192,231**	**-**	**1,324,898**	**10,801,154**
Derivatives-other than hedging instruments						
Foreign currency swap sand forward contracts	12,564	-	3,692,029	-	72,874	5,986,837
Interest rate swaps	-	10,871	377,137	-	-	-
Warrants	514	418	124,564	-	-	-
Options	144	382	121,670	-	2,205	68,214
Cross currency swaps (non-hedging)	-	83	47,076	-	-	-
	13,222	**11,754**	**4,362,476**	**-**	**75,079**	**6,055,051**
TOTAL	**13,222**	**1,848,236**	**16,554,707**	**-**	**1,399,977**	**16,856,205**

29 OTHER LIABILITIES

RON Thousand	Group 2009	Group 2008	Bank 2009	Bank 2008
Accrued interest payable (i)	491,452	590,309	465,171	562,824
Accounts payable and sundry creditors	643,377	941,700	599,378	914,372
Deferred income	65,802	45,317	58,878	43,287
Finance lease payable (ii)	-	-	-	503
	1,200,631	**1,577,326**	**1,123,427**	**1,520,986**

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

RON Thousand	Group 2009	Group 2008	Bank 2009	Bank 2008
Due to banks	188,228	289,015	162,605	260,902
Due to customers	280,342	288,809	279,684	288,798
Debt issued and other borrowed funds	13,882	12,485	13,882	13,124
Derivatives	9,000	-	9,000	-
	491,452	**590,309**	**465,171**	**562,824**

(ii) Finance lease payable

RON Thousand	Bank 2009	Bank 2008
Up to one year	-	503
Between one year and five years	-	-
	-	**503**

30 PROVISIONS

RON Thousand	Group 2009	Group 2008	Bank 2009	Bank 2008
Provision for guarantees off balance sheet	75,721	2,962	75,323	2,779
Provision for retirement benefits (Note 31)	65,444	60,264	65,444	59,976
Provision for litigations	39,630	70,693	38,986	70,048
Provision for restructuring (i)	7,808	-	-	-
Provisions for lay-offs	6,693	32,177	6,693	32,177
	195,296	**166,096**	**186,446**	**164,980**

(i) Provision for restructuring Frankfurt Branch of Anglo-Romanian Bank subsidiary.

The movement of provisions during 2009 is as follows:

GROUP

RON Thousand	Provision for restructuring	Provision for litigations	Provisions for lay-offs	Provision for guarantees off balance sheet
At 1 January 2009	**-**	**70,693**	**32,177**	**2,962**
Arising during the year	7,808	3,179	-	72,869
Transfer from provision from retirement benefits (Note 31)	-	-	2,827	-
Released (Note 9)	-	(31,865)	-	-
Utilised (Note 9)	-	(346)	(28,311)	-
Exchange-rate difference	-	(2,031)	-	(110)
At 31 December 2009	**7,808**	**39,630**	**6,693**	**75,721**

Bank

RON Thousand	Provision for litigations	Provisions for lay-offs	Provision for guarantees off balance sheet
At 1 January 2009	**70,048**	**32,177**	**2,779**
Arising during the year	3,179	-	72,598
Transfer from provision from retirement benefits (Note 31)	-	2,827	-
Released (Note 9)	(31,865)	-	-
Utilised (Note 9)	(346)	(28,311)	-
Exchange-rate difference	(2,030)	-	(54)
At 31 December 2009	**38,986**	**6,693**	**75,323**

31 RETIREMENT BENEFIT COSTS

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

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Opening defined benefit obligation	**60,264**	**63,778**	**59,976**	**63,525**
Interest cost	5,525	4,324	5,525	4,307
Current service cost	6,813	5,780	6,820	5,694
Benefits paid	(3,108)	(6,096)	(2,747)	(6,054)
Actuarial losses on obligations	(4,043)	(3,702)	(4,123)	(3,675)
Past service cost	2,820	1,029	2,820	1,024
Curtailment of benefits	(2,827)	(4,849)	(2,827)	(4,845)
	65,444	**60,264**	**65,444**	**59,976**

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 were part of the planned lay-off scheme for 2009 (Note 30).

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

	2009 %	**2008** %
Discount rate	7.5%	7.5%
Future salary increases	5%	5%
Mortality rates	ETTL- PAGLER	ETTL- PAGLER
Disability rates	ETTL- PAGLER	ETTL- PAGLER

32 ISSUED CAPITAL AND RESERVES

The statutory share capital of the Bank as at 31 December 2009 is represented by 792,468,750 ordinary shares of RON 1 each (31 December 2008: 792,468,750 ordinary shares of RON 1 each). The shareholders of the Bank are as follows:

	2009		2008	
	Number of shares	Percentage holding (%)	Number of shares	Percentage holding (%)
Erste Group Bank AG	-	-	549,230,910	69.3063
Erste Group Bank Ceps Holding GmbH	549,230,910	69.3063	-	-
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
SAI Aviva Investors Romania SA (Certinvest SA)	1,000	0.0001	1,000	0.0001
SC Actinvest SA	15,773	0.0020	15,773	0.0020
SC Carina Import Export SRL	4,376	0.0006	4,376	0.0006
SC Milord Impex SRL	1,951	0.0003	1,951	0.0003
SC Yoyo Impex SRL	-	-	2,359	0.0003
SC Cozamin SRL	10,647	0.0013	10,647	0.0013
Individuals	4,532,164	0.5719	4,529,805	0.5716
Total	**792,468,750**	**100**	**792,468,750**	**100**

On 14 October 2009 the Bank performed the transfer of ownership on shares held by Erste Group Bank AG, respectively 549,230,910 shares, to EGB Ceps Holding GmbH (a company owned 100% by Erste Group Bank AG through Ceps Beteiligungen GmbH.). The transfer of Erste Group Bank shares to EGB Ceps Holding GmbH has been realised at Erste Group Bank request and following the NBR approval, through letter no. 1032/FG/29.09.2009. Therefore, EGB Ceps Holding GmbH becomes direct shareholder of the Romanian Commercial Bank SA through the acquisition of shares representing 69.31% of BCR SA share capital, and Erste Group Bank still remains indirect shareholder of BCR SA, with a participation of 69.31% of BCR SA share capital (acquisition made by transfer as contribution in kind of Erste Group Bank AG's shares in BCR SA).
The transfer is based on Erste Group Bank's decision of restructuring Central Europe banks held by Erste Group Bank, in order to acquire more flexibility in terms of separate financial statements for the next years.

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	2009	2008
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 IFRS balance sheet	**2,119,693**	**2,119,693**

32. ISSUED CAPITAL AND RESERVES (continued)

The reconciliation of opening and closing balances of reserves attributable to the holders of the parent Bank is presented below:

Other Capital Reserves

Group 2009

RON Thousand	Available-for-sale reserve	Foreign currency translation reserve	Actuarial gain / (loss)	Management share option plan	Net investment hedge	Other capital reserve	Total
At 1 January 2009	**(220,084)**	**102,583**	**47,373**	**1,395**	**-**	**1,005,271**	**936,538**
Net gain on available-for-sale financial assets	207,561	-	-	-	-	-	207,561
Actuarial gain on defined benefit plans	-	-	3,297	-	-	-	3,297
Net loss on hedge of net investment	-	-	-	-	(26,730)	-	(26,730)
Tax effect	(33,503)	-	(437)	-	3,857	-	(30,083)
Translation reserve	-	31,819	-	-	-	2,669	34,488
At 31 December 2009	**(46,026)**	**134,402**	**50,233**	**1,395**	**(22,873)**	**1,007,940**	**1,125,071**

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 assets	(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**

