

Banca Comerciala Romana S.A.

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

Prepared in Accordance with International Financial Reporting Standards

31 December 2011



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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Banca Comerciala Romana SA

1 We have audited the accompanying consolidated financial statements of Banca Comerciala Romana SA and its subsidiaries (the "Bank"), which comprise the consolidated statement of financial position as at 31 December 2011, 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 consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determined is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

- 3 Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

6 In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2011, 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 and Young Assurance Services SRL

Ennst & Sarry.

Bucharest, Romania

13 March 2012

Consolidated and Bank for the year ended 31 December 2011

| | | Group | | Bar | | |
|---|-------|-------------------|------------------|---|-------------------|--|
| RON Thousand | Notes | 2011 | 2010 | 2011 | 2010 | |
| | | | | | | |
| Interest and similar income | 4 | 6,160,022 | 6,912,947 | 6,198,088 | 6,648,067 | |
| Interest and similar expenses | 5. | (3,028,269) | (3,163,184) | (2,940,983) | (2,994,129) | |
| Net interest income | | 3,131, 753 | 3,749,763 | 3,257,105 | 3,653,938 | |
| Fee and commission income | 6 | 883,475 | 870,137 | 839,960 | 830,418 | |
| Fee and commission expenses | 6 | (303,394) | (405,763) | (289,244) | (389,566) | |
| Net fee and commission income | 6 | 580,081 | 464,374 | 550,716 | 440,852 | |
| Net trading income | 7 | 422,384 | 311,051 | 409,322 | 292,566 | |
| Net gain or loss on financial assets designated at fair value through | | | | | | |
| profit or loss | | (1,228) | 573 | (1,228) | 574 | |
| Other operating income | 8 . | 184,923 | 76,052 | 187,632 | 23,937 | |
| Total operating income | | 4,317,913 | 4,601,813 | 4,403,547 | 4,411,867 | |
| Credit loss expense | 9 | (2,154,852) | (1,997,668) | (2,062,132) | (1,727,017) | |
| Net operating income | | 2, 163,061 | 2,604,145 | 2,341,415 | 2,684,850 | |
| D | 10 | (879,284) | (873,693) | (785,464) | (770,026) | |
| Personnel expenses | 20 | (166,496) | (150,268) | (133,006) | (122,750) | |
| Depreciation and impairment of property and equipment | 21 | (86,731) | (46,465) | (52,374) | (44,861) | |
| Amortization and impairment of inlangible assets Other operating expenses | 11 | (910,943) | (891,808) | (1,076,001) | (867,122) | |
| Other operating expenses | '' ' | | (00.1,000) | (1/11/1/11/1/11/1/1/1/1/1/1/1/1/1/1/1/1 | (===,===, | |
| Total operating expenses | | (2,043,454) | (1,962,234) | (2,046,845) | (1,804,759) | |
| Profit before tax | | 119,607 | 641,911 | 294,570 | 880,091 | |
| income tax expense | 12 | (48,682) | (174,269) | (49,628) | (148,259) | |
| rofit for the year | | 70,925 | 467,642 | 244,942 | 731,832 | |
| ther comprehensive income | | | | (0.000) | 47.400 | |
| Net gain/(loss) on available-for-sale financial investments | | (3,596) | 17,401 | (6,270) | 17,466 | |
| Exchange differences on translation of foreign operations | | (126,593) | 7,521 | 40.010 | • | |
| Net gain from cash flow hedges | | 10,212 | (0.000) | 10,212 | | |
| Net gain/(loss) on hedge of net investment | | 32,938 | (6,208) | 14.056 | 21,753 | |
| Actuarial gains on defined benefit plans | | 14,059 | 21,753 | 14,056 | - | |
| Income tax relating to the components of other comprehensive income | | (8,195) | (5,234) | (2,880) | (6,274) 32,945 | |
| ther comprehensive Income for the year, net of tax | | (81,175) | 35,233 | 15,118 | 32,340 | |
| otal comprehensive income for the year, net of tax | | (10,250) | 502,875 | 260,060 | 764,777 | |
| rofit attributable to: | | | | | 704 000 | |
| Equity holders of the parent | | 68,353 | 464,977 | 244,942 | 731,832 | |
| Non-controlling interests | | 2,572 | 2,665 | - | | |
| | | | | | | |
| otal comprehensive income attributable to: | | | | | | |
| otal comprehensive income attribulable to: Equity holders of the parent | | (12,889) 2,639 | 500,192 2,683 | 260,060 | 764,777 | |

The financial statements were approved by/the Management Board on 13 March 2012 and were signed on its behalf by:

Mr. Dominic Bruynseels Executive President Mr. Helmuth Hintringer Executive Vice President

The accompanying notes form an integral part of these financial statements



Consolidated and Bank at 31 December 2011

| | | Gro | пр | Bank | | |
|--|-------|------------------------|------------------------|------------|-----------|--|
| RON Thousand | Notes | 2011 | 2010 | 2011 | 2010 | |
| ASSETS | | | | | | |
| Cash and balances with central banks | 15 | 10,324,934 | 9,545,395 | 10,290,771 | 9,468,52 | |
| Due from banks | 16 | 1,100,210 | 1,771,738 | 1,006,357 | 1,455,73 | |
| Derivative financial instruments | 28 | 86,487 | 43,287 | 85,036 | 43,26 | |
| Financial assets held for trading | 17 | 701,698 | 966,944 | 701,698 | 966,94 | |
| Financial assets designated at fair value through profit or loss | 17 | 41,954 | 41,963 | 41,954 | 41,96 | |
| Loans and advances to customers, net | 18 | 47,803,525 | 47,393,687 | 46,990,434 | 45,160,81 | |
| Financial investments – available-for-sale | 19 | 5,244,501 | 3,925,371 | 6,158,721 | 4,963,59 | |
| Financial investments - held-to-maturity | 19 | 8,011,821 | 5,442,218 | 7,155,608 | 4,998,42 | |
| Property and equipment | 20 | 1,584,721 | 1,693,938 | 535,398 | 751,27 | |
| Goodwill and other intangible assets | 21 | 439,820 | 424,320 | 243,528 | 220,63 | |
| Current lax assets | 2.1 | 177,428 | 192,961 | 177,284 | 189,52 | |
| Deferred lax assets | 12 | 46,920 | 53,612 | ,==- | , | |
| Other assets | 22 | 968,983 | 2,087,622 | 497,042 | 1,684,48 | |
| Assets held for sale | 24 | 212,663 | 29,429 | - | 1,004,40 | |
| TOTAL ASSETS | | 76,745,665 | 73,612,485 | 73,883,831 | 69,945,18 | |
| LIABILITIES AND EQUITY | | · | | · | | |
| | | | | | | |
| Due to banks | 23 | 22,906,394 | 21,823,532 | 20,742,113 | 18,902,31 | |
| Repurchase agreements | | - | 1,886 | - | 1,88 | |
| Derivative financial instruments | 28 | 1,854,888 | 1,788,377 | 1,854,888 | 1,788,37 | |
| Due to customers | 25 | 39,664,299 | 37,826,936 | 38,942,762 | 37,287,14 | |
| Debt issued and other borrowed funds | 26 | 1,132,821 | 638,177 | 1,000,889 | 638,17 | |
| Current tax fiabilities | | 4,071 | 21,726 | - | | |
| Deferred tax liabilities | 12 | 534,427 | 498,405 | 506,256 | 465,99 | |
| Other liabilities | 29 | 771,995 | 1,688,515 | 666,891 | 1,547,87 | |
| Provisions | 30 | 305,778 | 253,951 | 297,845 | 226,47 | |
| Subordinated liabilities | 27 | 2,024,690 | 1,967,317 | 2,024,690 | 1,967,31 | |
| TOTAL LIABILITIES | | 69,199,363 | 66,508,822 | 66,036,334 | 62,825,54 | |
| FOURTY ATTRIBUTABLE TO FOURTY HOLDERS OF DADENT | | | | | | |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT | 32 | 2,880,660 | 2,357,433 | 2,880,660 | 2.357,43 | |
| Issued capital | 34 | 3,572,337 | 3,559,412 | 3,917,954 | 3,728,44 | |
| Retained earnings | 20 | | (31,449) | (35,846) | (30,57 | |
| Available-for-sale reserve | 32 | (34,044) | 141,900 | (55,040) | (50,57 | |
| Foreign currency translation reserve | 32 | 14,225 | • | 1,084,729 | 1,064,3 | |
| Other capital reserve | 32 | 1,098,863 7,532,041 | 1,049,835 7,077,131 | 7,847,497 | 7,119,6 | |
| Non-controlling interests | | 14,261 | 26,532 | | | |
| • | | | | 7 047 407 | 7 440 6 | |
| TOTAL EQUITY | | 7,546,302 | 7,103,663 | 7,847,497 | 7,119,63 | |
| TOTAL LIABILITIES AND EQUITY | | 76,745,665 | 73,612,485 | 73,883,831 | 69,945,1 | |

The financial statements were approved by the Management Board on 13 March 2012 and were signed on its behalf by:



Mr. Helmuth Hintringer Executive Vice President

Consolidated and Bank for the year ended 31 December 2011

GROUP

| | Attributable to equity holders of the parent | | | | | |
|---|--|-------------------|------------------------|-----------|----------------------------------|--------------------------|
| RON Thousand | Issued capital | Retained earnings | Other capital reserves | Total | Non- controlling interests | Total equity |
| At 31 December 2010 | 2,357,433 | 3,559,412 | 1,160,286 | 7,077,131 | 26,532 | 7,103,663 |
| Net loss on available-for-sale financial investments | - | - | (3,546) | (3,546) | (50) | (3,596) |
| Exchange differences on translation of foreign operations | - | - | (126,703) | (126,703) | 110 | (126,593) |
| Actuartal gain on defined benefit plans | - | _ | 14,059 | 14,059 | - | 14,059 |
| Net gain from cash flow hedges | - | - | 10,212 | 10,212 | - | 10,212 |
| Net gain on hedge of net investment | - | - | 32,938 | 32,938 | - | 32,938 |
| Income tax relating to the components of other comprehensive income | <u> </u> | - | (8,202) | (8,202) | | (8,195) |
| Other comprehensive income for the year | • | - | (81,242) | (81,242) | 67 | (81,175) |
| Profit for the year | - | 68,353 | | 68,353 | 2,572 | 70,925 |
| Total comprehensive income for the year | - | 68,353 | (81,242) | (12,889) | 2,639 | (10,250) |
| Share capital increase by shareholders' contribution | 467,799 | - | - | 467,799 | | 467,799 |
| Share capital increase by distribution of retained earnings | 55,428 | (55,428) | - | - | - | - |
| Changes in parent's ownership interest in a subsidiary | - | - | - | - | (12, 137) | (12, 137) |
| Distribution of dividends | - | - | - | | (2,773) | (2,773) |
| At 31 December 2011 | 2,880,660 | 3,57 2,337 | 1,079,044 | 7,532,041 | 14,261 | 7,546,302 |
| At 31 December 2009 | 2,119,693 | 3,329,857 | 1,125,071 | 6,574,621 | 26,766 | 6,601,387 |
| Net gain on available-for-sale financial investments | - | - | 17,628 | 17,628 | (227) | 17,401 |
| Exchange differences on translation of foreign operations | - | - | 7,314 | 7,314 | 207 | 7,521 |
| Actuanal gain on defined benefit plans | - | - | 21,753 | 21,753 | - | 21,753 |
| Net loss on hedge of net investment | - | - | (6,208) | (6,208) | | (6,208) |
| Income tax relating to the components of other comprehensive income | | | (5,272) | (5,272) | | (5,234) |
| Other comprehensive income for the year | - | - | 35,215 | 35,215 | 18 | 35,233 |
| Profit for the year | | 464,977 | | 464,977 | 2,665 | 467,642 |
| Total comprehensive income for the year | - | 464,977 | 35,215 | 500,192 | 2,683 | 502,875 |
| Share Capital Increase by distribution of Retained Earnings | 237,740 | (237,740) | - | - | - | .5 |
| Distribution of dividends | + | 2,318 | - | 2,318 | (2,917) | (599) |
| At 31 December 2010 | 2,357,433 | 3,55 9,412 | 1,160,286 | 7,077,131 | 26,532 | 7,103,66 3 |

| PROFESSION AND ADDRESS. | 1 |
|-------------------------|----|
| | и. |

| BANK | | | Other | |
|--|-----------------|-----------|-----------|-----------|
| | fesued | Retained | capital | |
| RON Thousand | capital | earnings | reserves | Total |
| At 31 December 2010 | 2,357,433 | 3,728,440 | 1,033,785 | 7,119,638 |
| Net loss on available-for-sale financial investments | - | - | (6,270) | (6,270) |
| Actuarial pain on defined benefit plans | - | - | 14,056 | 14,056 |
| Net gain from cash flow hedges | - | - | 10,212 | 10,212 |
| Income tax relating to the components of other comprehensive income | | | (2,880) | (2,880) |
| Other comprehensive income for the year | - | - | 15,118 | 15,118 |
| Profit for the year | | 244,942 | * | 244,942 |
| Total comprehensive income for the year | - | 244,942 | 15,118 | 260,060 |
| Share capital increase by shareholders' contribution | 467,799 | - | - | 467,799 |
| | 55,428 | (55,428) | - | |
| Share capital increase by shareholders' contribution Share capital increase by distribution of retained earnings At 31 December 2011 | 2,880,860 | 3,917,954 | 1,048,883 | 7,847,497 |
| At 31 December 2009 | 2,119,693 | 3,234,348 | 1,000,820 | 6,354,861 |
| Net gains on available-for-sale financial investments | - | - | 17,466 | 17,466 |
| Actuarial gain on defined benefit plans | - | - | 21,753 | 21,753 |
| Income tax relating to the components of other comprehensive income | - | - | (6,274) | (6,274) |
| Other comprehensive income for the year | - | - | 32,945 | 32,945 |
| Profit for the year | | 731,832 | _ | 731,832 |
| Total income and expense for the year | • | 731,832 | 32,945 | 764,777 |
| Share capital increase by distribution of retained earnings | 237 ,740 | (237,740) | | _ |
| At 31 December 2010 | 2,357,433 | 3,728,440 | 1,033,765 | 7,119,838 |
| | | | | _ |



Consolidated and Bank for the year ended 31 December 2011

| | | Gro | ир | Bank | | |
|--|-------|-------------|-------------|--------------|-------------|--|
| RON Thousand | Notes | 2011 | 2010 | 2011 | 2010 | |
| Profit before tax | | 119,607 | 641,911 | 294,570 | 880,091 | |
| Adjustments for: | | | | | | |
| Change in operating assets | 35 | (1,272,519) | (1,644,452) | (2,326,411) | (3,391,587) | |
| Change in operating liabilities | 35 | 2,538,748 | 4,696,540 | 2,618,445 | 4,363,666 | |
| Non-cash items included in profit before tax | 35 | 2,470,196 | 2,237,727 | 2,462,494 | 1,926,429 | |
| Net gain from investing activities | 35 | (102,539) | (23,395) | (235,659) | (126,951) | |
| Payments made against provisions | 35 | (52,966) | (20,389) | (31,161) | (13,546) | |
| Income tax paid | | (16,285) | (67,399) | | (58,408 | |
| Net cash flows from operating activities | | 3,684,242 | 5,820,543 | 2,782,278 | 3,579,694 | |
| INVESTING ACTIVITIES | | | | | | |
| Purchase of property, equipment and intangibles | | (353,721) | (282,480) | (288,702) | (142,185) | |
| Proceeds from sale of property and equipment | | 137,953 | 61,581 | 291,937 | 240,430 | |
| Purchase of financial investments | | (7,667,026) | (7,947,922) | (7,172,948) | (7,944,686) | |
| Proceeds from sale of financial investments | | 3,875,129 | 4,094,267 | 3,790,584 | 4,010,327 | |
| Acquisition of subsidiary net of cash acquired | | - | (12,837) | - | - | |
| Dividends received | | 6,294 | 2,950 | 112,772 | 131,706 | |
| Net cash flows used in investing activities | | (4,001,371) | (4,084,441) | (3,266,357) | (3,704,408) | |
| FINANCING ACTIVITIES | | | | | | |
| Proceeds from subordinated liabilities | | 60,782 | 119,650 | 60,782 | 31,652 | |
| Proceeds from issue of share capital | | 467,799 | | 467,799 | | |
| Proceeds from debt issued and other borrowed funds | | 1,314,259 | 2,220,365 | 1,057,269 | 724,051 | |
| Repayment of debt issued and other borrowed funds | | (1,369,187) | (4,530,386) | (783,098) | (931,806 | |
| Dividends paid to non-controlling interests | | (2,773) | (2,917) | | | |
| Net cash flows used in financing activities | | 470,880 | (2,193,288) | 802,752 | (176,103 | |
| Net decrease in cash and cash equivalents | | 153,751 | (457,186) | 318,673 | (300,817) | |
| Cash and cash equivalents at 1 January | | 11,213,678 | 11,670,864 | 10,884,616 | 11,185,433 | |
| Cash and cash equivalents at 31 December | 35 | 11,367,429 | 11,213,678 | 11,203,289 | 10,884,616 | |
| Operational cash flows from interest | | | _ | | | |
| Interest paid | | 3,419,325 | 3,263,580 | 3,320,267 | 3,080,016 | |
| Interest received | | 7,505,646 | 6,776,581 | 7,276,175 | 6,628,520 | |
| interest received | | 1,000,040 | 5,110,001 | . 12, 01,110 | 010201020 | |

1. CORPORATE INFORMATION

Banca Comerciala Romana S.A. ('the Bank' or 'BCR') logether with its subsidiaries (the 'Group') provides retail, corporate banking and investment banking services mainty 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. Until 31 December 2011, Erste Bank purchased further 27.25% from employees and other shareholders of the Bank. The ultimate parent of the Group is Erste Group Bank Ceps Holding GmbH.

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, brokerage, financial consultancy services and asset management.

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 2011 were authorized for issue in accordance with a resolution of the Management Board on 13 March 2012.

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, traiding financial assets, 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 thousands, except when otherwise indicated.

The Bank has the following subsidiaries consolidated in the financial statements of the Group as at 31 December 2011 and 31 December 2010:

| | - | | Shareh | olding |
|--|--------------------------|--|-----------|-----------|
| Company's name | Country of incorporation | Nature of the business | 31-Dec-11 | 31-Dec-10 |
| Anglo-Romanian Bank Ltd | United Kingdom | Banking | - | 100% |
| BCR Chisinau SA | Moldova | Banking | 100% | 100% |
| Financiara SA | Romania | Financial | 97.46% | 97.46% |
| BCR Securities SA | Romania | Brokerage (company under liquidation) | 89.23% | 89.23% |
| BCR Leasing IFN SA | Romania | Financial leasing | 99.87% | 99.87% |
| BCR Asset Management SA | Romania | Asset Management (company under liquidation) | - | 81.25% |
| Bucharest Financial Plazza SRL* | Romania | Real estate | 100.0% | 100,00% |
| BCR Pensii, Societate de Administrare a Fondunior 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% | 99.99% |
| BCR Finance BV | The Netherlands | Financial | 100% | 100% |
| Suport Colect SRL | Romania | Workout | 100% | 100% |
| BCR Procesare SRL | Romania | Cash processing and storing | 100% | 100% |
| BCR Real Estate Management SRL | Romania | Real estate | 100% | 100% |
| BCR Fleet Management SRL** | Romania | Operational leasing | 99.87% | 99.87% |
| Good-Bee Service SRL | Romania | Mobile phone transactions | 99.99% | 99.99% |
| BCR Payments SPV | Romania | Payments transactions | 99.99% | 0.00% |

^{*} Company held indirectly by BCR through BCR Real Estate Management SRL

(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".

^{**} Company held indirectly by BCR through BCR Leasing SA



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 statement of financial position, separately from parent shareholders' equity. Up to 1 July 2009, acquisitions of minority interests were 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 was 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. After 1 July 2009, any 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.

2.2. Significant accounting judgments and estimates

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

(1) Fair value of financial instruments

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

(2) Impairment losses on loans and advances

The Group reviews its 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 9 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.

(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.

(6) Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any malerial uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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 presentation 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 statement of financial position date. All differences are taken to 'Net trading income' in the profit or loss, except for differences on foreign currency differences arising on effective hedges against net investment in a foreign entity. Such differences are taken directly to equity until the disposal of the net investment, at which time they are recognised 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 statement of financial position 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 settlement date, i.e. the date on which the agreement is settled by delivery of assets that are subject of the agreement. Derivatives are recognized on trade date basis, i.e. the date that the Group or the Bank commits to purchase or sell the asset.

(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, interest rate swaps and interest rate options. 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 'Other operating expenses'.

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.

(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, trading financial assets, 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 'Other operating expenses' 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.

(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.

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.

(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 'Other operating expenses'.

(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 item (which are on statement of financial position items) designated as hedged items, by interest rate swaps or currency swaps designated as hedging instruments.

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognized in the profit of loss in 'Net trading income'. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in 'Net trading income'.

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 hedged 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.

(iii) Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the 'Cash flow hedge' reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in 'Net trading income'.

When the hedged cash flow affects the profit or loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the profit of loss. When a hedging instrument expires, or is sold, lerminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the profit or loss.

(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 fulfilment 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

Leases which do not transfer to the Group substantially all the risks and benefils incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight line basis over the lease term. Contingent rental payables are recognised as an expense in the period in which they are incurred.

(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 equalling 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.

(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. This includes any ineffectiveness recorded in hedging transactions.

(12) Cash and cash equivalents

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

(13) Property and equipment

Property and equipment is stated at cost (restated for hyperinflation for assets acquired prior to 31 December 2003 – Note 2.1) excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period 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) Investment properties (IAS 40)

An investment property is measured initially at its cost taking into account any expenditure directly attributable to the purchase (e.g. fees paid to the estate agent, notarial fees, property transfer taxes and fees).

In Group after initial recognition an investment property is measured at amortised cost (cost model) in accordance with IAS 16. Following that, an investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss in the period of derecognition.

Investment properties that meet the criteria to be classified as held for sale in accordance with IFRS 5 shall be measured in accordance with IFRS 5.

(15) 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 lesting, 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.

(16) 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.

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

(17) 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.

(18) 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' and in the statement of financial position in "Provisions". 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.

(19) 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.

(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.

(20) 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.

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

The carrying amount of deferred tax assets is reviewed at each 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 lax and deferred lax 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.

(22) Fiduciary assets

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

(23) 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.

(24) Segment reporting

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group),
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

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 2011:

- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IAS 24 Related Party Disclosures (Amended)
- IAS 32 Classification on Rights Issues (Amended)
- Improvements to IFRSs (May 2010)

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 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The amendment is applied retrospectively. The interpretation has no effect on either the financial position nor performance of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The interpretation has no effect on either the financial position nor performance of the Group.

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The amendment is applied retrospectively. The interpretation has no effect on either the financial position nor performance of the Group.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment is applied retrospectively. The interpretation has no effect on either the financial position nor performance of the Group.

Improvements to IFRSs (May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

Amendments resulting from Improvements to IFRSs to the following standards and interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

for the year ended 31 December 2011

This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

IFRS 7 Financial Instruments - Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

IAS 27 Consolidated and Separate Financial Statements: This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 The Effect of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.

IAS 34 Interim Financial Reporting: This improvement requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.

IFRIC 13 Customer Loyalty Programmes: This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

2.5. Standards issued but not yet effective

IAS 1 Financial Statement Presentation (Amended) - Presentation of Items of Other Comprehensive Income

The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. This amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

IAS 12 Income Taxes (Amended) - Recovery of Underlying Assets

The amendment is effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred lax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. This amendment 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 19 Employee Benefits (Amended)

The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Early application is permitted. This amendment has not yet been endorsed by the EU. The Group does not expect that this amendment will have a significant impact on the financial position or performance of the Group.

IAS 27 Separate Financial Statements (Revised)

The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Earlier application is permitted. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

IAS 28 Investments in Associates and Joint Ventures (Revised)

The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Earlier application is permitted. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities

The amendment is effective for annual periods beginning on or after 1 January 2014. This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to IAS 32 are to be retrospectively applied. Earlier application is permitted. However, if an entity chooses to early adopt, it must disclose that fact and also make the disclosures required by the IFRS 7 Offsetting Financial Assets and Financial Liabilities amendments. This amendment has not yel been endorsed by the EU. The Group is in the process of assessing the impact of the amendment on the financial position or performance of the

IFRS 7 Financial Instruments: Disclosures (Amended) - Enhanced Derecognition Disclosure Requirements

The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment has only disclosure effects. The Group is in the process of assessing the impact of the amendment on the disclosures in financial statements of the Group.

IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities

The amendment is effective for annual periods beginning on or after 1 January 2013. The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied. This amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the amendment on the disclosures in the financial statements of the Group.

IFRS 9 Financial Instruments - Classification and Measurement

The new standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. Phase 1 of IFRS 9 will have a significant impact on (i) the classification and measurement of financial assets and (ii) a change in reporting for those entities that have designated financial liabilities using the FVO. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the first half of 2012. Early application 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 10 Consolidated Financial Statements

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group does not expect that this amendment will have a significant impact on the financial position or performance of the Group.

IFRS 11 Joint Arrangements

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Enlities - Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionale consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Group does not expect that this amendment will have a significant impact on the financial position or performance of the Group.

IFRS 12 Disclosures of Involvement with Other Entities

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Group is in the process of assessing the impact of the new standard on the disclosures in the financial statements of the Group.

IFRS 13 Fair Value Measurement

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard should be applied prospectively and 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.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

The interpretation is effective for annual periods beginning on or after 1 January 2013. This interpretation only applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Costs incurred in undertaking stripping activities are considered to create two possible benefits a) the production of inventory in the current period and/or b) improved access to ore to be mined in a future period (striping activity asset). Where cost cannot be specifically allocated between the inventory produced during the period and the stripping activity asset, IFRIC 20 requires an entity to use an allocation basis that is based on a relevant production measure. Early application is permitted. IFRIC 20 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.

SEGMENT INFORMATION

for the year ended 31 December 2011

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 and micro clients with a range of financial products and services, including lending (consumer loans, vehicles purchase, personal needs, mortgages, overdrafts, credit cards facilities and funds transfer facilities), savings and deposit taking business, payment services and securities business.

Local 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 - according to annual income, municipalities are managed at:

- Municipalities Division level: > 2 million EUR;
- Commercial Centers (SME) level: < 2 million EUR.

Group corporate investment banking (GCIB)- The Group provides Real estate and GLC clients 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; within this segment the Group also includes providing investment banking services and financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group.

Real Estate companies - according to the value of the financing of project, real estate are managed at:

- Real Estate Division level; > 3 million EUR for Bucharest and > 2 million EUR for the branch network;
- Commercial Centers (SME) level: < 3 million EUR for Bucharest and < 2 million EUR for the branch network.

Group Large Corporate - companies having annual turnover > 50 million EUR;

Group capital markets (GCM) - principally providing money market and treasury operations, syndicated loans and structured financing transactions, foreign currency and derivative transactions, financial instruments trading and investment, issuance of bonds.

Corporate center (CC) - unallocated items and items which do not belong to business lines

The business segment reporting formal 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, inlangible 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.

In order to split the Group results on business lines the following subsidiaries are allocated entirely on Retail segment: BCR Asset Management, Good Bee Service, BCR Pensii SAFPP, Banca pentru Locuinte, Suport Colect, BCR Leasing, BCR Chisinau and some of the consolidation adjustments are split between Retail and Corporate. Intragroup eliminations and the rest of the consolidation adjustments are allocated on Corporate Center.

3. SEGMENT INFORMATION (continued)

Group - Business segments 2011

| | | Local | | | | |
|---|-------------|-------------|-----------|----------|-----------|-------------|
| RON Thousand | Retail | Corporate | CC | GCM | GCIB | Group |
| Net Interest Income | 2,018,047 | 931,676 | (112,289) | (34,782) | 329,101 | 3,131,753 |
| Risk Provisions for Loans and Advances | (723,229) | (1,093,423) | (7,392) | - | (330,808) | (2,154,852) |
| Nel Commission Income | 390,961 | 163,577 | (101,033) | 12,011 | 114,565 | 580,081 |
| Net Trading Result | 116,468 | 39,501 | 52,295 | 203,210 | 10,910 | 422,384 |
| General Administrative Expenses | (1,420,244) | (249,356) | 84,951 | (33,504) | (77,424) | (1,695,577) |
| Other Operating Result | (113,801) | (35,448) | (110,571) | 5,723 | (9,241) | (263,338) |
| Result from financial assets - Designated at fair value through P&L | - | (43) | (1,185) | - | * | (1,228) |
| Result from financial assets - Available for sale | - | | 100,384 | | | 100,384 |
| Profit before tax | 268,202 | (243,516) | (94,840) | 152,658 | 37,103 | 119,607 |
| Income tax expense | (39,622) | 70,810 | (25,574) | (42,983) | (11,313) | (48,682) |
| Profit for the year | 228,580 | (172,706) | (120,414) | 109,675 | 25,790 | 70,925 |

| | | Local | | | | |
|---|-------------|-------------|------------|---------|-----------|-------------|
| RON Thousand | Retall | Corporate | CC | GCM | GCIB | Group |
| Cash and balances with central banks | 115 | 27,306 | 10,297,513 | _ | | 10,324,934 |
| Loans and advances to credit institutions | 195,330 | 35,410 | 869,095 | 375 | | 1,100,210 |
| Loans and advances to customers | 23,622,480 | 21,220,437 | 166,879 | - | 8,366,530 | 53,376,326 |
| Risk provisions for loans and advances | (2,281,358) | (2,586,095) | (99) | - | (705,249) | (5,572,801) |
| Denvatives financial instruments | | - | 86,487 | * | - | 86,487 |
| Trading assets | - | - | - | 701,698 | - | 701,698 |
| Financial assets - Designated at fair value through P&L | - | 25,134 | 16,820 | - | • | 41,954 |
| Fnancial assets - Available for sale | - | 286,480 | 4,958,021 | • | - | 5,244,501 |
| Financial assets - Held to maturity | 805,780 | 50,434 | 7,155,607 | | - | 8,011,821 |
| Intangible assets | 97,325 | - | 342,495 | - | - | 439,820 |
| Property and equipment | 2,337 | 5 | 1,582,379 | - | - | 1,584,721 |
| Tax assets | 4,159 | - | 220,189 | | - | 224,348 |
| Other assets | 303,302 | 89,017 | 568,924 | 104 | 7,636 | 968,983 |
| Assets held for sale | *_ | - | 212,663 | | | 212,663 |
| TOTAL ASSETS | 22,749,470 | 19,148,128 | 26,476,973 | 702,177 | 7,668,917 | 76,745,665 |

| RON Thousand | Retail | Local Corporate | СС | GCM | GCIB | Group |
|--|------------|--------------------|------------|-----------|-----------|------------|
| Deposits by banks | 988,477 | 460,901 | 21,457,016 | * | | 22,906,394 |
| Customer deposits & Debt securities in issue | 29,964,285 | 4,322,656 | 1,219,395 | 2,493,603 | 2,797,181 | 40,797,120 |
| Denvatives financial instruments | | | 1,854,888 | - | | 1,854,888 |
| Other provisions | 6,484 | 58,468 | 136,668 | - | 104,158 | 305,778 |
| Tax liabilities | 28,919 | - | 509,579 | ** | | 538,498 |
| Other liabilities | 66,066 | 20,558 | 681,522 | 453 | 3,396 | 771,995 |
| Subordinated liabilities | - | - | 2,024,690 | - | - | 2,024,690 |
| Total Equity | 1,776,809 | 2,092,242 | 2,638,504 | 62,309 | 976,438 | 7,546,302 |
| TOTAL LIABILITIES AND EQUITY | 32,831,040 | 6,954,825 | 30,522,262 | 2,556,365 | 3,881,173 | 76,745,665 |

Consolidated and Bank for the year ended 31 December 2011

3. SEGMENT INFORMATION (continued)

Group - Business segments 2010

| | | Local | | | | |
|---|-------------|-----------|----------|----------|-----------|-------------|
| RON Thousand | Retail | Corporate | CC | GCM | GCIB | Group |
| Net interest Income | 2,415,724 | 1,027,157 | (73,458) | 19,111 | 361,229 | 3,749,763 |
| Risk Provisions for Loans and Advances | (795,387) | (904,657) | 3,559 | | (301,183) | (1,997,668) |
| Net Commission Income | 59,639 | 152,908 | 138,192 | (918) | 114,553 | 464,374 |
| Net Trading Result | 109,466 | 44,943 | (20,218) | 175,068 | 1,792 | 311,051 |
| General Administrative Expenses | (1,453,962) | (240,907) | 127,190 | (30,374) | (73,753) | (1,671,806) |
| Other Operating Result | (121,091) | (21,245) | (96,092) | (292) | (19,808) | (258,528) |
| Result from financial assets - Designated at fair value through P&L | _ | (533) | (12,975) | 14,081 | - | 573 |
| Result from financial assets - Available for sale | 84 | 154 | 44,585 | (671) | | 44,152 |
| Profit before tax | 214,473 | 57,820 | 110,783 | 176,005 | 82,830 | 641,911 |
| Income tax expense | (37,058) | (3,260) | (52,459) | (35,448) | (46,044) | (174,269) |
| Profit for the year | 177,415 | 54,560 | 58,324 | 140,557 | 36,786 | 467,642 |

| | | Local | | | | |
|---|-------------|-------------|------------|-----------|-----------|-------------|
| RON Thousand | Retall | Corporate | CC | GCM | GCIB | Group |
| Cash and balances with central banks | 17 | 24,484 | 9,520,882 | 12 | | 9,545,395 |
| Loans and advances to credit institutions | 125,928 | 72,253 | 1,573,009 | 548 | - | 1,771,738 |
| Loans and advances to customers | 23,745,220 | 20,417,211 | 697,045 | - | 7,379,121 | 52,238,597 |
| Risk provisions for loans and advances | (2,474,996) | (1,691,700) | (191,708) | - | (486,506) | (4,844,910) |
| Trading assels | * | - | - | 966,944 | - | 966,944 |
| Financial assets - Designated at fair value through P&L | _ | 23,964 | 17,999 | - | - | 41,963 |
| Fnancial assets - Available for sale | - | 235,466 | 3,624,738 | 65,167 | - | 3,925,371 |
| Financial assets - Held to maturity | 443,665 | 133 | 4,998,420 | - | - | 5,442,218 |
| Intangible assets | 103,649 | - | 320,671 | - | - | 424,320 |
| Property and equipment | 3,231 | 324 | 1,690,373 | 10 | - | 1,693,938 |
| Tax assels | 2,337 | - | 244,236 | - | - | 246,573 |
| Other assets | 211,342 | 104,378 | 1,791,572 | 268 | 23,349 | 2,130,909 |
| Assets held for sale | | - | 29,429 | | | 29,429 |
| TOTAL ASSETS | 22,160,393 | 19,186,513 | 24,316,666 | 1,032,949 | 6,915,964 | 73,612,485 |

| RON Thousand | Retail | Local Corporate | СС | GCM | GCIB | Group |
|--|------------|--------------------|------------|--------|-----------|------------|
| Deposits by banks | 1,487,386 | 150,525 | 20,185,621 | _ | | 21,823,532 |
| Repurchase agreements | - | - | 1,886 | - | - | 1,886 |
| Customer deposits & Debt securities in issue | 28,057,081 | 4,971,143 | 703,413 | - | 4,733,476 | 38,465,113 |
| Derivatives financial instruments | | - | 1,788,377 | - | - | 1,788,377 |
| Other provisions | 5,146 | 99 | 248,706 | - | - | 253,951 |
| Tax liabilities | 23,763 | 96 | 496,171 | 101 | | 520,131 |
| Other liabilities | (115,233) | 165,872 | 1,630,829 | | 7,047 | 1,688,515 |
| Subordinated liabilities | | 17,142 | 1,950,175 | ** | - | 1,967,317 |
| Total Equity | 1,530,642 | 1,394,232 | 3,484,379 | 56,738 | 637,672 | 7,103,663 |
| TOTAL LIABILITIES AND EQUITY | 30,988,785 | 6,699,109 | 30,489,557 | 56,839 | 5,378,195 | 73,612,485 |