Bank 2009

RON Thousand	Available-for-sale reserve	Actuarial gain / (loss) reserve	Management share option plan	Other capital reserves	Total
At 1 January 2009	**(216,751)**	**47,457**	**1,395**	**993,756**	**825,857**
Fair value change in available-for-sale financial assets	204,167	-	-	-	204,167
Actuarial gain / (loss)	-	4,123	-	-	4,123
Tax effect	(32,666)	(661)	-	-	(33,327)
At 31 December 2009	**(45,250)**	**50,919**	**1,395**	**993,756**	**1,000,820**

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
Management share options plan	-	-	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**

33 RECONCILIATION OF STATUTORY PROFIT, SHARE CAPITAL AND RESERVES WITH IFRS BALANCES

GROUP 2009

RON Thousand	Net profit	Retained earnings	Share capital
Bank – statutory	**237,973**	**3,826,569**	**792,469**
Subsidiaries - statutory, net of consolidation adjustments	**(234,105)**	**276,352**	**-**
Loans allowance	949,957	1,636,297	-
Loans – effective interest rate	203,914	471,194	-
Fair value through profit or loss	15,598	(32,655)	-
Property and equipment	-	(705,844)	-
Equity investments	-	(3,416)	-
Insurance business	-	(21,874)	-
Borrowings - amortized cost	(4,902)	(28,591)	-
Retirement benefit	(9,591)	2,098	-
Reversal of provision for interest	344,469	344,469	-
Reintegration of loans previously written-off	(523,909)	176,611	-
Share capital restatement for hyperinflation	-	(1,327,224)	1,327,224
Available-for-sale reserve	-	(54,612)	-
Actuarial gains/losses	-	60,619	-
Translation reserve	-	134,402	-
Impairment of assets held for sale	(12,123)	(12,123)	-
Management share option program	-	1,395	-
Deferred tax	(141,957)	(370,538)	-
Other	170,855	312,037	-
Intragroup elimination of dividends	(124,487)	(160,837)	-
Deconsolidation of insurance companies effect	-	(42,670)	-
Net investment hedge	-	(26,730)	-
Total BCR Group	**871,692**	**4,454,928**	**2,119,693**
Minority interest	(5,631)	26,766	-
Total	**866,061**	**4,481,694**	**2,119,693**

33. RECONCILIATION OF STATUTORY PROFIT, SHARE CAPITAL AND RESERVES WITH IFRS BALANCES (continued)

GROUP 2008

RON Thousand	Net profit	Reserves	Share capital
Bank – statutory	**1,117,639**	**4,397,101**	**792,469**
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)	(193,832)	-
Other	(81,248)	116,419	-
Intragroup elimination of dividends	(34,252)	(34,252)	-
Effect of deconsolidation of insurance companies	(42,672)	(42,670)	-
Total BCR Group	**2,032,682**	**4,207,775**	**2,119,693**
Minority interest	2,949	27,260	-
Total	**2,035,631**	**4,235,035**	**2,119,693**

33. RECONCILIATION OF STATUTORY PROFIT, SHARE CAPITAL AND RESERVES WITH IFRS BALANCES (continued)

Bank 2009

RON Thousand	Net profit	Reserves	Share capital
Statutory	**237,973**	**3,826,568**	**792,469**
Loans – allowance for impairment losses	871,765	1,558,105	-
Loans – effective interest rate	203,914	471,194	-
Fair value through profit and loss	15,228	(32,935)	-
Property and equipment	84,924	(570,678)	-
Equity investments	-	(3,416)	-
Retirement benefit	(9,591)	1,972	-
Finance lease liability	(81)	(1,161)	-
Borrowings - amortized cost	(4,902)	(28,591)	-
Reversal of provision for interest	344,469	344,469	-
Reintegration of loans previously written-off	(644,989)	55,531	-
Share capital restatement for hyperinflation	-	(1,327,224)	1,327,224
Available-for-sale reserve	-	(53,870)	-
Actuarial gains/losses	-	60,619	-
Management share option program	-	1,395	-
Deferred tax	(155,919)	(385,502)	-
Other	167,908	318,692	-
Total	**1,110,699**	**4,235,168**	**2,119,693**

Bank 2008

RON Thousand	Net profit	Reserves	Share capital
Statutory	**1,117,639**	**4,397,101**	**792,469**
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 accounts	20,000	20,000	-
Management share option program	(1,395)	1,395	-
Deferred tax	(172,373)	(191,590)	-
Other	(50,765)	130,684	-
Total	**1,951,668**	**3,762,578**	**2,119,693**

34 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.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Group 2009

RON Thousand	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Foreign currency swaps and forward contracts	-	12,564	-	12,564
Warrants	-	514	-	514
Options	-	144	-	144
	-	**13,222**	**-**	**13,222**
Other financial assets held for trading				
Government debt securities	-	331,816	-	331,816
Quoted securities	69,535	-	-	69,535
	69,535	**331,816**	**-**	**401,351**
Financial assets designated at fair value through profit or loss				
Quoted investments	11,041	-	-	11,041
Government debt securities	-	67,749	-	67,749
Debt securities	-	-	26,050	26,050
Unquoted investments	-	60,697	-	60,697
	11,041	**128,446**	**26,050**	**165,537**
Financial investments available-for-sale				
Quoted investments	19,029	-	-	19,029
Government debt securities	-	2,812,463	-	2,812,463
Unquoted investments	-	11,798	-	11,798
Debt securities	-		195,757	195,757
	19,029	**2,824,261**	**195,757**	**3,039,047**
	99,605	**3,297,745**	**221,807**	**3,619,157**
Financial liabilities				
Derivative financial instruments				
Foreign currency swaps and forward contracts	-	1,836,565	-	1,836,565
Warrants	-	418	-	418
Interest rate swaps	-	10,871	-	10,871
Options	-	382	-	382
	-	**1,848,236**	**-**	**1,848,236**

The RON 24,188 thousand difference between the total fair value of available for sale assets in the table above and the balance sheet amount is due to the equity investments recorded at cost (Note 19).

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Group 2008

RON Thousand	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets held for trading				
Government debt securities	-	222,365	-	222,365
Quoted securities	657	-	-	657
	657	**222,365**	**-**	**223,022**
Financial assets designated at fair value through profit or loss				
Quoted investments	8,591	-	-	8,591
Government debt securities	-	104,137	-	104,137
Unquoted investments	-	51,499	-	51,499
Debt securities	-	-	27,368	27,368
	8,591	**155,636**	**27,368**	**191,595**
Financial investments available-for-sale				
Quoted investments	16,903	-	-	16,903
Government debt securities	-	1,202,339	-	1,202,339
Unquoted investments	-	10,740	-	10,740
Debt securities	-	-	151,635	151,635
	16,903	**1,213,079**	**151,635**	**1,381,617**
	26,151	**1,591,371**	**179,003**	**1,796,525**
Financial liabilities				
Derivative financial instruments				
Foreign currency swaps and forward contracts	-	1,397,772	-	1,397,772
Options	-	2,205	-	2,205
	-	**1,399,977**	**-**	**1,399,977**

The RON 24,460 thousand difference between the total fair value of available for sale assets in the table above and the balance sheet amount is due to the equity investments recorded at cost (Note 19).

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Bank 2009

RON Thousand	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Foreign currency swaps and forward contracts	-	12,564	-	12,564
Warrants	-	514	-	514
Interest rate options	-	144	-	144
	-	**13,222**	**-**	**13,222**
Other financial assets held for trading				
Government debt securities	-	331,816	-	331,816
Quoted securities	69,535	-	-	69,535
	69,535	**331,816**	**-**	**401,351**
Financial assets designated at fair value through profit or loss				
Quoted investments	11,041	-	-	11,041
Government debt securities	-	67,749	-	67,749
Debt securities	-	-	26,050	26,050
Unquoted investments	-	60,697	-	60,697
	11,041	**128,446**	**26,050**	**165,537**
Financial investments available-for-sale				
Quoted investments	19,029	-	-	19,029
Government debt securities	-	2,803,990	-	2,803,990
Debt securities	-	-	195,757	195,757
Unquoted investments	-	4,816	-	4,816
	19,029	**2,808,806**	**195,757**	**3,023,592**
	99,605	**3,282,290**	**221,807**	**3,603,702**
Financial liabilities				
Derivative financial instruments				
Foreign currency swaps and forward contracts	-	1,836,569	-	1,836,569
Warrants	-	418	-	418
Interest rate swaps	-	10,871	-	10,871
Options	-	382	-	382
	-	**1,848,240**	**-**	**1,848,240**

The RON 792,276 thousand difference between the total fair value of available for sale assets in the table above and the balance sheet amount is due to the equity investments recorded at cost (Note 19).