3. SEGMENT INFORMATION (continued)

Bank - Business segments 2011

| | | Local | | | | |
|---|-------------|-------------|-----------|----------|-----------|-------------|
| RON Thousand | Retall | Corporate | CC | GCM | GCIB | Bank |
| Net Interest Income | 1,917,226 | 891,420 | 170,871 | (34,807) | 312,395 | 3,257,105 |
| Risk Provisions for Loans and Advances | (662,813) | (1,085,768) | (870) | - | (312,681) | (2,062,132) |
| Net Commission Income | 365,550 | 160,792 | (101,175) | 12,013 | 113,536 | 550,716 |
| Net Trading Result | 104,131 | 42,379 | 48,692 | 203,210 | 10,910 | 409,322 |
| General Administrative Expenses | (1,349,193) | (229,295) | (43,387) | (33,180) | (74,277) | (1,729,332) |
| Other Operating Result | (69,879) | (10,207) | (82,622) | 5,734 | 873 | (156,101) |
| Result from financial assets - Designated at fair value through | | | | | | |
| P&L | - | (43) | (1,185) | - | - | (1,228) |
| Result from financial assets - Available for sale | - | - | 26,220 | - | - | 26,220 |
| Profit before tax | 305,022 | (230,722) | 16,544 | 152,970 | 50,756 | 294,570 |
| Income tax expense | (43,932) | 33,231 | (9,585) | (22,032) | (7,310) | (49,628) |
| Profit for the year | 261,090 | (197,491) | 6,959 | 130,938 | 43,446 | 244,942 |

| | | Local | | | | |
|---|-------------|-------------|--------------------|---------|-----------|-------------|
| RON Thousand | Retail | Corporate | CC | GCM | GCIB | Bank |
| Cash and balances with central banks | - | - | 10,2 90,771 | | * | 10,290,771 |
| Loans and advances to credit institutions | | - | 1,006,357 | - | - | 1,006,357 |
| Loans and advances to customers | 21,218,327 | 20,026,117 | 1,594,697 | - | 8,270,326 | 51,109,467 |
| Risk provisions for loans and advances | (1,325,435) | (2,111,743) | - | - | (681,855) | (4,119,033) |
| Derivatives financial instruments | | - | 85,036 | - | - | 85,036 |
| Trading assets | - | - | - | 701,698 | - | 701,698 |
| Financial assets - Designated at fair value through P&L | - | 25,134 | 16,820 | | * | 41,954 |
| Fnancial assels - Available for sale | - | 254,242 | 5,904,479 | - | - | 6,158,721 |
| Financial assets - Held to maturity | | | 7,155,608 | - | - | 7,155,608 |
| Intangible assets | | - | 243,528 | - | - | 243,528 |
| Property and equipment | - | | 535,398 | - | - | 535,398 |
| Tax assets | | - | 177,284 | | - | 177,284 |
| Other assets | | | 497 ,042 | - | | 497.042 |
| TOTAL ASSETS | 19,892,892 | 18,193,750 | 27,507,020 | 701,698 | 7,588,471 | 73,883,831 |

| | | Local | | | | |
|--|------------|-----------|------------|-----------|-----------|------------|
| RON Thousand | Retall | Corporate | CC | GCM | GCIB | Bank |
| Deposits by banks | 54 | | 20,742,059 | - | - | 20,742,113 |
| Customer deposits & Debt securities in issue | 29,055,900 | 4,268,692 | 1,328,275 | 2,493,603 | 2,797,181 | 39,943,651 |
| Derivatives financial instruments | 4 | - | 1,854,888 | - | - | 1,854,888 |
| Other provisions | 6,453 | 58,468 | 128,766 | - | 104,158 | 297,845 |
| Tax liabilities | | | 506,256 | • | - | 506,256 |
| Other llabilities | | - | 666,891 | - | - | 666,891 |
| Subordinated flabilities | | - | 2,024,690 | - | - | 2,024,690 |
| Total Equity | 1,587,352 | 2,009,038 | 3,220,323 | 62,285 | 968,499_ | 7,847,497 |
| TOTAL LIABILITIES AND EQUITY | 30,649,759 | 6,336,198 | 30,472,148 | 2,555,888 | 3,869,838 | 73,883,831 |

for the year ended 31 December 2011

3. SEGMENT INFORMATION (continued)

Bank - Business segments 2010

| | | Local | | | | |
|---|-------------|-----------|----------|----------|-----------|-------------|
| RON Thousand | Retail | Corporate | CC | GCM | GCIB | Bank |
| Net Interest Income | 2,199,799 | 981,167 | 125,307 | 19,033 | 328,632 | 3,653,938 |
| Risk Provisions for Loans and Advances | (698,651) | (765,506) | 19,108 | • | (281,968) | (1,727,017) |
| Net Commission Income | 44,991 | 151,393 | 131,445 | (914) | 113,937 | 440,852 |
| Net Trading Result | 111,111 | 41,297 | (36,701) | 175,067 | 1,792 | 292,566 |
| General Administrative Expenses | (1,385,260) | (231,120) | 27,445 | (29,628) | (70,149) | (1,688,712) |
| Other Operating Result | (58,896) | (6,889) | (58,369) | (57) | (6,263) | (130,474) |
| Result from financial assets - Designated at fair value through P&L | - | (533) | (12,975) | 14,082 | • | 574 |
| Result from financial assets - Available for sale | 84 | 154 | 38,791 | (665) | • | 38,364 |
| Profit before tax | 213,178 | 169,963 | 234,051 | 176,918 | 85,981 | 880,091 |
| Income lax expense | (35,920) | (28,639) | (39,401) | (29,811) | (14,488) | (148,259) |
| Profit for the year | 177,258 | 141,324 | 194,650 | 147,107 | 71,493 | 731,832 |

| | | Local | | · | <u>-</u> | |
|---|-------------|-------------|------------|-----------|-----------|-------------|
| RON Thousand | Retail | Corporate | CC | GCM | GCIB | Bank |
| Cash and balances with central banks | | - | 9,468,523 | • | - | 9,468,523 |
| Loans and advances to credit institutions | - | | 1,455,735 | • | - | 1,455,735 |
| Loans and advances to customers | 21,204,935 | 19,194,594 | 1,315,928 | | 6,892,310 | 48,607,767 |
| Risk provisions for loans and advances | (1,613,570) | (1,258,624) | (151,651) | • | (423,104) | (3,446,949) |
| Trading assets | * | | • | 966,944 | | 966,944 |
| Financial assets - Designated at fair value through P&L | - | 23,964 | 17,999 | | | 41,963 |
| Fnancial assets - Available for sale | - | 184,879 | 4,713,601 | 65,115 | - | 4,963,595 |
| Financial assets - Held to maturity | | - | 4,998,420 | | - | 4,998,420 |
| Intangible assets | - | - | 220,638 | - | - | 220,638 |
| Property and equipment | | - | 751,276 | • | - | 751,276 |
| Tax assets | | | 189,527 | - | - | 189,527 |
| Other assets | | | 1,727,748 | | | 1,727,748 |
| TOTAL ASSETS | 19,591,365 | 18,144,813 | 24,707,744 | 1,032,059 | 6,469,206 | 69,945,187 |

| | | Local | | | | |
|---|------------|-----------|------------|--------|-----------|------------|
| RON Thousand | Retall | Corporate | CC | GCM | GCIB | Bank |
| Deposits by banks | | | 18,902,313 | - | • | 18,902,313 |
| Repurchase agreements | | • | 1,886 | • | - | 1,886 |
| Customer deposits & Debt securiues in issue | 27,552,212 | 4,900,362 | 739,273 | - | 4,733,476 | 37,925,323 |
| Trading liabilities | | | 1,788,377 | • | - | 1,788,377 |
| Other provisions | | | 226,471 | - | - | 226,471 |
| Tax habilities | | - | 465,990 | - | - | 465,990 |
| Other (abilities | | - | 1,547,872 | - | | 1,547,872 |
| Subordinated liabilities | | - | 1,967,317 | - | | 1,967,317 |
| | 1,196,610 | 1,281,496 | 3,995,983 | 55,949 | 589,600 | 7,119,638 |
| Total Equity Total Liabilities and Equity | 28,748,622 | 6,181,858 | 29,635,482 | 55,949 | 5,323,076 | 69,945,187 |

4. INTEREST AND SIMILAR INCOME

| | Grou | р | Bank | |
|--|-----------|-----------|-----------|-----------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Due from banks | 141,804 | 181,392 | 140,013 | 176,102 |
| Loans and advances to customers | 4,563,976 | 5,171,416 | 4,554,125 | 4,816,650 |
| Financial investments – available-for-sale | 314,400 | 239,965 | 313,251 | 239,332 |
| Financial investments – held-to-maturity | 510,570 | 332,344 | 464,528 | 308,915 |
| Interest from derivatives | 604,500 | 960,070 | 600,853 | 960,070 |
| Dividend income | 6,294 | 2,950 | 112,772 | 131,706 |
| Rental income | 5,868 | 11,222 | 9,969 | 12,172 |
| Rental income of investment properties | 1,731 | | | |
| Other | 10,879 | 13,588 | 2,577 | 3,120 |
| | 6,160,022 | 6,912,947 | 6,198,088 | 6,648,067 |

Interest from derivatives includes the interest received from interest rate swap and cross currency swap transactions.

5. INTEREST AND SIMILAR EXPENSE

| | Grou | p | Bank | |
|--------------------------------------|-----------|-----------|-----------|-----------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Due to banks | 1,100,757 | 1,224,171 | 1,033,412 | 1,066,677 |
| Due to customers | 1,502,163 | 1,530,006 | 1,489,057 | 1,518,447 |
| Debt issued and other borrowed funds | 56,995 | 30,999 | 53,348 | 30,999 |
| Interest from derivatives | 200,474 | 207,180 | 197,287 | 207,180 |
| Subordinated liabilities | 154,310 | 161,662 | 154,310 | 161,661 |
| Other | 13,570 | 9,166 | 13,569 | 9,165 |
| | 3,028,269 | 3,163,184 | 2,940,983 | 2,994,129 |

6. NET FEES AND COMMISSION INCOME

| | Grou | <u> </u> | Bank | |
|---------------------------------------|--------------------|--------------------|--------------------|-------------------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Lending business | 162,872 | 160,919 | 160,827 | 157,661 |
| Payment transfers Other fees received | 558,145 162,458 | 603,346 105,872 | 568,239 110,894 | 608,115 64,642 |
| Total fees and commission income | 883,475 | 870,137 | 839,960 | 830,418 |
| Lending business | 116,861 | 268,564 | 118,580 | 266,944 |
| Payment transfers Other fees paid | 147,773 38,760 | 115,843 21,356 | 146,383 24,281 | 113,799 8,823 |
| Total fees and commission expense | 303,394 | 405,763 | 289,244 | 389,566 |
| Net fees and commission income | 580,081 | 464,374 | 550,716 | 440,852 |

for the year ended 31 December 2011

7. NET TRADING INCOME

| | Grou | <u>р</u> | Banl | (|
|---|--------------------|-------------------|---------------------------|--------------------------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Debt securities and equity investments (i) | 97,560 | 68,147 | 97,560 | 68,147 |
| Net realized foreign exchange gains from foreign exchange transactions (ii) | 325,971 | 213,549 | 319,035 | 213,549 |
| Net effect of translation of foreign currency denominated asset and liabilities Net trading income | (1,147) 422,384 | 29,355 311,051 | (7,273) 409,322 | 10,870 292,566 |

⁽i) Net trading income from debt securities and equity investments classified as trading includes the effect of buying and selling, and changes in the fair value of investments.

8. OTHER OPERATING INCOME

| RON Thousand | Group | | Bank | |
|--|---------|--------|---------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Gains from sales of available-for-sale financial investments (i) | 101,421 | 47,531 | 127,259 | 41,743 |
| Gains/(losses) from sales of fixed assets (ii) | - | 3,767 | * | (46,498) |
| Net gain from disposal of commodities | 30,827 | 565 | 30,827 | 565 |
| Release of provisions for litigations (Note 30) | 4,197 | 2,694 | 3,825 | 2,582 |
| Other (iii) | 48,478 | 21,495 | 25,721 | 25,545 |
| • • | 184,923 | 76,052 | 187,632 | 23,937 |

⁽i) Included in "Gains/(losses) from sales of available-for-sale financial investments" are the amounts transferred from equity to profit or loss upon derecognizing available-for-sale investments.

⁽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.

⁽ii) During 2010 BCR Bank sold land and buildings to BCR subsidiaries specialized in real estate management, which are fully consolidated in BCR Group.

⁽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.

9. CREDIT LOSS EXPENSE

| RON Thousand | Group | | Bank | |
|---------------------------------|-----------|-----------|-----------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Loans and advances to customers | | | | |
| Retail | 716,776 | 795,387 | 656,360 | 698,651 |
| Local Corporate | 1,039,387 | 902,604 | 1,031,732 | 763,453 |
| Real Estate | 275,219 | 240,396 | 274,730 | 232,798 |
| Group large corporate | 56,567 | 28,570 | 38,930 | 16,953 |
| Corporate Center | 7,393 | (3,559) | 870 | (19,108) |
| | 2,095,342 | 1,963,398 | 2,002,622 | 1,692,747 |
| Financial guarantee contracts | 59,510 | 34,270 | 59,510 | 34,270 |
| | 2,154,852 | 1,997,668 | 2,062,132 | 1,727,017 |

Financial guarantee expense is allocated mainly to the Local Corporate segment.

10. PERSONNEL EXPENSES

| RON Thousand | Group | | Bank | |
|--|---------|---------|---------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Wages and salaries | 653,284 | 644,227 | 582,009 | 561,102 |
| Social security costs | 213,143 | 209,852 | 190,271 | 191,252 |
| Benefit paid on normal age retirement – Defined benefit plan costs (Note 31) | | | | |
| Interest cost | 3,197 | 5,733 | 4,254 | 5,733 |
| Current service cost | 5,738 | 7,068 | 5,622 | 7,068 |
| Past Service Cost | 783 | 2,362 | 783 | 2,362 |
| Total defined benefit plan costs | 9,718 | 15,163 | 10,659 | 15, 163 |
| Contribution pension plan | 3,139 | 4,451 | 2,525 | 2,509 |
| • | 879,284 | 873,693 | 785,464 | 770,026 |

The number of employees of the Bank at 31 December 2011 was 8,084 employees (31 December 2010 was 8,020 employees). The number of the employees of the Group at 31 December 2011 was 9,245 employees (31 December 2010 was 9,130 employees). The expenses with the key management remuneration during 2011was of RON 11,947 thousand (2010: RON 15,133 thousand).

11. OTHER OPERATING EXPENSES

| RON Thousand | Group | | Bank | |
|---|-----------------|---------|-----------|---------|
| | 2011 | 2010 | 2011 | 2010 |
| Advertising and marketing | 60,948 | 59,053 | 50,507 | 48,045 |
| Administrative | 545,259 | 542,327 | 717,200 | 703,030 |
| Payment into deposit insurance fund | 104,012 | 63,785 | 102,578 | 63,388 |
| Allocation of impairment of financial assets available-for-sale (i) | 1,039 | 3,379 | 151,039 | 3,379 |
| Allocation of impairment of assets held for sale | 35,083 | 72,222 | - | - |
| Selling losses from properties and movables | 1,485 | 4,735 | 4,372 | |
| Other | 163, 117 | 146,307 | 50,305 | 49,280 |
| | 910,943 | 891,808 | 1,076,001 | 867,122 |

(i) Impairment of available for sale shares and investments (Note 19).

Financial audit fees for the Group in 2011 were RON 3,621 thousand (2010: RON 3,723 thousand).

12. TAXATION

Consolidated income statement

The components of income tax expense are:

| | Group | | Bank | |
|--|--------|---------|----------------|---------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Current income tax | 14,163 | 45,294 | 12,243 | 18,049 |
| Deferred tax relating to origination and reversal of temporary differences | 34,519 | 128,975 | 37 ,385 | 130,210 |
| Income tax expense reported in the income statement | 48,682 | 174,269 | 49,628 | 148,259 |

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 2011 and 2010 is as follows:

| RON Thousand | Grou | Group | | Bank | |
|---|----------|----------------|----------|----------|--|
| | 2011 | 2010 | 2011 | 2010 | |
| Accounting profit before tax | 119,607 | 641,911 | 294,570 | 880,091 | |
| At statutory income tax rate of 16% (2010: 16%) | 19,367 | 102,874 | 55,131 | 140,815 | |
| Effect of different tax rates in other countries | 2,134 | 16,062 | - | - | |
| Income not subject to tax | (31,373) | (1,883) | (48,374) | (21,413) | |
| Non deductible expenses | 58,554 | 57 .216 | 42,871 | 28,857 | |
| Income tax expense reported in the income statement | 48,682 | 174,269 | 49,628 | 148,259 | |
| The effective tax rate | 40.70% | 27.15% | 16.85% | 16.85% | |

12. TAXATION (continued)

Consolidated statement of changes in equity

for the year ended 31 December 2011

Deferred tax liability related to items charged or credited during the year directly to equity holders of the parent, in other comprehensive income, is as follows:

GROUP

| | 2011 | 2011 | 2011 | 2011 | 2011 | 2010 | 2010 | 2010 | 2010 |
|--|--------------------------------|----------------------------|-------------------------------|----------------------------------|--------|--------------------------------|----------------------------|----------------------------------|---------|
| RON Thousand | Available-for- sale reserve | Net investment hedge | Cash flow hedge reserve | Actuarial gains / (losses) | Total | Available-for- sale reserve | Net Investment hedge | Actuarial gains / (losses) | Total |
| At 1 January | (5,601) | (5,270) | | 13,180 | 2,309 | (8,652) | (3,857) | 9,546 | (2,963) |
| Net gain of financial investments (available-for-sale) | (951) | - | • | - | (951) | 3,051 | - | - | 3,051 |
| Net investment hedge | | 5,270 | - | | 5,270 | - | (1,413) | - | (1,413) |
| Actuarial gains / (losses) | | | | 2,249 | 2,249 | - | • | 3,634 | 3,634 |
| Net gain from cash flow hedge | - | • | 1,634 | | 1,634 | - | | - | • |
| Al 31 December | (6,552) | | 1,634 | 15,429 | 10,511 | (5,601) | (5,270) | 13,180 | 2,309 |

BANK

| | 2011 | 2011 | 2011 | 2011 | 2010 | 2010 | 2010 |
|--|--------------------------------|----------------------------------|-------------------------------|---------|-----------------------------------|----------------------------------|-------|
| RON Thousand | Available-for- sale reserve | Actuarial gains / (losses) | Cash flow hedge reserve | Total | Available- for-sale reserve | Actuarial gains / (losses) | Total |
| Al 1 January | (5,826) | 13,176 | | 7,350 | (8,620) | 9,696 | 1,076 |
| Net gain of financial investments (available-for-sale) | (1,003) | - | - | (1,003) | 2,794 | | 2,794 |
| Actuanal gains / (losses) | • | 2,249 | - | 2,249 | - | 3,480 | 3,480 |
| Net gain from cash flow hedge | | | 1,634 | 1,634 | - | - | |
| At 31 December | (6,829) | 15,425 | 1,634 | 10,230 | (5,826) | 13,176 | 7,350 |

12. TAXATION (continued)

The deferred tax included in the statement of financial position and changes recorded in the income tax expense, in profit or loss, are as follows:

| | Deferred tax asset | Deferred tax liability | Income statement | Deferred tax asset | Deferred tax liability | Income statement |
|--|--------------------|---------------------------|---------------------|-----------------------|---------------------------|---------------------|
| RON Thousand | 2011 | 2011 | 2011 | 2010 | 2010 | 2010 |
| A d a second to the discount | | (570.724) | (06.034) | | (482,800) | (149,515 |
| Loans to customers, credit institutions | • | (579,734) | (96,934) | • | 5,601 | (110,010 |
| Available-for-sale reserve | • | 6,559 | (000) | - | - | 4 040 |
| Financial assets designated at fair value through profit or loss | - | - | (306) | - | 306 | 1,048 |
| Financial investments – available-for-sale | - | 141 | 31,916 | - | (31,775) | 2 |
| Held to maturity portfolio | | - | 11,308 | • | (11,308) | (735 |
| Intangible assets | - | (6,429) | 4,490 | - | (10,919) | 2,930 |
| Property and equipment | | (19,600) | (35,470) | 19,650 | (3,780) | (8,324 |
| Other assets | - | (2,945) | 4,669 | • | (7,614) | 6,669 |
| Fax losses carried forward (including current year) | 46,920 | 65,484 | 68,116 | 33,962 | 10,326 | 12,772 |
| Cash Flow hedge | - | (1,634) | - | - | | • |
| Amounts owed to customers, credit institutions | - | - | 146 | | (146) | 176 |
| Provisions for retirement benefits | - | (7,781) | (9,925) | - | 4,393 | (3,781 |
| Other provisions | - | - | (11,944) | | 11,944 | 6,157 |
| Other liabilities | - | 11,512 | (585) | • | 12,097 | 3,626 |
| Net investment hedge | - | - | • | - | 5,270 | |
| • | 46,92 | (534,427) | (34,519) | 53,612 | (498,405) | (128,975 |

| DAUK | Deferred tax | Deferred tax | Income | Deferred tax | Deferred tax | Income |
|--|--------------|--------------|-----------|--------------|--------------|-----------|
| | asset | liability | stalement | asset | liability | statement |
| RON Thousand | 2011 | 2011 | 2011 | 2010 | 2010 | 2010 |
| Loans to customers, credit institutions | | (560,807) | (102,053) | - | (458,754) | (153,194) |
| Available-for-sale reserve | | 6,829 | | + | 5,826 | - |
| Financial assets designated at fair value through profit or loss | * | • | (1,091) | - | 1,091 | 1,046 |
| Financial investments – available-for-sale | - | • | 30,855 | - | (30,855) | 38 |
| Held to maturity portfolio | | - | 734 | | (734) | (734) |
| Intangible assets | ~ | (5,830) | (4,602) | + | (1,228) | 12,216 |
| Property and equipment | - | (27,665) | (22,907) | | (4,758) | (10,011) |
| Other assets | - | | 6,141 | | (6,141) | 6,848 |
| Tax losses carried forward (including current year) | - | 77,306 | 77,306 | - | - | - |
| Cash Flow hedge | | (1,634) | | _ | - | - |
| Amounts owed to customers, credit institutions | | | 147 | - | (147) | 122 |
| Provisions for retirement benefits | | (7,601) | (16,136) | - | 10,784 | 9,272 |
| Other provisions | - | | (17,531) | | 17,531 | • |
| Other liabilities | | 13,146 | 11,752 | | 1,395 | 4,187 |
| Alife intended | | - (506,256) | (37,385) | | - (465,990) | (130,210 |

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

13. COMPONENTS OF OTHER COMPREHENSIVE INCOME

| | Grou | <u> </u> | Bank | |
|--|------------------|----------|---------|----------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Net gain/(loss) on available-for-sale financial investments | (5,183) | (18,415) | (5,231) | (18,355) |
| Reclassification for gain/(loss) included in income statement | 1,587 | 35,816 | (1,039) | 35,821 |
| Exchange differences on translation of foreign operations | 11,621 | 7,521 | - | - |
| Reclassification for gain/(loss) included in profit or loss on translation of foreign | | | | |
| operations | (138,214) | | - | - |
| Net gain from cash flow hedges | 10,212 | - | 10,212 | - |
| Net loss on hedge of net investment | (5,528) | (6,208) | - | - |
| Net gain included in profit or loss on closing the net investment hedge | 38,466 | - | - | - |
| Actuarial gains on defined benefit plans | 14,059 | 21,753 | 14,056 | 21,753 |
| Income tax relating to the components of other comprehensive income | (8,195) | (5,234) | (2,880) | (6,274) |
| • | (81 ,175) | 35,233 | 15,118 | 32,945 |

14. DIVIDENDS PAID

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

No dividends were paid in 2011 and 2010.

15. CASH AND BALANCES WITH CENTRAL BANKS

| | Grou | Bank | | |
|---|----------------------|----------------------|----------------------|----------------------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Cash on hand (Note 35) Current account with the central banks (Note 35) | 876,818 9.448,116 | 995,116 8,550,279 | 870,069 9,420,702 | 983,537 8,484,986 |
| | 10,324,934 | 9,545,395 | 10,290,771 | 9,468,523 |

The current accounts held by the Bank with National Bank of Romania are for compliance with the minimum reserve requirements. Mandalory reserve rates were for RON 15% (December 2010: 15%) and for foreign currencies 20% (December 2010: 25%).

The mandatory minimum reserve level calculated for 31 December 2011 is EUR 761,616 thousand and RON 4,999,445 thousand (for 31 December 2010 is EUR 996,740 thousand and RON 4,128,162 thousand).

16. DUE FROM BANKS

| | Grou | Group | | |
|--|--|--------------------------------------|---------------------------------------|--------------------------------------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Nostro account Placements with the central banks (i) Placements with other banks Loans and advances to banks | 81,377 19,145 898,000 101,688 | 67,488 416 1,659,878 43,956 | 78,910 19,145 836,088 72,214 | 57,728 416 1,353,635 43,956 |
| LOGIS and advances to pains | 1,100,210 | 1,771,738 | 1,006,357 | 1,455,735 |

(i) Placements with the Central Bank represent collateral deposits for ongoing litigations.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets Held for Trading

| RON Thousand | Group | Bank | | |
|-------------------------------|---------|---------|---------|---------|
| | 2011 | 2010 | 2011 | 2010 |
| Listed equity investments (i) | 3,005 | 1,195 | 3,005 | 1,195 |
| Unlisted debt securities (ii) | 698,693 | 956,773 | 698,693 | 956,773 |
| Listed bonds | - | 8,976 | - | 8,976 |
| | 701,698 | 966,944 | 701,698 | 966,944 |

Financial assets designated at fair value through profit or loss

| | Group | | | _ |
|---|--------------------------|---------------------------|--------------------------|---------------------------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Listed equity investments (i) Listed debt securities (iii) Unlisted equity investments (iv) | 9,373 25,134 7,447 | 10,389 23,963 7,611 | 9,373 25,134 7,447 | 10,389 23,963 7,611 |
| onisco edoky mrasanoma (m) | 41,954 | 41,963 | 41,954 | 41,963 |

- (i) Listed equity investments include shares issued by Financial Investment Companies (SIFs), Erste Bank, BRD and Daimler and quoted on Bucharest Stock Exchange
- (ii) Unlisted debt securities include Romanian treasury bills;
- (iii) Debt securities issued by municipalities;
- (iv) Unlisted equity investments include investments in units funds administered by Erste Asset Management.

18. LOANS AND ADVANCES TO CUSTOMERS

| | Groui | Group | | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Public sector Commercial customers Private customers | 5,100,979 24,730,747 23,544,600 | 6,756,286 22,869,571 22,612,740 | 5,100,968 24,856,099 21,152,401 | 6,606,271 21,082,960 20,918,536 |
| | 53,376,326 | 52,238,597 | 51,109,468 | 48,607,767 |
| Less: Allowance for impairment losses | (5,572,801) | (4,844,910) | (4,119,034) | (3,446,949) |
| | 47,803,525 | 47,393,687 | 46,990,434 | 45,160,818 |

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

(a) Allowance for impairment losses

| | Group | | Bank | |
|--------------------------------------|-------------|-----------|-------------|-----------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| At 1 January | 4,844,910 | 3,777,351 | 3,446,949 | 2,883,177 |
| Charges for the year (Note 9) | 2,095,342 | 1,963,398 | 2,002,622 | 1,692,747 |
| Recoveries | | 12,177 | - | • |
| Amounts written off (i) | (1,073,548) | (769,350) | (1,033,460) | (971,494) |
| Effect of change in foreign exchange | 39,117 | 51,515 | 35,943 | 32,700 |
| Interest accrued on impaired loans | (333,020) | (190,181) | (333,020) | (190,181) |
| Al 31 December | 5,572,801 | 4,844,910 | 4,119,034 | 3,446,949 |

(i) During 2011 and 2010 BCR sold doubtful loans to workout companies outside BCR Group and also to workout companies which are BCR subsidiaries and are fully consolidated in BCR Group.

(b) Analysis by sector

| | | Loans to cu | stomers | |
|---|-------------|-------------|-------------|-------------|
| | Grou | p | Bani | |
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Private households | 20,334,238 | 20,188,941 | 18,923,951 | 18,666,326 |
| Banking and insurance | 482,987 | 611,764 | 710,142 | 801,435 |
| Manufacturing | 8,769,044 | 8,362,643 | 8,299,470 | 7,549,222 |
| Construction | 6,112,963 | 5,406,236 | 5,747,479 | 4,929,848 |
| Public administration | 5,606,509 | 6,707,028 | 5,605,329 | 6,623,741 |
| Trade | 4,541,311 | 4,399,405 | 4,053,149 | 3,685,116 |
| Agriculture and forestry | 1,610,503 | 1,546,461 | 1,495,838 | 1,443,917 |
| Transport and communication | 2,230,565 | 1,453,667 | 1,880,577 | 875,671 |
| Other service activities | 647,385 | 708,999 | 499,340 | 544,929 |
| Health and social work | 227,480 | 146,887 | 191,948 | 103,328 |
| Real estate and other business activities | 801,678 | 854,105 | 1,855,283 | 1,720,340 |
| Energy and water supply | 1,218,322 | 937,677 | 1,183,929 | 898,371 |
| Hotels and restaurants | 470,631 | 502,968 | 397,130 | 415,363 |
| Mining | 294,490 | 362,007 | 265,903 | 330,191 |
| Other | 28,220 | 49,809 | - | 19,969 |
| | 53,376,326 | 52,238,597 | 51,109,468 | 48,607,767 |
| Less: allowance for impairment losses | (5,572,801) | (4,844,910) | (4,119,034) | (3,446,949) |
| | 47,803,525 | 47,393,687 | 46,990,434 | 45,160,818 |

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 retail and corporate customers include the following finance lease receivables:

| RON thousand | 2011 | 2010 |
|---|-----------|-----------|
| Gross investment in finance leases | 1,367,605 | 1,821,308 |
| Unearmed finance income | (165,425) | (224,120) |
| Allowance for impairment | (292,504) | (204,520) |
| Net investment in finance leases | 909,675 | 1,392,668 |
| Net investment in finance leases, with remaining maturities | | |
| Less than one year | 237,877 | 423,685 |
| Between one and five years | 594,537 | 749,582 |
| More than 5 years | 77,261 | 219,401 |
| Net investment in finance leases | 909,675 | 1,392,668 |

19. FINANCIAL INVESTMENTS

Available-for-sale

| | Group |) | Bank | |
|---|---------------------|---------------------|--------------------------------|----------------------------------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Listed investments Debt securities Equities | 471,211 17,297 | 403,194 20,670 | 439,265 19,222 | 359,934 17,269 |
| Educac | 488,508 | 423,864 | 458,487 | 377,203 |
| Non-listed investments Other debt securities Unlisted equity securities | 4,709,415 7,684 | 3,469,876 7,446 | 4,709,415 | 3,419,581 |
| Equities: - investments in subsidiaries - other investments | 38,894 4,755,993 | 24,185 3,501,507 | 952,224 38,595 5,700,234 | 1,141,049 25,762 4,586,392 |
| Total available for sale investments | 5,244,501 | 3,925,371 | 6,158,721 | 4,963,595 |

Listed equities include investments in Financial Investment Companies ("SIF's") shares quoted on Bucharest Stock Exchange.

Listed debt securities include state bonds quoted on Bucharest Stock Exchange and bonds issued by municipalities.

Unlisted debt securities available for sale of Group and Bank include treasury bills denominated in RON and foreign currencies, state bonds issued by the Romanian Government in foreign currencies and municipality bonds.

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

All unquoted available—for—sale equities are recorded at fair value except for the Bank's investments in subsidiaries and other companies, in amount of RON 990,819 thousand, which are recorded at cost since their fair values cannot be reliably estimated (2010: RON 1,166,811 thousand). There is no market for this investments and the Bank inlends to hold them for the long term.

19. FINANCIAL INVESTMENTS (continued)

On 31 December 2011, government bonds with a nominal value of RON 89,980 thousand 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.