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Bank 2008

RON Thousand	Level 1	Level 2	Level 3	Total
Financial Assets				
Other financial assets held for trading				
Government debt securities	-	222,363	-	222,363
Quoted securities	657	-	-	657
	657	**222,363**	**-**	**223,020**
Financial assets designated at fair value through profit or loss				
Quoted investments	8,465	-	-	8,465
Government debt securities	-	104,113	-	104,113
Debt securities	-	-	27,368	27,368
Unquoted investments	-	51,499	-	51,499
	8,465	**155,612**	**27,368**	**191,445**
Financial investments available-for-sale				
Quoted investments	16,903	-	-	16,903
Government debt securities	-	1,202,339	-	1,202,339
Debt securities	-	-	151,635	151,635
Unquoted investments	-	3,990	-	3,990
	16,903	**1,206,329**	**151,635**	**1,374,867**
	26,025	**1,584,304**	**179,003**	**1,789,332**
Financial liabilities				
Derivative financial instruments				
Foreign currency swaps and forward contracts	-	1,397,772	-	1,397,772
Options	-	2,205	-	2,205
	-	**1,399,977**	**-**	**1,399,977**

The RON 302,789 thousand difference between the total fair value of available for sale assets in the table above and the balance sheet amount is due to the equity investments recorded at cost (Note 19).

35 ADDITIONAL CASH FLOW INFORMATION

Cash and cash equivalents

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Cash on hand (Note 15)	1,292,004	1,263,859	1,284,433	1,259,504
Current account with the central banks (Note 15)	8,604,517	13,363,459	8,534,757	13,290,070
Due from banks	1,774,343	1,063,793	1,366,243	1,063,793
	11,670,864	**15,691,111**	**11,185,433**	**15,613,367**

Change in operating assets

	Group		Bank	
RON Thousand	**2009**	**2008**	**2008**	**2009**
Net change in due from banks	64,432	(800,683)	29,750	(44,497)
Net change in reverse repurchase agreements	2,037	13,650	2,037	13,650
Financial assets held for trading	178,329	220,027	178,331	223,000
Net change in financial assets designated at fair value through profit or loss	(26,058)	(278,469)	(25,908)	(278,263)
Net change in loans and advances to customers	3,026,878	8,543,154	2,481,187	8,403,532
Net change in other assets	479,811	572,698	514,804	575,379
Net change in assets held for sale and discontinued operations	-	574,083	-	-
	3,725,429	**8,844,460**	**3,180,201**	**8,892,801**

Change in operating liabilities

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Net change in due to banks	(1,371,493)	720,953	(1,769,833)	1,172,917
Net change in repurchase agreements	(114,233)	114,233	(114,233)	114,233
Net change in derivative financial investments	435,037	1,329,105	435,041	1,329,105
Net change in due to customers	2,386,629	1,671,097	2,240,536	1,893,856
Net change in other liabilities	(376,695)	223,758	(396,810)	409,432
	959,245	**4,059,146**	**394,701**	**4,919,543**

Non-cash items included in profit before tax

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Depreciation of property and equipment (Note 20)	134,483	124,922	124,966	120,063
Amortization of intangible assets (Note 21)	42,756	30,957	41,053	29,715
Impairment losses on loans and advances to customers (Note 10)	2,209,511	628,633	1,974,623	613,949
Provision charge/(release) for litigations (Note 30)	(28,686)	64,885	(28,686)	64,972
Provision for off-balance sheet exposure (Note 10)	72,869	2,888	72,598	2,779
Provision for defined benefit obligation (Note 31)	15,158	11,133	15,165	11,025
Provisions for lay-offs (Note 30)	-	32,177	-	32,177
Provisions for restructuring (Note 30)	7,808	-	-	-
Impairment of available-for-sale investments (Note 12)	35,838	-	35,838	-
Impairment charge/(release) for Assets held for sale (Notes 12, 9)	(150,000)	150,000	(150,000)	150,000
Net effect of translation of foreign currency denominated asset and liabilities (Note 7)	15,771	(55,452)	10,285	(43,343)
Other non-monetary adjustments	-	713,821	-	577,282
	2,355,508	**1,703,964**	**2,095,842**	**1,558,619**

35. ADDITIONAL CASH FLOW INFORMATION (continued)

Net gain from investing activities

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Net gain from discontinued operations (Note 8)	-	504,005	-	-
Net gain from sale of financial investments (Note 9)	(5,163)	287,794	(5,167)	865,164
Net gain from sale of property and equipment (Note 9)	(8,897)	1,983	124,738	1,488
Dividend income (Note 4)	2,833	5,313	126,572	39,407
	(11,227)	**799,095**	**246,143**	**906,059**

Payments made against provisions

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Provision for retirement benefits (Note 31)	3,108	6,096	2,747	6,054
Provision for lay-off and early retirement (Note 30)	28,311	72,381	28,311	72,381
Provision for litigations (Note 30)	346	2,828	346	2,741
	31,765	**81,305**	**31,404**	**81,176**

36 INTEREST RATE SENSITIVITY

The table below analyses the Bank's interest rate risk exposure on non-trading financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

Bank 2009

RON Thousand	**Notes**	**less then 1 month**	**1 to 3 months**	**3 to 6months**	**6 to12 months**	**Over 1 year**	**Non-interest bearing**	**Total**
ASSETS								
Cash and balances with central banks	15	9,819,190	-	-	-	-	-	9,819,190
Due from banks	16	1,326,439	83,330	40,000	3,000	293	-	1,453,062
Reverse repurchase agreements		15,687	-	-	-	-	-	15,687
Loans and advances to customers	19	12,295,418	5,362,675	9,707,164	15,967,502	298,131	-	43,630,890
Financial investments – available-for-sale	19	132,503	292,351	381,458	1,218,256	975,180	816,120	3,815,868
Financial investments – held-to-maturity		-	104,743	19,037	160,218	1,871,960	-	2,155,958
TOTAL		**23,589,237**	**5,843,099**	**10,147,659**	**17,348,976**	**3,145,564**	**816,120**	**60,890,655**
LIABILITIES AND EQUITY								
Due to banks	23	13,274,257	520,124	1,637,784	986,508	-	-	16,418,673
Due to customers	25	22,500,179	9,186,598	2,357,236	1,635,833	145,056	-	35,824,902
Debt issued and other borrowed funds	26	249,113	101,710	26,098	18,111	139,680	-	534,712
Subordinated Liabilities		1,837,384	-	-	-	68,728	-	1,906,112
TOTAL LIABILITIES		**37,860,933**	**9,808,432**	**4,021,118**	**2,640,452**	**353,464**	**-**	**54,684,399**
NET		**(14,271,696)**	**(3,965,333)**	**6,126,541**	**14,708,524**	**2,792,100**	**816,120**	**6,206,256**