(i)Movement in investments in subsidiaries:

| Subsidiaries | RON Thousand | Descriprion |
|---|--------------|--|
| Anglo Romanian Bank | (190,731) | liquidation of the participation |
| BCR Chlsinau | 17,296 | Increase in existing capital |
| BCR Asset Management | (617) | liquidation of the participation |
| BCR Pensil, Societate de Administrare a Fondurilor de Pensil Private SA | 20,020 | Increase in existing capital |
| Suport Colect SRL | 97,902 | Increase in existing capital |
| BCR Procesare SRL | 5,758 | Increase in existing capital |
| Good.bee Service RO SRL | 9,646 | Increase in existing capital |
| BCR Payments Services SRL | 1,900 | Increase in existing capital |
| • | (150,000) | Impairement of investments in subsidiaries |
| Total | (188,826 | |

Held-to-maturity

| | Grou | Group | | |
|----------------------------|-------------------|-----------|-----------|-----------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Non-listed debt securities | 1,796,656 | 637,608 | 1,746,127 | 637,608 |
| Listed debt securities | 6,215. 165 | 4,804.610 | 5,409,481 | 4,360,812 |
| | 8,011,821 | 5,442,218 | 7,155,608 | 4,998,420 |

The financial investments held-to-maturity include Romanian Government bonds, being eligible assets with National Bank of Romania.

On 1 November 2009, the Bank reclassified the ISIN RO0717DBN038 from 'Available-for-Sale' to 'Held-to-Maturity' category'. Available-for-sale reserve at the time of reclassification was RON 63 million, which is amortized through profit or loss over the remaining maturity of the instrument using the effective interest rate. At 31 December 2011, the balance of available-for-sale reserve related to this instrument is RON 45 million.

for the year ended 31 December 2011

20. PROPERTY AND EQUIPMENT

| | | Grou | Jp | | | | Bank | |
|---|-----------------------|----------------------|-------------------------------|-----------|-----------------------|----------------------|-------------------------------|---------------|
| RON Thousand | Land and buildings | Computer hardware | Other furniture and equipment | Total | Land and buildings | Computer hardware | Other furniture and equipment | Total |
| | | | | | | | | |
| Cost: | 4 640 000 | 636,878 | 530,535 | 2,785,712 | 476,074 | 631,076 | 496,626 | 1,603,776 |
| At 1 January 2011 | 1,618,299 | 5,864 | 90,131 | 196,024 | 95,703 | 4,949 | 87,004 | 187,656 |
| Additions | 100,029 | - | | (357,430) | (210,616) | (7,900) | - | (401,400) |
| Disposals | (163,970) | (5,544) (14) | | 3,259 | (210,010) | (1,500) | (102,007) | [טטדונטד] |
| Exchange adjustment At 31 December 2011 | 2,641 1,556,999 | 637,184 | | 2,627,565 | 361,161 | 628,125 | 400,746 | 1,390,032 |
| Donnalation and impairments | • | | | | | | | |
| Depreciation and impairment: | 291,713 | 469.000 | 332,041 | 1,091,774 | 70,763 | 452,495 | 329,242 | 852,500 |
| At 1 January 2011 | • | 468,020 (4,990) | • | (217,992) | (33,884) | (7,042) | | (130,872) |
| Disposals | (129,544) | 9,780 | 89,332 | 155,755 | 30,144 | 8,139 | 85,505 | 123,788 |
| Depreciation charge for the year | 56,643 | 3,100 | 7,999 | 10,741 | 1,219 | | 7,999 | 9,218 |
| Impairment | 2,742 | (4.0) | | | 1,215 | | 1,555 | 3,210 |
| Exchange adjustment | 2,388 | (15) | | 2,566 | 68,242 | 453,592 | | 854,634 |
| At 31 December 2010 | 223,942 | 472,795 | 346, 107 | 1,042,844 | 00,242 | 433,392 | 332,000 | 004,004 |
| Net book value: | 4 000 000 | 100.050 | 400.404 | 4 000 000 | 405 044 | 470 504 | 467 204 | 754 176 |
| At 1 January 2011 | 1,326,586 | 168,858 | | 1,693,938 | 405,311 | 178,581 | | 751,276 |
| At 31 December 2011 | 1,333,057 | 164,389 | 87,275 | 1,584,721 | 292,919 | 174,533 | 67,946 | 535,398 |
| <u>Cost</u> | | | | | 707 000 | 400 074 | 744 500 | 4 0 4 4 0 7 2 |
| At 1 January 2010 | 1,687,150 | 310,340 | | 2,760,942 | | | | 1,841,873 |
| Additions | 57,860 | 37,846 | | 179,543 | 26,898 | 34,490 | | 132,560 |
| Disposals | (125,957) | (9,074 | | (154,098) | (348,217) | | | (370,657) |
| Reclassification | | 297,639 | | • | • | 299,548 | (299,548) | • |
| Exchange adjustment | (754) | 121 | | (675) | | | | - |
| At 31 December 2010 | 1,618,299 | 636,87 | 8 530,535 | 2,785,712 | 476,074 | 631,070 | 496,626 | 1,603,776 |
| Depreciation and impairment: | | | | | | | | |
| At 1 January 2010 | 309,025 | 243,77 | 2 481,545 | 1,034,342 | 135,506 | - | • | 843,144 |
| Disposals | (70,712) | (9,038 | (12,780) | (92,530) | (94,583) | (5,932 | | (113,394) |
| Depreciation charge for the year | 53,241 | 66,403 | 30,624 | 150,268 | 29,840 | 65,689 | | 122,750 |
| Reclassification | - | 166,912 | (166,912) | | - | 153,783 | (153,783) | • |
| Exchange adjustment | 159 | (29 | (436) | (306) | - | | <u> </u> | |
| At 31 December 2010 | 291,713 | | | 1,091,774 | 70,763 | 452,49 | 329,242 | 852,500 |
| Net book value: | | | | | | | | |
| At 1 January 2010 | 1,378, 12 5 | 66,57 | 4 281,901 | 1,726,600 | | | | 998,72 |
| At 31 December 2010 | 1,326,586 | 168,85 | 8 198,494 | 1,693,938 | 405,311 | 178,58 | 1 167,384 | 751,270 |

The fair value of land and buildings is RON 1,645,655 thousand for the Group and RON 337,254 thousand 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 2011, and 31 December 2010.

The total cost of the Bank's langible fixed assets fully amortized at the end of 2011 was RON 426,850 thousand, (2010: RON 393,577 thousand)

21. GOODWILL AND OTHER INTANGIBLE ASSETS

| RON Thousand | | G | roup | | Bank |
|----------------------------------|----------------|----------|---------------|----------------|----------|
| | Goodwill | Computer | Customer | Total | Computer |
| | GOOGWIII | software | relationship | Total | software |
| Cost: | | | | | |
| At 1 January 2011 | 46,275 | 519,936 | 106,943 | 673,154 | 455,130 |
| Additions | - | 105,377 | • | 105,377 | 101,046 |
| Reclassification | - | (7,534) | (2,711) | (10,245) | (25,828) |
| Disposals | | 545 | | 545 | |
| At 31 December 2011 | 46,275 | 618,324 | 104,232 | 768,831 | 530,348 |
| A <u>mortization:</u> | | | | - | |
| At 1 January 2011 | - | 243,551 | 5,283 | 248,834 | 234,492 |
| Disposals | - | (6,554) | - | (6,554) | (46) |
| Impairment of goodwill | 34,941 | • | | 34,941 | - |
| Amortization charge for the year | | 46,980_ | 4,810 | 51 ,790 | 52,374 |
| At 31 December 2011 | 34,941 | 283,977 | 10,093 | 329,011 | 286,820 |
| Net book va <u>lue:</u> | | | | • | |
| At 1 January 2011 | 46,275 | 276,385 | 101,660 | 424,320 | 220,638 |
| At 31 December 2011 | 11,334 | 334,347 | 94,139 | 439,820 | 243,528 |
| Cost: | | | | | |
| At 1 January 2010 | 36,552 | 481,709 | 72,547 | 590,808 | 476,799 |
| Additions | 9,723 | 68,435 | 34,502 | 112,660 | 64,850 |
| Disposals | | (30,575) | (106) | (30,681) | (86,519) |
| Exchange adjustment | - | 367 | <u>-</u> | 367 | |
| At 31 December 2010 | 46,275 | 519,936 | 106,943 | 673,154 | 455,130 |
| Amortization: | | | | - | |
| At 1 January 2010 | | 200,753 | 856 | 201,609 | 191,260 |
| Disposals | - | (3,476) | (106) | (3,582) | (1,629) |
| Amortization charge for the year | - | 46,465 | 4,533 | 50,998 | 44,861 |
| Exchange adjustment | - | (191) | - | (191 <u>)</u> | |
| At 31 December 2010 | - | 243,551 | 5,2 83 | 248,834 | 234,492 |
| Net book value: | | | | - | |
| At 1 January 2010 | 36,5 <u>52</u> | 280,956 | | 389,199 | 285,539 |
| At 31 December 2010 | 46,275 | 276,385 | 101,660 | 424,320 | 220,638 |

The intangible assets comprise mainly software and the increase is due to the acquisition of software applications.

Customer 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.

The total cost of the Bank's intangible fixed assets fully amortized at the end of 2011 was RON 220,847 thousand (2010 : RON 160,736 thousand).

for the year ended 31 December 2011

22. OTHER ASSETS

| | Grou | Bank | | |
|---|---------|-----------|---------|-----------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Accrued interest receivable, net of provision for impairment* | | 1,345,624 | | 1,078,087 |
| Prepayments | 58,451 | 78,653 | 34,544 | 61,233 |
| Other receivables net of provisions** | 855,592 | 663,345 | 458,992 | 545,162 |
| Fair value hedge / measurement of hedged item | 3,506 | - | 3,506 | - |
| Investment property | 51,434 | - | - | |
| | 968,983 | 2,087,622 | 497,042 | 1,684,482 |

^{*} Starting 2011 the accrued interest is disclosed within the related interest bearing assets.

Accrued interest receivable

| | Group | Banca |
|--------------------------------------|-----------|-----------|
| RON Thousand | 2010 | 2010 |
| Due from banks | 2,894 | 2,641 |
| Due from customers, net of provision | 1,026,340 | 778,248 |
| Financial instruments – assets | 96,685 | 96,356 |
| Other interest bearing assets | 219,705 | 200,842 |
| - | 1,345,624 | 1,078,087 |

| Investment property | |
|--|-----------------|
| | Group |
| RON Thousand | 2011 |
| Opening balance at 1 January 2011 | |
| Aquisitions of investment properties Depreciation in the year | 52,320 (886) |
| Debieosandi in nie Jesi | 51,434 |

The investment property are presented at cost, and the fair value at 31 December 2011 is RON Thousand 52,704. Depreciation is calculated using the straight-line method and estimated useful lives between 30 to 50 years.

As at 31 December 2011, out of the total of the gross book value, the amount of RON 21,831 thousand (net book value of RON 21,488 thousands) is related to two investment properties for which the counterparty has a first option to buy the asset.

^{**} Other receivables include accrued commissions and receivables from other sundry debtors.

23. DUE TO BANKS

| | Grou | <u></u> | Bank | |
|---------------------------------|------------|------------|------------|------------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Deposits from other banks | 18,773,859 | 17,256,172 | 18,666,188 | 16,940,219 |
| Current accounts of other banks | 199,027 | 97,081 | 199,028 | 93,027 |
| Borrowings and financing lines | 3,933,508 | 4,470,279 | 1,876,897 | 1,869,067 |
| | 22,906,394 | 21,823,532 | 20,742,113 | 18,902,313 |

The lable below contains the financing agreements obtained by the Bank as follows:

- for 2010 the outstanding loans principal
- for 2011 the outstanding loans principal and the accrued interests :

| RON thousand | 2011 | 2010 |
|--|-----------|-----------|
| International Finance Corporation, USA (i) | 287,328 | 408,340 |
| European Bank for Reconstruction and Development for mortgage loans (ii) | 71,557 | 81,503 |
| European Bank for Reconstruction and Development - SME (iii) | 375,055 | 428,480 |
| European Bank for Reconstruction and Development – SMM (iv) | 69,313 | 71,415 |
| EBRD- EEFF (v) | 80,360 | 82,635 |
| EBRD- CSF (vi) | 37,082 | 61,211 |
| European Investment Bank - Global Loan (vii) | 203,611 | 207,099 |
| European Investment Bank - Loans for SMEs (viii) | 328,576 | 128,544 |
| European Investment Bank – Loans for SMEs (ix) | 260,547 | - |
| A bank from Hungary | • | 28,565 |
| A bank from Germany | • | 85,696 |
| A bank from USA | 86,972 | - |
| Other loans | 76,496 | 285,579 |
| Total | 1,876,897 | 1,869,067 |

The main financing agreements obtained by the Bank are presented below, excluding the accrued interest:

i) International Finance Corporation ("IFC")

The Bank has concluded three financing agreements with IFC.

The first agreement was 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 represented USD 75,000,000 and has been fully drawn by the Bank. The reimbursements were due in biannual installments starting with 15 June 2006 and ending on 15 December 2009. Interest payment was 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. As of 31 December 2011 the outstanding loan is EUR 7,649,806 (31 December 2010: 15,299,615). 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.

23. DUE TO BANKS (continued)

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. As of 31 December 2011 the outstanding loan is EUR 15,000,000 (31 December 2010: EUR 30,000,000). 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. As of 31 December 2011 the outstanding loan is EUR 42,857,143 (31 December 2010: 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.

ii) 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 the repayment period started on 17 May 2008. On 30 December 2010 a prepayment in amount of EUR 16,681,584 has been made. The balance was EUR 11,532,869 as of 31 December 2011 (31 December 2010: EUR 13,307,156).

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 2011 the outstanding balance of the loan was of EUR 4,952,381 (31 December 2010: EUR 5,714,285).

iii) 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 2011 lhe outstanding principal is EUR 85,714,286 (31 December 2010: 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.

iv) 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 2011 the outstanding loan principal is EUR 15,979,193 (31 December 2010: EUR 16,666,940). The loan re-payment is made in equal biannual installments on 19 May and 19 November. Interest payment is also made in biannual installments.

23. DUE TO BANKS (continued)

v) 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. Based on the amended dated 31 March 2010 the amount of the facility was increased up to EUR 30,000,000. Under this facility, BCR and also the sub-borrowers are beneficiary of financial incentives to encourage long-term loans as following: for BCR the performance fee (maximum EUR 1,150,000), and free technical assistance for BERD consultancy to promote the loans ad for the training of bank's employees related to the eligible criteria. For sub-borrowers- the incentive of EUR 4,500,000 and free technical assistance to prepare documentation on the investment and to verify implementation.

Committed amount is EUR 18,571,429 at 31 December 2011 (31 December 2010: EUR 19,285,714). Loan repayment is made in biannual installments, on June 12 and December 12 starting from 2010. Interest is paid in half-yearly installments.

At 26 September 2011, BCR concluded a new Loan Agreement with EBRD "Romania SME Sustainable Energy Financing Facility" in an aggregate amount of EUR 20,000,000. Under this facility, the Sub-borrowers will be incentivized from the resources of European Union with Investment Incentives (up to EUR 3,000,000) to pursue higher efficiency investments. Both, BCR and Sub-borrowers will benefit from free technical assistance supported by EBRD Consultants, as follows:

-for BCR to promote the Facility and training the loan officers in identifying eligible project opportunities;

-for Sub-borrowers to prepare technical documentation on complex energy efficiency investments and renewable energy projects and establishing a List of Eligible Measure and Equipment (LEME) and a List of Equipment Suppliers and Installers (LESI) for Small Scale investment and to verify projects implementation. The loan will be repaid in 7 semi-annual installments on February 12 and August 12. As of 31 December 2011 no drawdown was made from this facility.

vi) 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 8,571,429 at 31 December 2011 (31 December 2010: EUR 14,285,714). Loan repayment is made in biannual installments, on June 12 and December 12 starting from 2010. Interest payment is also made in biannual installments.

vii) 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 50,000,000, for financing investment projects of small or medium size, developed by SMEs in any field (except the fields restricted / excluded by 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 2011 the outstanding loan is EUR 46,666,666 (31 December 2010: EUR 48,333,333). 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 was 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.

viii) European Investment Bank (EIB) - Loan for SMEs - A

BCR signed with the EIB on 18 December 2009 the financing for a loan in the overall total of EUR 75,000,000, for financing investments and expenditures incurred in the context of the development of SMEs in the field of agriculture, industry, tourism and services. The loan was contracted with Erste Bank Guarantee.

23. DUE TO BANKS (continued)

As of 31 December 2011 the outstanding loan is EUR 75,000,000 (31 December 2010: EUR 30,000,000). The first tranche amounting EUR 30,000,000 will be repaid in biannual installments, on January 12 and July 12. The first tranche was contracted for 12 years with a grace period of 3 years; the first capital payment will be on 12 July 2013. The second tranche in value of EUR 30,000,000 will be repaid in biannual installments, on January 12 and July 12. The second tranche was contracted for 10 years with a grace period of 3 years; the first capital payment will be on 12 January 2014. The third tranche in value of EUR 15,000,000 will be repaid in biannual installments, on 4 February and 4 August; the first capital payment will be on 4 February 2014. The third tranche was contracted for 12 years with a grace period of 3 years. Interest is paid in half-yearly installments, at the same dates as the principal.

ix) European Investment Bank (EIB) - Loan for SMEs - B

BCR signed with the EIB on 1 April 2011 the financing for a loan in the overall total of EUR 75,000,000, for financing projects promoted by small and medium sized enterprises, mid-caps and public sector authorities in the field of agriculture, industry, tourism, services and other eligible sectors on compliance with eligibility criteria. The loan was contracted with Erste Group Bank Guarantee.