36. INTEREST RATE SENSITIVITY (continued)

Bank 2008

RON Thousand	less then 1 month	1 to 3 months	3 to 6 months	6 to12 months	Over 1 year	Non-interest bearing	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	-	-	-	111,716	57,267	223,020
Financial assets designated at fair value through profit or loss	-	25,639	1,706	-	104,136	59,964	191,445
Loans and advances to customers	4,008,559	6,140,639	9,968,832	19,040,668	3,757,798	-	42,916,496
Financial investments – available-for-sale	-	147,704	4,251	-	1,222,912	302,789	1,677,656
Financial investments – held-to-maturity	-	-	-	-	665,559	-	665,559
Assets held for sale						191,022	191,022
TOTAL ASSETS	**18,726,515**	**6,334,409**	**10,005,886**	**19,040,668**	**6,830,764**	**611,042**	**61,549,284**
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
Subordinated Liabilities	-	-	-	-	1,330,000	-	1,330,000
TOTAL LIABILITIES	**27,253,193**	**2,023,598**	**2,922,417**	**540,865**	**22,395,142**	**1,514,210**	**56,649,425**
NET	**(8,526,678)**	**4,310,811**	**7,083,469**	**18,499,803**	**(15,564,378)**	**(903,168)**	**4,899,859**

37 CONTINGENT LIABILITIES AND COMMITMENTS

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Contingent liabilities	4,277,729	4,945,377	4,126,443	4,632,345
Commitments	4,431,642	5,201,752	4,318,285	5,057,194
	8,709,371	**10,147,129**	**8,444,728**	**9,689,539**

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 38,986 as at 31 December 2009 (31 December 2008: RON thousand 70,048) for the Bank, and in amount of RON thousand 39,630 (31 December 2008: RON thousand 70,693) for the Group (Note 30).

38. 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 2009 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 Group Bank AG, SIF Banat-Crisana SA, SIF Moldova SA, SIF Muntenia SA, SIF Oltenia SA, SIF Transilvania SA, at market rates.

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Assets				
Due from banks	255,048	86,575	193,094	85,582
Financial assets held for trading	69,535	-	69,535	-
Financial assets designated at fair value through profit or loss	11,042	-	11,042	-
Investments securities available-for-sale	19,029	333,842	19,029	333,842
Derivative financial instruments	13,915	-	13,874	-
Other assets	145,857	-	145,857	-
Total assets	**514,426**	**420,417**	**452,431**	**419,424**
Liabilities				
Deposits from customers	150,303	78,931	150,303	78,931
Loans from banks and other financial institutions	18,533,047	19,517,382	13,917,247	16,590,141
Derivative financial instruments	1,854,331	1,324,898	1,854,331	1,324,898
Subordinated liabilities	1,837,384	1,330,000	1,837,384	1,330,000
Other liabilities	188,688	308,431	163,465	269,341
Total liabilities	**22,563,753**	**22,559,642**	**17,922,730**	**19,593,311**
Guarantees granted	**1,950,110**	**1,606,921**	**1,950,110**	**1,606,921**
Income				
Interest and dividend income	1,451,643	840,032	1,451,576	840,021
Commission income	33,508	38,258	33,508	38,258
Other operating income	1,781,156	5,640	1,781,156	5,640
Total income	**3,266,307**	**883,930**	**3,266,240**	**883,919**
Expense				
Interest expense	2,245,855	625,570	2,126,127	465,820
Commission expense	90,931	33,998	90,873	33,005
Other	41,994	2,012	41,994	2,012
Total expense	**2,378,780**	**661,580**	**2,258,994**	**500,837**

38. RELATED PARTY DISCLOSURES (continued)

Transactions with fellow subsidiaries members of Erste Group:

RON Thousand	Group 2009	Group 2008	Bank 2009	Bank 2008
Assets				
Due from banks	338	25,365	338	25,365
Total	**338**	**25,365**	**338**	**25,365**
Liabilities				
Deposits from banks	4,062	-	4,062	-
Loans from banks and other financial institutions	42,363	54,183	42,363	54,183
Other liabilities	198	23,503	198	23,503
Total	**46,623**	**77,686**	**46,623**	**77,686**
Income				
Interest income	995	277	995	277
Total income	**995**	**277**	**995**	**277**
Expense				
Interest expense	2,134	-	2,134	-
Other operating expenses	30,916	35,102	30,916	35,102
Total expense	**33,050**	**35,102**	**33,050**	**35,102**

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:

RON Thousand	Group 2009	Group 2008	Bank 2009	Bank 2008
Assets				
Loans and advances to customers	1,861	448	1,861	448
Other assets	7	-	7	-
Total	**1,868**	**448**	**1,868**	**448**
Liabilities				
Deposits from customers	3,435	4,263	3,435	4,263
Other	17	21	17	21
Total	**3,452**	**4,284**	**3,452**	**4,284**
Interest and commission income	6	1	6	1
Interest and other expenses	313	277	313	277

38. 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	**2009**	**2008**
Assets		
Due from banks	83,774	112,909
Loans and advances to customers	320,505	-
Other assets	28,679	1,787
Total	**432,958**	**114,696**
Liabilities		
Deposits from banks	15,593	24,707
Deposits from customers	687,149	387,773
Other liabilities and provisions	1,453	925
Total	**704,195**	**413,405**
Income		
Interest income	21,434	15,407
Commission income	18,539	5,670
Other income	1,525	-
Total income	**41,498**	**21,077**
Expense		
Interest expense	23,860	15,143
Commission expense	11	69
Other expenses	58,995	31,431
Total expense	**82,866**	**46,643**

39. RISK MANAGEMENT

39.1 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.

39.2 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, Risk Controlling, Antifraud.

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.

39.3 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, insurance companies, corporate customers/groups of clients (including risk limits for banking groups of affiliated customers) , 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.

39. RISK MANAGEMENT (continued)

39.3 Risk Management activities (continued)

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.

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.

39.4 Integration into the Erste Group standards

In 2009 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;
- 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 , antifraud 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); the pouvoirs system is implemented for these purposes.

39. RISK MANAGEMENT (continued)

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.

39.5 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 affiliated to the banking groups).

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.

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

RON Thousand	Group		Bank	
	2009	2008	2009	2008
Cash and balances with central bank (excluding cash on hand)	8,604,517	13,363,459	8,534,757	13,290,070
Due from banks	1,892,966	1,117,984	1,453,062	1,120,862
Reverse repurchase agreements	15,687	13,650	15,687	13,650
Derivative financial instruments	13,222		13,222	
Financial assets held for trading	401,351	223,022	401,351	223,020
Financial assets designated at fair value through profit or loss	165,537	191,595	165,537	191,445
Loans and advances to customers/*	47,367,248	45,521,595	43,630,890	42,916,496
Financial investments – available-for-sale	3,063,235	1,406,077	3,815,868	1,677,656
Financial investments – held-to-maturity	2,388,919	698,851	2,155,958	665,559
Other assets	1,810,519	1,330,708	1,622,385	1,107,581
Total on-balance sheet	**65,723,201**	**63,866,941**	**61,808,717**	**61,206,339**
Contingent liabilities	4,277,729	4,945,377	4,126,443	4,632,345
Commitments	4,431,642	5,201,752	4,318,285	5,057,194
Total off-balance sheet	**8,709,371**	**10,147,129**	**8,444,728**	**9,689,539**
Total credit risk exposure	**74,432,572**	**74,014,070**	**70,253,445**	**70,895,878**

/* net loans = loans – credit provisions

39. RISK MANAGEMENT (continued)

39.5.2. Risk concentration of the maximum exposure to credit risk

The maximum credit exposure to a client as of 31 December 2009 was RON 807,747 thousands (2008: RON 800,522 thousands) .

39.5.3. 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	
	2009	2008	2009	2008
Europe	74,049,645	73,713,632	69,934,970	70,642,602
United Kingdom and Ireland	158,902	234,656	134,186	223,156
Netherlands	29,077	18,992	29,073	18,992
North America	106,360	7,302	106,067	6,625
South America	-	5,012	-	-
Asia	65,100	34,242	25,661	4,269
Africa	2,347	40	2,347	40
Australia and Oceania	21,141	194	21,141	194
TOTAL	**74,432,572**	**74,014,070**	**70,253,445**	**70,895,878**

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 2009, only banking activities.

39. RISK MANAGEMENT (continued)

39.5.4 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	2009		2008	
	Gross maximum exposure*	Net maximum exposure	Gross maximum exposure*	Net maximum exposure
Private households	19,833,287	7,962,839	20,663,077	11,959,568
Banking and insurance	17,840,409	17,200,583	17,161,479	15,966,919
Manufacturing	9,438,499	2,711,361	9,683,054	2,889,018
Construction	6,171,594	1,233,722	5,722,525	1,094,061
Public administration	6,509,133	1,897,702	5,443,222	1,462,668
Trade	5,074,550	872,287	5,433,281	1,383,597
Transport and communication	1,690,098	150,219	1,975,608	853,446
Agriculture and forestry	1,805,484	453,550	1,740,943	384,554
Other service activities	1,159,834	527,006	1,249,868	303,834
Health and social work	148,309	15,661	968,950	845,036
Real estate and other business activities	857,574	20,709	754,803	43,128
Energy and water supply	885,154	488,998	748,715	248,773
Hotels and restaurants	551,320	-	533,348	43,240
Mining	269,454	169,367	243,055	154,115
Other	2,197,873	2,186,932	1,692,142	1,684,639
TOTAL	**74,432,572**	**35,890,936**	**74,014,070**	**39,316,596**

* Exposure less provisions

Bank

RON Thousand	2009		2008	
	Gross maximum exposure	Net maximum exposure	Gross maximum exposure	Net maximum exposure
Private households	18,857,498	7,947,642	20,454,358	11,788,130
Banking and insurance	17,146,963	16,589,457	17,120,446	15,978,822
Manufacturing	8,924,708	2,450,862	9,308,769	2,587,120
Construction	5,764,710	1,106,577	5,335,773	715,811
Public administration	6,374,112	1,764,597	5,399,391	1,418,838
Trade	4,319,713	670,389	4,612,024	630,711
Agriculture and forestry	1,729,345	460,668	1,685,327	329,660
Transport and communication	1,062,801	91,350	1,329,212	207,051
Other service activities	966,825	527,723	1,058,436	140,859
Health and social work	103,638	1,409	919,788	801,481
Real estate and other business activities	821,986	20,872	735,893	24,642
Energy and water supply	831,533	453,454	723,886	226,756
Hotels and restaurants	462,375	-	449,327	4,611
Mining	98,350	28,309	96,876	7,936
Other	2,788,888	2,781,202	1,666,372	1,615,050
TOTAL	**70,253,445**	**34,894,511**	**70,895,878**	**36,477,478**

39. RISK MANAGEMENT (continued)

39.5.4. Credit exposure by economic sectors (Continued)

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.

39.5.5 Credit quality per class of financial assets

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 days and financial performance A (based on ratings)

- 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) - Clients which have a debt service over 90 days.

39. RISK MANAGEMENT (continued)

39.5.5. Credit quality per class of financial assets (Continued)

Group 2009

RON Thousand	Neither past due nor impaired			Non-performing	Total
	Low Risk	Management attention	Sub-standard		
Due from banks	**1,779,231**	**22,389**	**48,201**	**43,145**	**1,892,966**
Financial assets designated at fair value through profit or loss	**104,840**	**60,697**	**-**	**-**	**165,537**
Trading Assets					
Treasury bills	185,854	-	-	-	185,854
Listed bonds	3,491	-	-	-	3,491
Unlisted bonds	212,006	-	-	-	212,006
	401,351	**-**	**-**	**-**	**401,351**
Loans and advances to customers*					
Corporate lending	14,279,583	11,129,210	6,654,371	2,262,860	34,326,024
Small business lending (Micros)	221,693	1,325,413	1,130,942	875,739	3,553,787
Consumer lending	8,747,430	552,037	427,625	1,740,250	11,467,342
Residential mortgages	7,782,538	539,510	512,544	1,483,289	10,317,881
Other	200,622	227	3,775	-	204,624
	31,231,866	**13,546,397**	**8,729,257**	**6,362,138**	**59,869,658**
Financial investments – available for sale					
Treasury bills	1,463,949	-	-	-	1,463,949
Listed equities	19,029	11,707	-	-	30,736
Non-listed investments	1,541,590	24,279	2,681	-	1,568,550
	3,024,568	**35,986**	**2,681**	**-**	**3,063,235**
Financial investments - held to maturity					
Treasury bills	283,998	-	-	-	283,998
Listed debt securities	-	97	-	-	97
Unlisted bonds	2,092,376	12,448	-	-	2,104,824
	2,376,374	**12,545**	**-**	**-**	**2,388,919**
Total	**38,918,230**	**13,678,014**	**8,780,139**	**6,405,283**	**67,781,666**

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

39. RISK MANAGEMENT (continued)

39.5.5. Credit quality per class of financial assets (Continued)

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

39. RISK MANAGEMENT (continued)

39.5.5. 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 2009

RON Thousand	Neither past due nor impaired			Non-performing	Total
	Low Risk	Management attention	Sub-standard		
Due from banks	**1,453,062**	**-**	**-**	**-**	**1,453,062**
Financial assets designated at fair value through profit or loss	**104,841**	**60,696**	**-**	**-**	**165,537**
Trading Assets					
Treasury bills	185,854	-	-	-	185,854
Listed bonds	3,491	-	-	-	3,491
Unlisted bonds	212,006	-	-	-	212,006
	401,351	**-**	**-**	**-**	**401,351**
Loans and advances to customers*					
Corporate lending	12,407,912	10,732,562	6,320,435	1,801,837	31,262,746
Small business lending (SME and micros)	154,490	1,261,221	833,686	694,879	2,944,276
Consumer lending	8,573,380	531,826	418,365	1,644,709	11,168,280
Residential mortgages	7,855,802	535,739	512,656	493,457	9,397,654
Other	197,766		3,759		201,525
	29,189,350	**13,061,348**	**8,088,901**	**4,634,882**	**54,974,481**
Financial investments available for sale					
Treasury bills	1,455,476	-	-	-	1,455,476
Listed equities	19,029	4,816	-	-	23,845
Non-listed investments	1,541,590	792,276	2,681	-	2,336,547
	3,016,095	**797,092**	**2,681**	**-**	**3,815,868**
Financial investments held to maturity					
Treasury bills	283,998	-	-	-	283,998
Listed debt securities	-	-	-	-	-
Non-listed debt securities	1,871,960	-	-	-	1,871,960
	2,155,958	**-**	**-**	**-**	**2,155,958**
Total	**36,320,657**	**13,919,136**	**8,091,582**	**4,634,882**	**62,966,257**

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

39. RISK MANAGEMENT (continued)

39.5.5 Credit quality per class of financial assets (Continued)

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					
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

39. RISK MANAGEMENT (continued)

39.5.6. Loan Portfolio on time bands

The exposure from loans, RON and foreign currency, on maturity bands, RON equivalent, as at 31 December 2009:

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	%
I. Corporate clients								
GLC*	3,461,559	14.5	-		-		78,245	2.3
LC*	6,428,183	26.8	286,942		245,437		155,119	3
SME*	8,460,984	35.3	519,438		843,397		1,258,466	14.9
Municipalities	3,496,290	14.6	16,074		14,300		2,769	0.1
Real estate financing	2,102,003	8.8	21,843		40,318		242,325	11.5
II. Retail loans	**23,949,019**	**100**	**844,297**	**3.5**	**1,143,452**	**4.8**	**1,736,924**	**7.3**
Individuals	19,841,804	87.9	1,659,566		868,212		2,143,006	10.8
Micro	2,723,244	12.1	219,626		130,188		687,822	25.6
	22,565,048	**100**	**1,879,192**	**8.3**	**998,400**	**4.4**	**2,830,828**	**12.5**
Total loans (I+II)	**46,514,067**	**100**	**2,723,489**	**5.9**	**2,141,852**	**4.6**	**4,567,752**	**9.8**

*) 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 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	%
I. Corporate clients								
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		-	-
	20,834,503	**100.0**	**960,964**	**4.6**	**722,473**	**3.5**	**448,707**	**2.2**
II. Retail loans								
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
	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.