As of 31 December 2011 the outstanding loan is EUR 60,000,000 (31 December 2010: EUR 0). The first tranche amounting EUR 30,000,000 will be repaid in biannual installments, on May 6 and November 6. The first tranche was contracted for 12 years with a grace period of 3 years; the first capital payment will be on 6 May 2014; interest is paid in quarterly installments. The second tranche in value of EUR 30,000,000 will be repaid in biannual installments, on February 26 and August 26. The second tranche was contracted for 12 years with a grace period of 3 years; the first capital payment will be on 26 August 2014; interest is paid in half-yearly installments, at the same dates as the principal.

The final maturities of loans from banks and other financial institutions other than the facilities provided by EBRD, EIB and 1FC, vary between January 2012 and February 2027.

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.

24. ASSETS HELD FOR SALE

Assets held for sale of RON 212,663 thousand in 2011 (RON 29,429 thousand in 2010) comprise repossessed cars and wagons from the leasing activity.

25. DUE TO CUSTOMERS

| | Grou | p | Bank | |
|-------------------------|------------|------------|------------|------------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Corporate customers: | | | | |
| Current accounts | 2,128,145 | 1,767,332 | 2,095,165 | 1,739,013 |
| Term deposits | 7,569,081 | 8,132,202 | 7,788,908 | 8,177,394 |
| Retall customers: | | | | |
| Current/saving accounts | 5,561,867 | 5,197,202 | 5,533,932 | 5,179,374 |
| Term deposits | 24,405,206 | 22,730,200 | 23,524,757 | 22,191,365 |
| | 39,664,299 | 37,826,936 | 38,942,762 | 37,287,146 |

Included in 'Due to customers' were deposits of RON 1,599,674 thousand in 2011 (2010: RON 431,831 thousand) held as collateral for commitments and letters of guaranties.

26. DEBT ISSUED AND OTHER BORROWED FUNDS

| | Group | | Bank | |
|-------------------------|-----------|---------|-----------|---------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Bonds issued | 943,906 | 428,034 | 811,974 | 428,034 |
| Certificates of deposit | 188,915 | 210,143 | 188,915 | 210,143 |
| | 1,132,821 | 638,177 | 1,000,889 | 638,177 |

During 2011 the Bank issued new listed medium term notes denominated in RON in amount of RON 243,410 thousand and listed medium term notes denominated in EUR in amount of EUR 27,200 thousand.

27. SUBORDINATED LIABILITIES

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

• EUR 120,000 thousand 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 the maturity date on 17 April 2018;
- RON 780,000 thousand 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.

As of 31 December 2011 the outstanding nominal amount of subordinated bonds issued by BCR was: EUR 33.5 million and RON 20 million.

28. DERIVATIVE FINANCIAL INSTRUMENTS

| RON Thousand | | 2011 | | 2010 | | |
|--|--------|-------------|--------------------|--------|-------------|------------|
| | Assets | Liabilities | Notional | Assets | Liabilities | Notional |
| Hedging instruments | | | | | | |
| Cross currency and interest rate swaps | 17,036 | 1,783,503 | 10,129,160 | 17,557 | 1,726,250 | 11,626,882 |
| Interest rate swaps | 13,660 | • | 737,648 | 14,755 | 26,524 | 70,000 |
| , | 30,696 | 1,783,503 | 10,866 ,808 | 32,312 | 1,752,774 | 11,696,882 |
| Derivatives-other than hedging Instruments | | | | | | |
| Foreign currency swaps and forward contracts | 12,395 | 10,518 | 3,177,760 | 4,703 | 2,788 | 3,184,084 |
| Interest rate swaps | 37,623 | 52,681 | 2,122,385 | - | 11,744 | 1,828,773 |
| Warrants | 693 | 693 | 129,591 | 1,170 | 180 | 247,993 |
| Options | 4,062 | 3,231 | 1,955,986 | 5,102 | 6,014 | 1,065,998 |
| Cross currency and interest rate swaps | 1,018 | 4,262 | 6,944 | - | 14,877 | 376,346 |
| | 55,791 | 71,385 | 7,392,666 | 10,975 | 35,603 | 6,703,194 |
| TOTAL | 86,487 | 1,854,888 | 18,259,474 | 43,287 | 1,788,377 | 18,400,076 |

Fair value hedges are used by the Bank to protect it against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates. The financial instruments hedged for interest rate risk include bonds issued and deposits. The Bank uses currency swaps to hedge against specifically identified currency risks, and interest rate swaps to hedge interest rate risk. The fair value of hedged items attributable to the hedged risks amounted to RON 268,659 thousand as liabilities, presented in Note 29 (2010: RON 194,757 thousand as liabilities).

29. OTHER LIABILITIES

| | Group | | Bank | |
|---|---------|-----------|---------|-----------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Accrued interest payable* | • | 391,056 | - | 379,284 |
| Accounts payable and sundry creditors | 457,331 | 1,042,577 | 355,272 | 920,169 |
| Deferred income | 46,005 | 60,125 | 42,960 | 53,662 |
| Measurement of hedged item (Fair value hedge) | 268,659 | 194,757 | 268,659 | 194,757 |
| | 771,995 | 1,688,515 | 666,891 | 1,547,872 |

^{*} Starting 2011 the accrued interest is disclosed within the related interest bearing liabilities.

Accrued interest payable related to the following financing sources

| | Group | Bank |
|--------------------------------------|---------|---------|
| RON Thousand | 2010 | 2010 |
| Due to banks | 157,561 | 136,291 |
| Due to customers | 222,591 | 232,089 |
| Debt issued and other borrowed funds | 10,904 | 10,904 |
| | 391,056 | 379,284 |

30. PROVISIONS

| | Grou | Group | | : |
|--|---------|---------|---------|---------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Provision for guarantees off-balance sheet | 170,137 | 109,701 | 170,137 | 109,569 |
| Provision for retirement benefits (Note 31) | 48,973 | 55,660 | 48,839 | 54,582 |
| Provision for litigations | 64,134 | 63,287 | 56,335 | 58,244 |
| Provision for restructuring (i) | 22,534 | 21,227 | 22,534 | |
| Provisions for lay-offs | - | 4,076 | - | 4,076 |
| The state of the s | 305,778 | 253,951 | 297,845 | 226,471 |

⁽i) Provision for restructuring BCR branches in 2011 and London and Bucharest branches of Anglo-Romanian Bank subsidiary in 2010.

30. PROVISIONS (continued)

The movement of provisions during 2011 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 2011 | 21,227 | 63,287 | 4,076 | 109,701 |
| Arising during the year | 22,534 | 7,978 | - | 82,522 |
| Released (Note 8) | | (4,197) | - | - |
| Utilised | (20,947) | (2,585) | (4,076) | (23,012) |
| Exchange-rate difference | (280) | (349) | - | 926 |
| At 31 December 2011 | 22,534 | 64,134 | | 170,137 |

Bank

| RON Thousand | Provision for restructuring | Provision for litigations | Provisions for lay-offs | Provision for guarantees off balance sheet |
|--------------------------|-----------------------------|---------------------------|-------------------------|--|
| At 1 January 2011 | | 58,244 | 4,076 | 109,569 |
| Arising during the year | 22,534 | 4,071 | - | 82,740 |
| Released (Note 8) | - | (3,825) | - | - |
| Utilised | • | (1,909) | (4,076) | (22,830) |
| Exchange-rate difference | | (246) | - | 658 |
| At 31 December 2011 | 22,534 | 56,335 | - | 170,137 |

31. RETIREMENT BENEFIT COSTS

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

| · · · · · · · · · · · · · · · · · · · | Grou | р | Bank | |
|---|----------|----------|----------|----------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Opening defined benefit obligation | 55,660 | 65,444 | 54,582 | 65,444 |
| Interest cost | 3,197 | 5,733 | 4,254 | 5,733 |
| Current service cost | 5,738 | 7,068 | 5,622 | 7,068 |
| Benefits paid | (2,346) | (3,194) | (2,346) | (3,181) |
| Actuarial gains on obligations | (14,059) | (21,753) | (14,056) | (21,753) |
| Past service cost | 783 | 2,362 | 783 | 2,362 |
| Curtailment of benefits/ Transfer of benefits to new subsidiary | - | - | - | (1,091) |
| • | 48,973 | 55,660 | 48,839 | 54,582 |

Defined benefit obligation

According to the collective labor agreement, employees of the Bank 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 2 gross monthly salaries (the subsidiaries), 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. 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.

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

| 2011 | 2010 |
|--------------|-------------------|
| % | % |
| 6.5% | 6.7% |
| 2.5% | 3% |
| ETTL- PAGLER | ETTL- PAGLER |
| | % 6.5% 2.5% |

32. ISSUED CAPITAL AND RESERVES

The statutory share capital of the Bank as at 31 December 2011 is represented by 15,534,355,438 ordinary shares of RON 0.10 each (31 December 2010; 792,468,750 ordinary shares of RON 1.30 each). The shareholders of the Bank are as follows:

| | 2011 | | 20 | 10 |
|---|------------------------|---------------------------|------------------|---------------------------|
| RON Thousand | Number of shares | Percentage holding (%) | Number of shares | Percentage holding (%) |
| Erste Group Bank Ceps Holding GmbH | 13,845,686,043 | 89.1295 | 550,020,232 | 69.4059 |
| Societatea de Investitii Financiare ("SIF") "Banat Crisana" | 366,373,358 | 2.3585 | 47,548,125 | 6.0000 |
| Societatea de Investitii Financiare ("SIF") "Moldova" | | • | 47,548,125 | 6.0000 |
| Societatea de Investitii Financiare ("SIF") "Transilvania" | | | 47,548,125 | 6.0000 |
| Societatea de Investitii Financiare ("SIF") "Muntenia" | 241,744,625 | 1.5562 | 47,548,125 | 6.0000 |
| Societatea de Investitii Financiare ("SIF") "Oltenia" | 1,023,534,303 | 6.5888 | 48,479,429 | 6.1175 |
| SAI Certinvest SA | • | - | 1,000 | 0.0001 |
| SC Actinvest SA | 216,081 | 0.0014 | 15,773 | 0.0020 |
| SC Carina Import Export SRL | 59,948 | 0.0004 | 4,376 | 0.0006 |
| SC Milord Impex SRL | 26,727 | 0.0002 | 1,951 | 0.0003 |
| FDI Certinvest Dinamic | 13,699 | 0.0001 | | - |
| Individuals | 56,700,654 | 0.3650 | 3,753,489 | 0.4736 |
| Total | 15,534,35 5,438 | 100 | 792,468,750 | 100 |

In April 2011 the General Meeting of Shareholders of BCR approved the increase of the Bank's share capital with RON 55,428 thousand from the net profit for the year 2010, also the nominal value of shares decreased from RON 1.3 to RON 0.10.

In November 2011 the General Meeting of Shareholders of BCR approved the increase of the Bank's share capital with RON 467,799 thousand by shareholders contribution. The share capital contribution was paid and recorded as of 31 December 2011.

EGHB Ceps Holding GmbH increased its participation to 89.1295% from BCR's issued capital, following additional buying of shares from SIF's and minority between 14 November -19 December 2011.

The holders of ordinary shares are entitled to periodically receive dividends as declared 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:

| Share capital as per Romanian statutory accounts | 1,553,436 | 1,030,209 |
|--|-----------|-----------|
| 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 | 2,880,660 | 2,357,433 |

32. ISSUED CAPITAL AND RESERVES (continued)

Other Capital Reserves

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

GROUP 2011

| RON Thousand | Ávailable-for-sale reserve | Foreign currency translation reserve | Actuarial gain / (loss) | Management share option plan | Cash Flow hedge | Net investment hedge | Other capital reserve | Total |
|--|-------------------------------|---|----------------------------|------------------------------------|--------------------|-------------------------|-----------------------|-----------|
| At 1 January 2011 | (31,449) | 141,900 | 68,352 | 1,395 | | (27,668) | 1,007,756 | 1,160,286 |
| Fair value change in available-for-sale financial assets | (3.546) | | | | | | | (3,546) |
| Actuanal gains / (losses) on defined benefit plans | - | | 14,059 | | | | | 14,059 |
| Net gain from cash flow hedges | | - | | | 10,212 | | | 10,212 |
| Net gain on hedge of net investment | | | | | | 32,938 | | 32,938 |
| Tax effect | 951 | | (2,249) | | (1,634) | (5,270) | | (8,202) |
| Translation reserve | | (127,675) | | | | | 070 | (126,703) |
| At 31 December 2011 | (34,044) | 14,225 | 80,162 | 1,395 | 8,578 | | 1,008,728 | 1,079,044 |

GROUP 2010

| 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 2010 | (46,026) | 134,402 | 50,233 | 1,395 | (22,873) | 1,007,940 | 1,125,071 |
| Fair value change in available-for-sale financial asset | 17,628 | | | | | | 17,628 |
| Actuarial gains / (losses) on defined benefit plans | | | 21,753 | | | | 21,753 |
| Net loss on hedge of net investment | | | • | | (6,208) | • | (6,208) |
| Tax effect | (3,051) | | (3,634) | | 1,413 | | (5,272) |
| Translation reserve | | 7,498 | | | | (184) | 7,314 |
| At 31 December 2010 | (31,449) | 141,900 | 68,352 | 1,395 | (27,668) | 1,007,756 | 1,160,286 |

Bank 2011

| RON Thousand | Available-for-sale reserve | Actuarial galn / (loss) | Management share option plan | Cash Flow hedge | Other capital reserve | Total |
|--|-------------------------------|-------------------------|------------------------------------|-----------------|-----------------------|-----------|
| At 1 January 2011 | (30,579) | 69,193 | 1,395 | | 993,756 | 1,033,765 |
| Fair value change in available-for-sale financial assets | (6,270) | | | | | (6,270) |
| Actuarial gains / (losses) on defined benefit plans | - | 14,056 | | | | 14,056 |
| Net gain from cash flow hedges | | | | 10,212 | | 10,212 |
| Tax effect | 1,003 | (2,249) | | (1,634) | - | (2,880) |
| At 31 December 2011 | (35,846) | 81,000 | 1,395 | 8,578 | 993,756 | 1,048,883 |

Bank 2010

| RON Thousand | Available-for-sale reserve | Actuarial gain i (loss) | Management share option plan | Other capital reserve | Total |
|--|----------------------------|----------------------------|------------------------------------|-----------------------|-----------|
| At 1 January 2010 | (45,250) | 50.919 | 1,395 | 993,756 | 1,000,820 |
| Fair value change in available-for-sale financial assets | 17.466 | | | - | 17,466 |
| Actuarial gains / (losses) on defined benefit plans | , | 21,753 | - | - | 21,753 |
| Tax effect | (2,794) | (3,480) | • | - | (6,274) |
| At 31 December 2010 | (30,579) | 69,193 | 1,395 | 993,756 | 1,033,765 |

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

GROUP 2011

| RON Thousand | Net profit | Reserves | Share capital |
|--|------------|-------------|---------------|
| Bank – statutory | (510,819) | 3,398,272 | 1,553,436 |
| Subsidiaries - statutory, net of consolidation adjustments | (115,066) | (279,674) | • |
| Loans – allowance for impairment losses | 795,467 | 3,478,634 | - |
| Fair value through profit and loss | 66,187 | 60,161 | - |
| Property and equipment | 31,714 | (121,190) | • |
| Equity investments | (73,722) | 105,504 | - |
| Share capital restatement for hyperinflation | | (1,327,224) | 1,327,224 |
| Available-for-sale reserve | • | (40,529) | |
| Translation reserves | | 14,225 | - |
| Provisions for off balance sheet commitments | (59,510) | (170,136) | |
| Deferred tax | (40,655) | (502,552) | - |
| Other | 4,642 | 33,064 | |
| Impairment of goodwill | (34,941) | (34,941) | - |
| Intragroup elimination dividends and unrealised profits/losses | 43,522 | 27,555 | |
| Net investment hedge | (38,466) | - | - |
| Cash flow hedge | • | 10,212 | |
| Total BCR Group | 60,353 | 4,651,381 | 2,880,660 |
| Non-controlling Interests | 2,572 | 14,261 | - |
| Total | 70,925 | 4,665,642 | 2,880,660 |

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

GROUP 2010

| RON Thousand | Net profit | Reserves | Share capital | |
|--|------------|-------------|---------------|--|
| Bank - statutory | 55,427 | 3,753,510 | 1,030,209 | |
| Subsidiaries - statutory, net of consolidation adjustments | (116,461) | 159,891 | | |
| Loans allowance | 886,535 | 3,043,913 | - | |
| Loans – effective interest rate | 45,796 | 250,884 | - | |
| Fair value through profit and loss | (9,207) | (41,862) | - | |
| Property and equipment | | (439,738) | - | |
| Equity investments | | (3,416) | - | |
| Borrowings - amortized cost | (762) | (29,353) | - | |
| Retirement benefit | (10,890) | (8,792) | - | |
| Share capital restatement for hyperinflation | - | (1,327,224) | 1,327,224 | |
| Available-for-sale reserve | - | (36,983) | - | |
| Actuarial gains/losses | - | 82,372 | - | |
| Translation reserve | - | 141,900 | - | |
| Impairment of assets held for sale | (59,011) | (71,134) | - | |
| Management share option programm | • | 1,395 | - | |
| Deferred tax | (128,975) | (499,513) | | |
| Other | 1,267 | 142,573 | - | |
| Intragroup elimination dividends | (204,950) | (365,787) | - | |
| Net investment hedge | 6,208 | (32,938) | | |
| Total BCR Group | 464,977 | 4,719,698 | 2,357,433 | |
| Non controlling interest | 2,665 | 26,532 | | |
| Total | 467,642 | 4,746,230 | 2,357,433 | |

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

BANK 2011

| RON Thousand | Net profit | Reserves | Share capital |
|--|------------|-------------|---------------|
| Statutory | (510,819) | 3,398,272 | 1,553,436 |
| Loans – allowance for impairment losses | 892,823 | 3,505,043 | |
| Fair value through profit and loss | 66,187 | 60,163 | |
| Property and equipment | 8,284 | (57,098) | - |
| Equity investments | (87,338) | 105,504 | |
| Share capital restatement for hyperinflation | • | (1,327,224) | 1,327,224 |
| Available-for-sale reserve | | (42,674) | |
| Provisions for off balance sheet commitments | (59,510) | (170,136) | |
| Deferred lax | (49,628) | (518,500) | |
| Fair value derivatives | (441) | 3,275 | |
| Cash flow hedge | | 10,212 | |
| Other | (14,616) | • | • |
| Total | 244,942 | 4,966,837 | 2,880,660 |

| RON Thousand | Net profit | Reserves | Share capital |
|--|------------|-------------|---------------|
| Statutory | | | |
| | 55,427 | 3,753,510 | 1,030,209 |
| Loans – allowance for impairment losses | 842,195 | 2,800,300 | |
| Loans - effective interest rate | 45,796 | 250,884 | |
| Fair value through profit and loss | (9,914) | (42,849) | - |
| Property and equipment | (42,945) | (347,517) | - |
| Equity investments | | (3,416) | • |
| Retirement benefit | (10,890) | (8,918) | - |
| Finance lease liability | • | (1,161) | - |
| Borrowings - amortized cosl | (762) | (29,353) | - |
| Share capital restatement for hyperinflation | • | (1,327,224) | 1,327,224 |
| Available-for-sale reserve | - | 38,613 | - |
| Actuarial gains/losses | - | 82,372 | - |
| Management share option program | - | 1,395 | - |
| Deferred tax | (130,210) | (515,711) | - |
| Other | (16,865) | 111,280 | |
| Total | 731,832 | 4,762,205 | 2,357,433 |

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.

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.

for the year ended 31 December 2011

| RON Thousand | Level 1 | Level 2 | Level 3 | Total |
|--|---------|--------------|----------|-----------|
| Financial assets | | | | |
| Derivative financial instruments | | | | |
| Hedging Instruments | | | | |
| Cross currency and interest rate swaps | <u></u> | 17,036 | - | 17,036 |
| Interest rate swaps | • | 13,660 | | 13,660 |
| • | - | 30,898 | - | 30,696 |
| Derivatives-other than hedging instrumente | | | | |
| Foreign currency swaps and forward contracts | | 12,395 | - | 12,395 |
| Interest rate swaps | * | 37,623 | - | 37,623 |
| Warrants | | 693 | - | 693 |
| Options | | 4,062 | - | 4,062 |
| Cross currency swaps (non-hedging) | | <u>1,018</u> | * | 1,018 |
| | - | 55,791 | | 55,791 |
| | - | 86,487 | <u> </u> | 86,487 |
| | | | | |
| Financial assets held for trading | | 698,693 | | 698,693 |
| Government debt securities | 2.005 | 696,693 | - | 3.005 |
| Quoted securities | 3,005 | 698,693 | | 701,698 |
| | 3,005 | 090,093 | <u> </u> | 701,000 |
| Financial assets designated at fair value through profit or loss | | | | |
| Quoted investments | 9,373 | _ | | 9,373 |
| Unquoted investments | | 7,447 | - | 7,447 |
| Debt securities | | - | 25,134 | 25,134 |
| | 9,373 | 7,447 | 25,134 | 41,954 |
| Financial investments available-for-sale | - | | | |
| Quoted investments | 17,297 | - | - | 17,297 |
| Government debt securities | | 4,926,365 | - | 4,926,365 |
| Debt securities | - | | 254,261 | 254,261 |
| Unquoted investments | | 7,684 | | 7,684 |
| angeres mosans | 17,297 | 4,934,049 | 254,261 | 5,205,607 |
| | 29,675 | 5,726,676 | 279,395 | 6,035,746 |
| Financial liabilities | | | | |
| Derivative financial instruments | | | | |
| Hedging Instruments | | | | |
| Cross currency and interest rate swaps | | 1,783,503 | | 1,783,503 |
| | - | 1,783,503 | - | 1,783,503 |
| Derivatives-other than hedging instruments | | | | |
| Foreign currency swaps and forward contracts | | 10,518 | - | 10,518 |
| Interest rate swaps | * | 52,681 | - | 52,681 |
| Warrants | • | 693 | - | 693 |
| Options | | 3,231 | * | 3,231 |
| Cross currency swaps (non-hedging) | | 4,262 | | 4,262 |
| | | 71,385 | | 71,385 |
| | | 1,854,888 | | 1,854,888 |

The RON 38,894 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).

| RON Thousand | Level 1 | Level 2 | Level 3 | Total |
|--|----------|--------------------|---------|-----------|
| Financial assets | | | | |
| Derivative financial instruments | | | | |
| Hedging instruments | | | | |
| Cross currency and interest rate swaps | | 17,557 | | 17,557 |
| Interest rate swaps | | 14,755 | _ | 14,755 |
| Titler east roote errore | | 32,312 | - | 32,312 |
| Derivatives-other than hedging instruments | | | | |
| Foreign currency swaps and forward contracts | | 4.703 | | 4,703 |
| Warrants | | 1,170 | * | 1,170 |
| Options | * | 5,102 | - | 5,102 |
| 2 ptotis | - | 10,975 | - | 10,975 |
| | • | 43,207 | | 43,287 |
| Financial assets held for trading | | | | |
| Government debt securities | → | 965,749 | _ | 965,749 |
| Quoted securities | 1,195 | - | - | 1,195 |
| Couled Securities | 1,195 | 965,749 | | 966,944 |
| | | _ | | |
| Financial assets designated at fair value through profit or loss | | | | |
| Quoted investments | 10,389 | • | - | 10,389 |
| Debt securities | | 7,611 | 23,963 | 31,574 |
| | 10,389 | 7,611 | 23,963 | 41,963 |
| Financial Investments available-for-sale | | | | |
| Quoted investments | 63,930 | - | - | 63,930 |
| Government debt securities | - | 3,644,931 | * | 3,644,931 |
| Debt securities | - | - | 184,879 | 184,679 |
| Unquoted investments | | 7,446 | | 7,446 |
| ************************************** | 63,930 | 3,652 <u>,</u> 377 | 184,879 | 3,901,186 |
| | 75,514 | 4,669,025 | 208,842 | 4,953,381 |
| Financial liabilities | | | | |
| Derivative financial instruments | | | | |
| Hedging instruments | | | | |
| Cross currency and interest rate swaps | - | 1,726,250 | - | 1,726,250 |
| Interest rate swaps | - | 26,524 | | 26,524 |
| Indian late emph | • | 1,752,774 | | 1,752,774 |
| Derivatives-other than hedging instruments | | | | |
| Foreign currency swaps and forward contracts | ~ | 2,788 | - | 2,788 |
| Interest rate swaps | • | 11,744 | - | 11,744 |
| Warrants | • | 180 | - | 160 |
| Options | | 6,014 | - | 6,014 |
| Cross currency swaps (non-hedging) | - | 14,877 | | 14,877 |
| Ologa delitority aways (Horritonaling) | - | 35,603 | | 35,603 |
| | | 1,768,377 | - | 1,780,377 |

The RON 24,185 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).

for the year ended 31 December 2011

| Bank 2011 RON Thousand | Level 1 | Level 2 | Level 3 | Total |
|--|-------------|---|--------------------|----------------------|
| Financial assets | | | | |
| Derivative financial instruments | | | | |
| Hedging instruments | | | | |
| Cross currency and Interest rate swaps | • | 17,036 | - | 17,036 |
| Interest rate swaps | | 13,660 30,696 | - | 13,660 30,696 |
| Derivatives-other than hedging instruments | | 30,030 | | 00,000 |
| Foreign currency swaps and forward contracts | | 12,395 | - | 12,395 |
| Interest rate swaps | | 36,172 | - | 36,172 |
| Warrants | | 693 | - | 693 |
| Options | | 4,062 | - | 4,062 |
| Cross currency swaps (non-hedging) | | 1,018 | | 1,018 |
| | <u> </u> | 54,340 | • | 54,340 |
| | * | 85,036 | | 05,036 |
| Other formulations to held for trading | | | | |
| Other financial assets held for trading Government debt securities | | 698,693 | | 698,693 |
| Quoted securities | 3,005 | 030,000 | _ | 3,005 |
| audieu seconiues | 3,005 | 698,693 | , | 701,698 |
| | | | | |
| Financial assets designated at fair value through profit or loss | 0.272 | | | 9,373 |
| Quoted investments | 9,373 | 7,447 | - | 7,447 |
| Unquoted investments | - | 1,441 | 25,134 | 25,134 |
| Debt securities | 9,373 | 7,447 | 25,134 | 41,954 |
| | | | | |
| Financial Investments available-for-sale | | | | |
| Quoted investments | 19,222 | - | - | 19,222 |
| Government debt securities | - | 4,894,419 | - | 4,894,419 |
| Debt securities | 19,222 | 4,894,419 | 254,261 254,261 | 254,261 5,167,902 |
| | 31,600 | 5,685,595 | 279,395 | 5,996,590 |
| Financial liabilities | 31,000 | 3,000,000 | 210,000 | 0,000,000 |
| I III III III III III III III III III | | | | |
| Derivative financial instruments | | | | |
| Hedging instruments | | 1,783,503 | | 1,783,503 |
| Cross currency and interest rate swaps | | 1,783,503 | | 1,783,503 |
| Derivatives-other than hedging instruments | | .,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | <u> </u> | |
| Foreign currency swaps and forward contracts | - | 10,518 | • | 10,518 |
| Interest rate swaps | | 52,681 | - | 52,681 |
| Warrants | • | 693 | - | 693 |
| Options | • | 3,231 | - | 3,231 |
| Cross currency swaps (non-hedging) | | 4,262 | | 4,262 |
| | | 71,385 | | 71,385 |
| | - | 1,854,888 | • | 1,854,888 |

The RON 990,819 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).



| Bank 2010 RON Thousand | Level 1 | Level 2 | Level 3 | Total |
|--|---------|-----------|---------|-----------|
| Financial assets | | | | |
| Derivative financial instruments | | | | |
| Hedging instruments | | | | |
| Cross currency and Interest rate swaps | | 17,557 | _ | 17,557 |
| Interest rate swaps | | 14,755 | _ | 14,755 |
| ····· | - | 32,312 | • | 32,312 |
| Derivatives-other than hedging instruments | | | | |
| Foreign currency swaps and forward contracts | | 4,682 | • | 4,682 |
| Warrants | | 1,170 | - | 1,170 |
| Options | | 5,102 | - | 5,102 |
| | | 10,954 | | 10,954 |
| | • | 43,266 | - | 43,266 |
| Other financial assets held for trading | | | | |
| Government debt securities | | 965,749 | - | 965,749 |
| Quoted securities | 1,195 | - | - | 1,195 |
| Quinta cocumina | 1,195 | 965,749 | | 966,944 |
| Financial assets designated at fair value through profit or loss | | | | |
| Quoted investments | 10,389 | - | | 10,389 |
| Debt securities | | 7,611 | 23,963 | 31,574 |
| | 10,389 | 7,611 | 23,963 | 41,963 |
| Financial investments available-for-sale | | | | |
| Quoted investments | 17,269 | - | - | 17,269 |
| Government debt securities | ** | 3,594,636 | - | 3,594,636 |
| Debt securities | | - | 184,879 | 184,879 |
| | 17,269 | 3,594,636 | 184,879 | 3,796,784 |
| Financial liabilities | 28,853 | 4,611,263 | 208,842 | 4,848,958 |
| Financial liabilities | | | | |
| Derivative financial instruments | | | | |
| Hedging instruments | | 4 700 000 | | 4 700 000 |
| Cross currency and interest rate swaps | • | 1,726,250 | • | 1,726,25 |
| Interest rate swaps | | 26,524 | | 26,52 |
| | | 1,752,774 | | 1,752,77 |
| Derivatives-other than hedging instruments | | | | 6 = 6 |
| Foreign currency swaps and forward contracts | - | 2,788 | # | 2,78 |
| Interest rate swaps | - | 11,744 | - | 11,74 |
| Warrants | • | 180 | - | 18 |
| Options | • | 6,014 | - | 6,01 |
| Cross currency swaps (non-hedging) | | 14,877 | | 14,87 |
| | | 35,603 | | 35,60 |
| | | 1,788,377 | | 1,788,37 |

The RON 1,166,811 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).

Movements in level 3 financial instruments measured at fair value

Group 2011

Total level 3 financial assets

| RON Thousand | At 1 January 2011 | Purchases | Sales / Settlements | At 31 December 2011 |
|--------------------------------|----------------------|-----------|---------------------|---------------------------|
| Financial assets - AfS | 184,879 | 79,084 | (11,511) | 252,452 |
| Financial assets - FV | 23,962 | 2,639 | (1,687) | 24,914 |
| Total level 3 financial assets | 208,841 | 81,723 | (13,198) | 277,366 |

| RON Thousand 2010 2010 | | Total gains/(losses) recorded in profit or loss | Total galns/(losses) recorded in equity | Purchases | At 31 December 2010 |
|---|-------------------|---|---|-----------|---------------------------|
| Financial assets - AfS Financial assets - FV | 195,757 26,050 | (2,088) | (11,371) | 493 | 184,879 23,962 |

221,807

(2,088)

(11,371)

493

208,841

35. ADDITIONAL CASH FLOW INFORMATION

| c | aeh | hne | cash | 001 | rival | lants |
|---|------|-----|------|-----|-------|-------|
| u | 8511 | anu | Casn | eu | uivai | ellis |

| <u> </u> | Gr | oup | Ban | k |
|--|------------|------------|------------|------------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Cash on hand (Note 15) | 876,818 | 995,116 | 870,069 | 983,537 |
| Current account with the central banks | 9,448,116 | 8,550,279 | 9,420,702 | 8,484,986 |
| Due from banks | 1,042,495 | 1,668,283 | 912,518 | 1,416,093 |
| | 11,367,429 | 11,213,678 | 11,203,289 | 10,884,616 |

Change In operating assets

| | Grouj | ρ | Bank | <u></u> |
|--|-------------|-----------|-------------|-----------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Net change in due from banks | (45,740) | (15,168) | 54,197 | (47,177) |
| Net change in reverse repurchase agreements | - | (15,687) | - | (15,687) |
| Financial assets held for trading | (265,246) | 565,593 | (265,246) | 565,593 |
| Net change in financial assets designated at fair value through profit or loss | (9) | (123,574) | (9) | (123,574) |
| Net change in loans and advances to customers | 2,570,353 | 995,327 | 3,724,909 | 2,950,626 |
| Net change in other assets | (1,170,073) | 273,989 | (1,187,440) | 62,097 |
| Net change in assets held for sale | 183,234 | (36.028) | - | (291) |
| • | 1,272,519 | 1,644,452 | 2,326,411 | 3,391,587 |

Change in operating liabilities

| · | Group | 3 | Bank | |
|--|-----------|-----------|-----------|-----------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Net change in due to banks | 1,619,633 | 2,281,445 | 1,831,970 | 2,751,493 |
| Net change in repurchase agreements | (1,686) | 1,886 | (1,886) | 1,886 |
| Net change in derivative financial investments | 33,523 | (89,924) | 34,954 | (89,907) |
| Net change in due to customers | 1,816,135 | 2,012,332 | 1,634,388 | 1,275,749 |
| Net change in other liabilities | (928,657) | 490,801 | (880,981) | 424,445 |
| | 2,538,748 | 4,696,540 | 2,618,445 | 4,363,666 |

Non-cash Items included in profit before tax

| | Grou | p | Bank | (|
|--|-----------|-----------|-----------|-----------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Depreciation and impairment of property and equipment (Note 20) | 166,496 | 150,268 | 133,006 | 122,750 |
| Depreciation of investment property | 886 | - | - | - |
| Amortization and impairment of intangible assets (Note 21) | 86,731 | 50,998 | 52,375 | 44,861 |
| Impairment losses on loans and advances to customers (Note 9) | 2,095,342 | 1,963,399 | 2,002,622 | 1,692,748 |
| Provision for off-balance sheet exposure (Note 9) | 82,522 | 34,269 | 82,740 | 34,269 |
| Provision charge/(release) for litigations (Note 30) | 3,781 | 24,303 | 246 | 20,053 |
| Provisions for lay-offs (Note 30) | • | 4,076 | - | 4,076 |
| Provisions for restructuring (Note 30) | 22,534 | 21,227 | 22,534 | - |
| Provision for defined benefit obligation (Note 31) | 9.718 | 15,163 | 10,659 | 15,163 |
| Impairment of available-for-sale investments (Note 11) | 1.039 | 3,379 | 151,039 | 3,379 |
| Net effect of translation of foreign currency denominated asset and liabilities (Note 7) | 1,147 | (29,355) | 7,273 | (10,870) |
| The state of a state of the sta | 2,470,196 | 2,237,727 | 2,462,494 | 1,926,429 |

Net gain from investing activities

| | Gr oup | Gr oup | | |
|---|---------------|---------------|-----------------|----------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Net gain/(loss) from sale of financial investments (Note 8) | 101,421 | 47,531 | 127,259 | 41,743 |
| Net gain/(loss) from sale of property and equipment | (5,176) | (27,086) | (4,372) | (46,498) |
| Dividend income (Note 4) | 6,294 | 2,950 | 112 <u>,772</u> | 131,706 |
| | 102,539 | 23,395 | 235,659 | 126,951 |

Payments made against provisions

| | Group |) | Bank | |
|--|--------|--------|--------|--------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Provision for retirement benefits (Note 31) | 2,346 | 3,194 | 2,346 | 4,271 |
| Provision for lay-off and early retirement (Note 30) | 4,076 | 6,693 | 4,076 | 6,693 |
| Provision for restructuring | 20,947 | 7,808 | - | - |
| Provision for litigations and guarantees off-balance sheet (Note 30) | 25,597 | 2,694 | 24,739 | 2,582 |
| (TOPISION TOT HUGGEROATE CITY GREET THE TOPIC CO. | 52,966 | 20,389 | 31,161 | 13,546 |

36. INTEREST RATE SENSITIVITY

for the year ended 31 December 2011

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.