39. RISK MANAGEMENT (continued)

39.5.7 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.

39. RISK MANAGEMENT (continued)

39.6. Liquidity risk

39.6.1 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 contingency funding plan that is 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:

	2009	2008
	(%)	(%)
December	30.02	29.01
Average	29.58	30.64
Max	32.08	33.78
Min	27.74	28.80

39. RISK MANAGEMENT (continued)

39.6.2 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 2009

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	less than 12 months	1 to 5 years	Over 5 years	Over 12 months	Total
Assets								
Cash and balances with central banks	9,896,521	-	-	9,896,521	-	-	-	9,896,521
Due from banks	370,622	1,403,721	46,760	1,821,103	11,020	60,843	71,863	1,892,966
Financial assets held for trading	-	-	251,898	251,898	145,962	3,491	149,453	401,351
Reverse repurchase agreements	-	15,687	-	15,687	-	-	-	15,687
Derivative financial instruments	-	13,222	-	13,222	-	-	-	13,222
Financial assets designated at fair value through profit or loss	-	-	-	-	67,749	97,788	165,537	165,537
Loans and advances to customers	2,733,445	1,945,141	4,857,955	9,536,541	8,549,953	29,280,754	37,830,707	47,367,248
Financial investments – available-for- sale	-	204,131	1,635,834	1,839,965	944,408	278,862	1,223,270	3,063,235
Financial investments – held-to-maturity	-	19,157	287,918	307,075	1,791,132	290,712	2,081,844	2,388,919
Property and equipment	-	-	-	-	-	1,726,600	1,726,600	1,726,600
Intangible assets	-	-	-	-	-	389,199	389,199	389,199
Current tax assets	-	-	-	-	-	155,631	155,631	155,631
Deferred tax assets	-	-	-	-	-	50,683	50,683	50,683
Other assets	13,922	731,332	1,056,007	1,801,261	8,056	1,202	9,258	1,810,519
Assets held for sale and discontinued operations	65,457	-	-	65,457	-	-	-	65,457
Total assets	**13,079,967**	**4,332,391**	**8,136,372**	**25,548,730**	**11,518,280**	**32,335,765**	**43,854,045**	**69,402,775**
Liabilities								
Due to banks	1,553,101	1,627,947	2,115,625	5,296,673	12,537,918	3,288,865	15,826,783	21,123,456
Derivative financial instruments	-	1,848,236	-	1,848,236	-	-	-	1,848,236
Due to customers	7,901,889	23,643,258	3,703,121	35,248,268	152,669	227,172	379,841	35,628,109
Debt issued and other borrowed funds	-	318,878	76,336	395,214	69,498	70,000	139,498	534,712
Trading liabilities	-	-	-	-	-	-	-	-
Current tax liabilities	-	1,835	-	1,835	-	-	-	1,835
Deferred tax liabilities	-	-	-	-	-	363,001	363,001	363,001
Other liabilities	42	1,056,797	17,200	1,074,039	126,592	-	126,592	1,200,631
Provisions	195,296	-	-	195,296	-	-	-	195,296
Subordinated liabilities	-	-	-	-	-	1,906,112	1,906,112	1,906,112
Total liabilities	**9,650,328**	**28,496,951**	**5,912,282**	**44,059,561**	**12,886,677**	**5,855,150**	**18,741,827**	**62,801,388**
Net	**3,429,639**	**(24,164,560)**	**2,224,090**	**(18,510,831)**	**(1,368,397)**	**26,480,615**	**25,112,218**	**6,601,387**

39. RISK MANAGEMENT (continued)

39.6.2 Liquidity analysis of assets and liabilities (continued)

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**

39. RISK MANAGEMENT (continued)

39.6.2 Liquidity analysis of assets and liabilities (continued)

Bank 2009

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	less than 12 months	1 to 5 years	Over 5 years	Over 12 months	Total
Assets								
Cash and balances with central banks	9,819,190	-	-	9,819,190	-	-	-	9,819,190
Due from banks	140,301	1,190,326	46,688	1,377,315	12,172	63,575	75,747	1,453,062
Financial assets held for trading	-	-	251,898	251,898	145,962	3,491	149,453	401,351
Reverse repurchase agreements	-	15,687	-	15,687	-	-	-	15,687
Derivative financial instruments	-	13,222	-	13,222	-	-	-	13,222
Financial assets designated at fair value through profit or loss	-	-	-	-	67,749	97,788	165,537	165,537
Loans and advances to customers	1,854,486	1,809,565	4,288,324	7,952,375	7,110,909	28,567,606	35,678,515	43,630,890
Financial investments – available-for- sale	-	204,131	1,627,361	1,831,492	944,408	1,039,968	1,984,376	3,815,868
Financial investments – held-to- maturity	-	19,037	264,961	283,998	1,593,804	278,156	1,871,960	2,155,958
Property and equipment	-	-	-	-	-	998,729	998,729	998,729
Intangible assets	-	-	-	-	-	285,539	285,539	285,539
Current tax assets	-	-	-	-	-	149,168	149,168	149,168
Other assets	3,790	1,589,564	29,031	1,622,385	-	-	-	1,622,385
Assets held for sale and discontinued operations	291	-	-	291	-	-	-	291
Total assets	**11,818,058**	**4,841,532**	**6,508,263**	**23,167,853**	**9,875,004**	**31,484,020**	**41,359,024**	**64,526,877**
Liabilities								
Due to banks	180,655	3,333,353	647,102	4,161,110	12,182,705	74,858	12,257,563	16,418,673
Derivative financial instruments	1,848,240	-	-	1,848,240	-	-	-	1,848,240
Due to customers	7,764,014	23,659,500	4,215,332	35,638,846	134,232	51,824	186,056	35,824,902
Debt issued and other borrowed funds	-	318,878	76,336	395,214	69,498	70,000	139,498	534,712
Trading liabilities	-	-	-	-	-	-	-	-
Current tax liabilities	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	329,504	329,504	329,504
Other liabilities	-	985,437	11,398	996,835	126,592	-	126,592	1,123,427
Provisions	186,446	-	-	186,446	-	-	-	186,446
Subordinated liabilities	-	-	-	-	-	1,906,112	1,906,112	1,906,112
Total liabilities	**9,979,355**	**28,297,168**	**4,950,168**	**43,226,691**	**12,513,027**	**2,432,298**	**14,945,325**	**58,172,016**
Net	**1,838,703**	**(23,455,636)**	**1,558,095**	**(20,058,838)**	**(2,638,023)**	**29,051,722**	**26,413,699**	**6,354,861**

39. RISK MANAGEMENT (continued)

39.6.2 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**

39. RISK MANAGEMENT (continued)

39.6.3 Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the maturity profile of the financial liabilities at 31 December 2009 and at 31 December 2008 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 2009

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	less than 12 months	1 to 5 years	Over 5 years	Over 12 months	Total
Due to banks	1,559,903	1,645,772	2,231,450	5,437,125	15,832,722	4,729,316	20,562,038	25,999,163
Derivative financial instruments	-	1,848,236	-	1,848,236	-	-	-	1,848,236
Due to customers	7,934,839	23,889,730	3,896,139	35,720,708	190,865	321,900	512,765	36,233,473
Debt issued and other borrowed funds	-	321,248	79,173	400,421	96,728	137,529	234,257	634,678
Current tax liabilities	-	1,835	-	1,835	-	-	-	1,835
Deferred tax liabilities	-	-	-	-	-	363,001	363,001	363,001
Other liabilities	42	1,056,797	17,199	1,074,038	126,593	-	126,593	1,200,631
Provisions	195,296	-	-	195,296	-	-	-	195,296
Subordinated liabilities	-	66,822	200,466	267,288	1,069,152	2,440,688	3,509,840	3,777,128
Total undiscounted financial liabilities	**9,690,080**	**28,830,440**	**6,424,427**	**44,944,947**	**17,316,060**	**7,992,434**	**25,308,494**	**70,253,441**

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	-	62,460	187,380	249,840	999,362	2,579,203	3,578,565	3,828,405
Total undiscounted financial liabilities	**15,402,690**	**20,240,611**	**8,742,771**	**44,386,072**	**14,344,078**	**9,882,456**	**24,226,534**	**68,612,606**

39. RISK MANAGEMENT (continued)

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

Bank 2009

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	less than 12 months	1 to 5 years	Over 5 years	Over 12 months	Total
Due to banks	181,446	3,369,852	682,529	4,233,827	15,384,163	107,644	15,491,807	19,725,634
Derivative financial instruments	1,848,240	-	-	1,848,240	-	-	-	1,848,240
Due to customers	7,764,881	23,906,141	4,435,048	36,106,070	167,816	73,433	241,249	36,347,319
Debt issued and other borrowed funds	-	321,248	79,173	400,421	93,439	85,405	178,844	579,265
Current tax liabilities	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	329,504	329,504	329,504
Other liabilities	-	985,437	11,397	996,834	126,593	-	126,593	1,123,427
Provisions	186,446	-	-	186,446	-	-	-	186,446
Subordinated liabilities	-	66,822	200,466	267,288	1,069,152	2,440,688	3,509,840	3,777,128
Total undiscounted financial liabilities 2009	**9,981,013**	**28,649,500**	**5,408,613**	**44,039,126**	**16,841,163**	**3,036,674**	**19,877,837**	**63,916,963**

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	-	62,460	187,380	249,840	999,362	2,579,203	3,578,565	3,828,405
Total undiscounted financial liabilities	**15,424,852**	**20,331,347**	**8,248,482**	**44,004,681**	**11,879,733**	**9,353,999**	**21,233,732**	**65,238,413**

39. RISK MANAGEMENT (continued)

39.6.4 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 2009

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	936,899	496,410	1,433,309	1,691,082	1,153,338	2,844,420	4,277,729
Commitments	1,942,876	485,955	2,428,831	695,234	1,307,577	2,002,811	4,431,642
Total	**2,879,775**	**982,365**	**3,862,140**	**2,386,316**	**2,460,915**	**4,847,231**	**8,709,371**

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**

Bank 2009

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	903,765	478,854	1,382,619	1,631,275	1,112,549	2,743,824	4,126,443
Commitments	1,893,179	473,525	2,366,704	677,451	1,274,130	1,951,581	4,318,285
Total	**2,796,944**	**952,379**	**3,749,323**	**2,308,726**	**2,386,679**	**4,695,405**	**8,444,728**

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**

39. RISK MANAGEMENT (continued)

39.7 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		**2009 % of own funds**	**2008 % of own funds**
EUR	Average	1.34%	1.35%
	Maximum	4.77%	8.67%
USD	Average	0.14%	0.41%
	Maximum	1.87%	1.77%
Others	Average	N/A	N/A
	Maximum	N/A	N/A
Total	Average	**1.54%**	**1.75%**
	Maximum	**4.87%**	**8.70%**

In 2008 and 2009, 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).

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

1 day, 99%, RON VaR		**2009**	**2008**
The VaR of the total FX position	Average	696,075	825,302
	Maximum	2,657,832	5,468,150

Currently BCR computes the VaR using the Historical simulation method. 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 2008 and 2009, 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.

39. RISK MANAGEMENT (continued)

39.7 Market Risk (continued)

Below one can see the utilization degree of the market risk limits as of 31 December 2008 and 31 December 2009:

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

	2009		2008	
Currency	Limit	Utilization degree	Limit	Utilization degree
EUR	RON 205,000,000	0.98%	EUR 50,000,000	5.81%
USD	RON 82,000,000	0.51%	EUR 20,000,000	0.82%
Others	RON 20,500,000	32.76%	EUR 5,000,000	19.34%
Total	**RON 205,000,000 /****	**3.48%**	**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
/** this limit can be increased to RON 328 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 RON 6.15 million and its utilization degree was 2.15%.

- **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%. As of 31 December 2009, the limit was RON 150 thousand and its utilization degree was 34.01%.
  - 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%. As of 31 December 2009, the limit was RON 12.3 million and its utilization degree was 17.01%.

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

	2009		2008	
	Limit	Utilization degree	Limit	Utilization degree
EB	RON 6,000,000	0%	EUR 3,000,000	4.36%
Others	RON 4,000,000	2.92%	EUR 2,000,000	9.31%
Total	**RON 10,000,000**	**1.17%**	**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%. As of 31 December 2009, the limit was RON 0.8 million and its utilization degree was 12.06%.

39. RISK MANAGEMENT (continued)

39.7 Market Risk (continued)

➢ **Limits for the Banking Book**

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

Currency	2009		2008	
	Limit	Utilization degree	Limit	Utilization degree
RON	RON 120,000	32%	EUR 40,000	8.67%
EUR	RON 63,000	64.34%	EUR 21,000	43.03%
USD	RON 30,000	4.82%	EUR 10,000	7.90%
Others	RON 45,000	0.37%	EUR 15,000	0.14%
Total	**RON 210,000**	**38.35%**	**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%. As of 31 December 2009, the limit was RON 12 million and its utilization degree was 22.32%.

- **Limits for fixed income**
  - PVBP limits for FI BB (AFS and HTM) :

	2009		2008	
Currency	Limit	Utilization degree	Limit	Utilization degree
RON	RON 86,100	6.12%	EUR 21,000	41.13%
EUR	RON 24,600	22.43%	EUR 6,000	0.00%
USD	RON 24,600	0 %	EUR 6,000	0.00%
Others	RON 12,300	0%	EUR 3,000	0.00%
Total	**RON 123,000**	**8.77%**	**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%. As of 31 December 2009, the limit was RON 10.25 million and its utilization degree was 9.68%.

➢ **Global VaR limit:**
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%. As of 31 December 2009, the limit was RON 20.5 million and its utilization degree was 9.32%.

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 were further improved by adding a structure of monthly and yearly Stop Loss ("S/L") limits for the TB activities. The S/L limits were observed.

In 2010, the market risk limits system will be further improved by establishing limits for the market risk in the banking book.

As a member of the Erste Holding, BCR was included beginning with October 2009 in the program of centralizing the trading activity at the Holding level.

39. RISK MANAGEMENT (continued)

39.7 Market Risk (continued)

39.7.1. Currency risk

Group 2009

RON Thousand	RON	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	3,984,275	5,827,841	40,284	44,121	9,896,521
Due from banks	921,415	717,929	120,180	133,442	1,892,966
Financial assets held for trading	401,351	-	-	-	401,351
Reverse repurchase agreements	15,687	-	-	-	15,687
Derivative financial instruments	12,839	383	-	-	13,222
Financial assets designated at fair value through profit or loss	165,537	-	-	-	165,537
Loans and advances to customers	17,678,331	28,278,450	1,324,065	86,402	47,367,248
Financial investments - available-for-sale	1,812,376	1,250,568	-	291	3,063,235
Financial investments - held-to-maturity	2,322,947	-	-	65,972	2,388,919
Property and equipment	1,721,633	131	-	4,836	1,726,600
Intangible assets	388,301	51	-	847	389,199
Current tax assets	155,631				155,631
Deferred tax assets	43,791	6,892	-	-	50,683
Other assets	1,290,708	431,444	55,021	33,346	1,810,519
Assets Held For Sale	62,451	-	-	3,006	65,457
Total assets	**30,977,273**	**36,513,689**	**1,539,550**	**372,263**	**69,402,775**
Liabilities					
Due to banks	13,367,614	7,374,708	346,379	34,755	21,123,456
Repurchase agreements	-	-	-	-	-
Derivative financial instruments	1,762,503	5,944	26	79,763	1,848,236
Due to customers	22,931,614	11,242,656	1,293,653	160,186	35,628,109
Debt issued and other borrowed funds	270,302	237,392	27,018	-	534,712
Current tax liabilities	1,314	521	-	-	1,835
Deferred tax liabilities	361,281	1,720	-	-	363,001
Other liabilities	650,284	467,331	34,189	48,827	1,200,631
Provisions	90,755	84,577	19,567	397	195,296
Subordinated Liabilities	1,366,800	539,312	-	-	1,906,112
Total liabilities	**40,802,467**	**19,954,161**	**1,720,832**	**323,928**	**62,801,388**
Net	**(9,825,194)**	**16,559,528**	**(181,282)**	**48,335**	**6,601,387**

39. RISK MANAGEMENT (continued)

39.7 Market Risk (continued)

39.7.1. Currency risk (continued)

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**

39. RISK MANAGEMENT (continued)

39.7 Market Risk (continued)

39.7.1. Currency risk (continued)

Bank 2009

RON Thousand	RON	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	3,968,968	5,786,383	31,698	32,141	9,819,190
Due from banks	862,609	525,527	35,558	29,368	1,453,062
Financial assets held for trading	401,351	-	-	-	401,351
Reverse repurchase agreements	15,687	-	-	-	15,687
Derivative financial instruments	12,839	383	-	-	13,222
Financial assets designated at fair value through profit or loss	165,537	-	-	-	165,537
Loans and advances to customers	17,816,572	24,767,871	1,043,921	2,526	43,630,890
Financial investments - available-for-sale	2,282,402	1,495,830	37,636	-	3,815,868
Financial investments - held-to-maturity	2,155,958	-	-	-	2,155,958
Property and equipment	998,729	-	-	-	998,729
Intangible assets	285,539	-	-	-	285,539
Current tax assets	149,168				149,168
Other assets	1,205,809	340,698	48,815	27,063	1,622,385
Assets Held For Sale	291	-	-	-	291
Total assets	**30,321,459**	**32,916,692**	**1,197,628**	**91,098**	**64,526,877**
Liabilities					
Due to banks	12,616,066	3,785,718	16,889	-	16,418,673
Derivative financial instruments	1,842,267	5,947	26	-	1,848,240
Due to customers	22,783,381	11,647,387	1,263,082	131,052	35,824,902
Debt issued and other borrowed funds	270,302	237,392	27,018	-	534,712
Deferred tax liabilities	329,504	-	-	-	329,504
Other liabilities	708,571	332,292	37,457	45,107	1,123,427
Provisions	90,110	76,769	19,567	-	186,446
Subordinated Liabilities	1,366,800	539,312	-	-	1,906,112
Total liabilities	**40,007,001**	**16,624,817**	**1,364,039**	**176,159**	**58,172,016**
Net	**(9,685,542)**	**16,291,875**	**(166,411)**	**(85,061)**	**6,354,861**

39. RISK MANAGEMENT (continued)

39.7 Market Risk (continued)

39.7.1. 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**

As a member of Erste Bank Group, BCR was included in 2009 in the program of trading activity centralisation set up at Holding level through GCM Transition II Project; consequently all market risk positions are assumed by Erste Bank Group. Similar projects were completed in other Erste Bank Group subsidiaries (Ceska Sporitelna, Slovenska Sporitelna, Erste Bank Hungary, Erste Bank Croatia).
According to the new business model BCR- Erste Bank Group, starting with October 2009, all trading operations were transferred on a centralized trading book on holding level. BCR foreign exchange position is closed and is transferred to holding and the result is returned to BCR on a pro-rated basis, depending on the contribution of the local trader and the volume of transactions.

39. RISK MANAGEMENT (continued)

39.7.2 Interest Rate Risk

Interest rate risk is the risk of adverse change in the fair value of financial instruments caused by movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities (including off-balance-sheet items) in respect of their maturities or of the timing of interest rate adjustments.
In order to identify interest rate risk, all financial instruments, including transactions not recognized in the balance sheet, are grouped into maturity bands based on their remaining term to maturity or term to an interest rate adjustment.
The following table lists the open fixed-income positions held by the bank in the two currencies that carry significant interest rate risk: EUR and RON, as of 31 December 2009.
Only the open fixed-income positions that are not allocated to the trading book are presented. Positive values indicate fixed-income risks on the asset side, i.e., a surplus of asset items; negative values represent a surplus on the liability side.

2009 in RON thousand	1-3 years	3-5 years	5-10 years	over 10 years
Fixed-interest gap in EUR positions at 31 December 2009	3,497,313	-51,034	-380,538	-231,240
Fixed-interest gap in RON positions at 31 December 2009	1,147,872	965,721	130,990	-349,503

39.8 Operational risk

Operational risk represents the risk to register losses or 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 framework 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 2009 had the following priorities:

- the implementation of appropriate procedures and norms, in order to limit operational risks;
- draw-up clear-cut, separate activity responsibilities and centralizing back-office and support activities;
- the centralized, Front Office-independent check-up of the information afferent to private individual credit applicants, in order to decrease the number of frauds achieved using fake income/ID papers;
- update the internal control system especially in the areas that can be affected by frauds and other operational risks identified as high or medium;
- develop the framework for the Operational Risk and Control Self- assessment (RCSA), perform the risk assessments for the main Business areas in order to identify the major drivers of operational risk, bring them to the attention of Top Management and prevent operational risk losses via implementation of the risk mitigating actions;
- update and perform the proper testing of the BCR Business Continuity Plan;
- transfer the risk through the inclusion in the group-wide insurance programme covering operational risks (property damage/ Business interruption; Public liability; Internal and external fraud; Valuable assets risks; Civil Liability; Technology Risks).

39. RISK MANAGEMENT (continued)

39.9 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.

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.

40. CAPITAL ADEQUACY

40.1 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.

40.2 Capital adequacy

The solvency ratio according to national regulations (Basel II requirements) as at 31 December 2009 was of 11.87% (31 December 2008: 11.28%). We mention that the solvency ratio for December 2009 is computed based on the level of provisional own funds without including the 2009 net profit. If the 2009 net profit was included in the own funds for December 2009, the estimated value of solvency ratio would be 12.40%.

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 2009 were:

- 13.06% and 17.16%, respectively (31 December 2008: 10.45% and 13.30%, respectively) for the Bank
- 12.11% and 15.81%, respectively (31 December 2008: 10.31% and 12.90%, respectively) for the Group.

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.

CAPITAL ADEQUACY (continued)

40.2 Capital adequacy (continued)

Tier 1 capital consists of shareholders' eligible equity less deductions (intangibles, participation in insurance companies and other). Tier 2 includes the Bank and the Group's subordinated liabilities.

	Group		Bank	
RON Thousand	**2009**	**2008**	**2009**	**2008**
Tier 1 capital	6,202,943	5,272,313	6,060,224	4,826,894
Tier 1+ Tier 2 capital	8,099,810	6,593,130	7,957,237	6,147,795
Risk weighted assets (credit, market and operational risks)	51,238,248	51,125,173	46,384,166	46,207,576
BIS Capital ratios				
Tier 1 capital	12.11%	10.31%	13.06%	10.45%
Tier 1+ Tier 2 capital	15.81%	12.90%	17.16%	13.30%