The interest rate risk within the Group is mainly concentrated in the Bank's activity.

Bank 2011

| | less then 1 | 1 to 3 months | 3 to 6 months | 6 to 12 | Over 1 year | Not sensitive | Total |
|---|-------------|---------------|---------------|-----------|-------------|---------------|------------|
| RON Thousand | month | | | months | | | |
| Assets | | | | | | | - |
| Cash and balances with central banks | 9,418,594 | - | • | - | • | 872,177 | 10,290,771 |
| Due from banks | 899,060 | 37,756 | 69,541 | - | | | 1,006,357 |
| Loans and advances to customers | 16,330,075 | 16,752,433 | 7,486,241 | 653,747 | 3,998,246 | 1,769,692 | 46,990,434 |
| Financial investments – available-for- sale | 668,751 | 1,463,884 | 981,762 | 1,448,819 | 677,943 | 917,562 | 6,158,721 |
| Financial investments – held-to- maturity | - | | | 530,000 | 6,477,640 | 147,968 | 7,155,608 |
| Total assets | 27,316,480 | 18,254,073 | 8,537,544 | 2,632,566 | 11,153,829 | 3,707,399 | 71,601,891 |
| Liabilities | | | | | | | |
| Due to banks | 11,847,689 | 5,687,090 | 2,378,365 | 18,150 | 473,252 | 337,567 | 20,742,113 |
| Due to customers | 13,234,733 | 13,305,576 | 3,395,551 | 2,925,359 | 5,874,211 | 207,332 | 38,942,762 |
| Debt issued and other borrowed funds | | | | 20,000 | 938,212 | 42,677 | 1,000,889 |
| Subordinated Liabilities | 1,330,000 | 518,364 | | | | 176,326 | 2,024,690 |
| Total liabilities | 26,412,422 | 19,511,030 | 5,773,916 | 2,963,509 | 7,285,675 | 763,902 | 62,710,454 |
| Net | 904,058 | (1,256,957) | 2,763,628 | (330,943) | 3,868,154 | 2,943,497 | 8,891,437 |

Bank 2010

| | less then 1 | 1 to 3 | 3 to 6 | 6 to 12 | Over 1 | Not | Total |
|---|-------------|-------------|-----------|-----------|-----------|-----------|--------------------|
| RON Thousand | month | months | months | months | year | sensitive | |
| Assets | | | | | | | |
| Cash and balances with central banks | 8,484,986 | - | - | - | - | 983,537 | 9,468,523 |
| Due from banks | 1,393,743 | 31,992 | 30,000 | - | + | - | 1,455,735 |
| Loans and advances to customers | 15,017,117 | 17,209,135 | 7,233,666 | 2,180,049 | 3,520,851 | - | 45,160,818 |
| Financial investments – available for- sale | 483,791 | 441,233 | 857,351 | 1,445,668 | 728,831 | 1,006,721 | 4,963,595 |
| Financial investments – held-to- maturity | | | | 300,000 | 4,698,420 | - | 4,998,420 |
| Total assets | 25,379,637 | 17,682,360 | 8,121,017 | 3,925,717 | 8,948,102 | 1,990,258 | 66,047,091 |
| Liabilities | | | | | | | |
| Due to banks | 11,384,592 | 4,822,756 | 1,718,518 | 216,756 | 759,691 | - | 18,902,313 |
| Due to customers | 11,730,635 | 15,859,883 | 3,862,963 | 2,083,379 | 3,750,286 | + | 37,287,146 |
| Debt issued and other borrowed funds | | 192,046 | 16,774 | | 429,357 | - | 638,177 |
| Subordinated Liabilities | 1,330,000 | 514,176 | | - | 123,141 | | 1 ,967 ,317 |
| Total liabilities | 24,445,227 | 21,388,861 | 5,598,255 | 2,300,135 | 5,062,475 | | 58,794,953 |
| Net | 934,410 | (3,706,501) | 2,522,762 | 1,625,582 | 3,885,627 | 1,990,258 | 7,252,138 |

37. CONTINGENT LIABILITIES AND COMMITMENTS

| | Group | Group | | Bank | |
|------------------------|-----------|-----------|-----------|-----------|--|
| RON Thousand | 2011 | 2010 | 2011 | 2010 | |
| Contingent liabilities | 5,225,115 | 3,681,801 | 5,213,684 | 3,492,579 | |
| Commitments | 4,551,256 | 3,552,134 | 4,543,514 | 3,416,989 | |
| | 9,776,371 | 7,233,935 | 9,757,198 | 6,909,568 | |

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 56,335 thousand as at 31 December 2011 (31 December 2010: RON 58,244 thousand) for the Bank, and in amount of RON 64,134 thousand (31 December 2010: RON 63,287 thousand) for the Group (Note 30).

Operating lease commitments –as lessee

The Group has entered into commercial leases on premises and equipment. These leases have an average life of between one and five years with renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as at 31 December 2011 are as follows:

| | Group | Bank |
|--|---------|---------|
| RON Thousand | 2011 | 2011 |
| not later than one year | 70,668 | 69,137 |
| later than one year and not later than five year | 233,355 | 230,136 |
| later than five years | 7,615 | 7,615 |
| | 311,638 | 306,888 |

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 2010 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 CEPS Holding GmbH, SIF Banat-Crisana SA, SIF Moldova SA, SIF Muntenia SA, SIF Oltenia SA, SIF Transilvania SA, at market rates.

| RON Thousand | Group | | Bank | |
|--|------------|------------|------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Assets | | | | |
| Due from banks | 120,044 | 273,712 | 100,224 | 165,786 |
| Financial assets designated at fair value through profit or loss | 8,069 | 10,390 | 8,069 | 10,390 |
| Investments securities available-for-sale | 11,641 | 17,269 | 11,641 | 17,269 |
| Derivative financial instruments | 48,330 | 36,389 | 46,879 | 36,389 |
| Other assets | 44,488 | 8 | 44,488 | 3 |
| Total assets | 232,572 | 337,768 | 211,301 | 229,837 |
| Liabilities | | | | |
| Deposits from customers | 2,204,723 | 91,744 | - | 91,744 |
| Loans from banks and other financial institutions | 18,168,703 | 19,179,669 | 18,095,332 | 16,320,448 |
| Derivative financial instruments | 1,851,069 | 1,753,634 | 1,851,069 | 1,753,634 |
| Subordinated liabilities | 1,849,672 | 1,844,176 | 1,849,672 | 1,844,176 |
| Other liabilities | 268,659 | 433,190 | 268,659 | 422,992 |
| Total liabilities | 24,342,826 | 23,302,413 | 22,064,732 | 20,432,994 |
| Guarantees granted | 772,886 | 948,677 | 772,886 | 948,677 |
| Income | | | | |
| Interest and dividend income | 589,109 | 867,186 | 588,895 | 867,090 |
| Commission income | 21,623 | 42,315 | 21,158 | 42,315 |
| Other operating income | 25,318 | • | 25,318 | |
| Total income | 636,050 | 909,501 | 635,371 | 909,405 |
| Expense | | | | |
| Interest expense | 1,334,549 | 1,442,884 | 1,268,313 | 1,285,742 |
| Commission expense | 100,270 | 223,774 | 100,251 | 221,990 |
| Net trading expense | 328,634 | 150,887 | 328,634 | 150,887 |
| Other | 597 | 56,427 | 594 | 53,325 |
| Total expense | 1,764,050 | 1,873,972 | 1,697,792 | 1,711,944 |

38. RELATED PARTY DISCLOSURES (continued)

Transactions with fellow subsidiaries members of Erste Group:

| | Group | | Bank | |
|--|---------|----------------|----------------|---------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Assets | | | | |
| Due from banks | 2,551 | 20,243 | 2,551 | 20,243 |
| Loans and advances to customers | 40,811 | - | 40,811 | |
| Total | 43,362 | 20,243 | 43,362 | 20,243 |
| Liabllities | | | | |
| Deposits from banks | 219,340 | 475,049 | 219,340 | 475,049 |
| oans from banks and other financial institutions | - | 42,620 | - | 42,620 |
| Due to customers | 29,442 | 230,640 | 29,442 | 230,640 |
| Other liabilities | - | 1,591 | •_ | 1,591 |
| Total | 248,782 | 749,900 | 248,782 | 749,900 |
| Income | | | | |
| Interest income | 600 | 28 | 600 | 28 |
| Commission income | 19,898 | 14,508 | 19,898 | 14,508 |
| Total income | 20,498 | 14,537 | 20,498 | 14,537 |
| Expense | | | | |
| Interes expense | 5,282 | 1,012 | 5,282 | 1,012 |
| Other operating expenses | 78,383 | 29,11 9 | 72,1 97 | 29,119 |
| Total expense | 83,665 | 30,131 | 77,478 | 30,131 |

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 | | Bank | |
|---|-------|-------------|-------|-------------|
| | 2011 | 2010 | 2011 | 2010 |
| Assets | 1,828 | 1,852 | 1,828 | 1,852 |
| Loans and advances to customers | 1,826 | 1,052 | 1,020 | 1,002 |
| Other assets Total | 1,828 | 1,857 | 1,828 | 1,857 |
| Liabilities Deposits from customers | 4,384 | 6,196 76 | 4,384 | 6,196 78 |
| Other liabilities Total | 4,384 | 6,272 | 4,384 | 6,272 |
| Income Interest and commission income | 103 | 124 | 103 | 124 |
| Total Income | 103 | 124 | 103 | 124 |
| Expense | 215 | 191 | 215 | 19 |
| Interest and other expenses Total expense | 215 | 191 | 215 | 191 |

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_ | 2011 | 2010 |
| Assets | | |
| Due from banks | 58,312 | 39,364 |
| Loans and advances to customers | 1,457,048 | 1,282,084 |
| Other assets | 1,584 | 4,041 |
| Total | 1,516,945 | 1,325,489 |
| Liabilities | | |
| Deposits to banks | 50,661 | 40,780 |
| Deposits from customers | 338,314 | 286,718 |
| Other liabilities and provisions | 10,332 | 20,755 |
| Total | 399,307 | 348,253 |
| Income | | |
| Interest income | 123,684 | 38,958 |
| Commission income Other income | 14,226 | 13,228 |
| Total income | 137,910 | 52,186 |
| Expense | | |
| Interest expense | 16,221 | 11,199 |
| Commission expense | - | 8 |
| Other operatin expenses | 232,908 | 227,353 |
| Total expense | 249,129 | 238,560 |

for the year ended 31 December 2011

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.

Operational Risk Committee

The main responsibilities of the Operational Risk Committee are:

- a) Pre-approves the operational risk and compliance policies, procedures and processes;
- b) Set-up the bank's operational risk appetite given the existing internal and external control standards;
- c) Analyze the major issues and trends that may influence the Bank's operational risk profile;
- d) Informs regularly the Management Board on the Bank's operational risk profile developments;
- e) Follow-up on the action points agreed to mitigate operational or compliance risks (NBR reports, Internal/External audit reviews, Risk Assessments, Compliance Assessments, Fraud reports, Key Risk Indicators or major incidents reported);
- f) Analyze the risks entailed by new products and/or business;
- g) Reviews the main risk reports covering the operational and compliance risk topics;
- h) Enforces the development, maintenance and testing of the Business Continuity Plan.

Risks Functional Line

Risk management activities are consolidated under the Risks Functional Line, which consists of six divisions: Retail Risk Management, Corporate Risk Management, Risk Controlling, Antifraud, IT Security and Business Continuity Management, Compliance.

Internal Audit

Risk Management processes throughout the Bank is 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 assess and monitor the Bank's exposures, to set up risk limits for different counterparties such as countries, sovereigns, banks, financial institutions affiliated to the banking groups, corporate customers/groups of clients (including risk limits for banking groups of affiliated customers), market risk 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.

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 2011 BCR has continued to implement the necessary measures for its alignment to the standards of the Erste Group and the Basel II principles, (managed under a special program):

- ICAAP implemented as per Erste Group standards i.e.:
 - o Instruments for analyzing, monitoring & forecasting capital adequacy
 - New risk management policies, covering Risk-bearing Capacity Calculation, Risk Materiality Assessment, Stress Testing, Credit. Concentration, Operational risks etc.
 - Improving of the integration into the EGB data (data quality, processing and delivery), centralized RWA calculation based on IRB for ICAAP purposes;
- Improving the Rating System performance and Basel II risk parameters measurement (PD, LGD, CCF);
- Implementing and reporting the new standards for liquidity risk management: Survival Period Analysis, Traffic Light System, etc.

The implementation of these standards presupposes 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 Functional Line.

for the year ended 31 December 2011

39. RISK MANAGEMENT (continued)

Under these terms, risk management specialists are 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 represents 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.

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 is the risk of financial loss arising from the failure of a debtor or trading counterparty to fully honor its financial or contractual obligation to the Bank

Credit risk is inherent in the following forms: lending facilities, contingent liabilities, commitment liabilities and financial markets transactions.

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 being 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 assess the performances and financial status of its customers, the Bank uses scoring systems, ratings, methods of analyzing the financial performances (KRIMI for corporate and retail, 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.

Consolidated and Bank for the year ended 31 December 2011

39. RISK MANAGEMENT (continued)

39.5 Credit risks (continued)

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

| | Grou | p | Bank | | |
|--|------------|------------|------------|------------|--|
| RON Thousand | 2011 | 2010 | 2011 | 2010 | |
| Assets | | | | | |
| Cash and balances with central bank (excluding cash on hand) | 9,448,116 | 8,550,279 | 9,420,702 | 8,484,986 | |
| Due from banks | 1,100,210 | 1,771,738 | 1,006,357 | 1,455,735 | |
| Denvative financial instruments | 86,487 | 43,287 | 85,036 | 43,266 | |
| Financial assets held for trading | 701,698 | 966,944 | 701,698 | 966,944 | |
| Financial assets designated at fair value through profit or loss | 41,954 | 41,963 | 41,954 | 41,963 | |
| Loans and advances to customers P | 47,803,525 | 47,393,687 | 46,990,434 | 45,160,818 | |
| Financial investments – available-for-sale | 5,244,501 | 3,925,371 | 6,158,721 | 4,963,595 | |
| Financial investments – held-to-maturity | 8,011,821 | 5,442,218 | 7,155,608 | 4,998,420 | |
| Other assets | 968,983 | 2,087,622 | 497,042 | 1,684,482 | |
| Total | 73,407,295 | 70,223,109 | 72,057,552 | 67,800,209 | |
| Contingent liabilities | 5,225,115 | 3,681,801 | 5,213,684 | 3,492,579 | |
| Commitments | 4,551,256 | 3,552,134 | 4,543,514 | 3,416,989 | |
| Total | 9,776,371 | 7,233,935 | 9,757,198 | 6,909,568 | |
| | | V 511-2-72 | *** | 47.488.444 | |
| Total credit risk exposure | 83,183,666 | 77,457,044 | 81,814,750 | 74,709,777 | |

^{/&}quot; net loans = loans - credit provisions

39.5.2. Risk concentration of the maximum exposure to credit risk

The maximum credit exposure to a client as of 31 December 2011 was RON 849,717 thousand (31 December 2010: RON 843,160 thousand).

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 | Grou | Р | Bank | | |
|----------------------------|------------|------------|------------|------------|--|
| | 2011 | 2010 | 2011 | 2010 | |
| Europe | B3,171,067 | 77,195,873 | 81,802,151 | 74,656,159 | |
| United Kingdom and Ireland | 662 | 218,856 | 662 | 48,015 | |
| Netherlands | 4,745 | 21,485 | 4,745 | 153 | |
| North America | 6,561 | 7,421 | 6,561 | 4,076 | |
| Asia | 300 | 12,926 | 300 | 891 | |
| Australia and Oceania | 331 | 483 | 331 | 483 | |
| TOTAL | 83,183,666 | 77,457,044 | 81,814,750 | 74,709,777 | |
| 19(1) | | | | | |

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

39.5 Credit risks (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 | | Total Exposure | | | | |
|---|-------------------------------|---------------------------|-------------------------------|---------------------------|--|--|
| RON Thousand | 20 | 11 | 20 | 10 | | |
| | Gross maximum exposure* | Net maximum exposure** | Gross maximum exposure* | Net maximum exposure** | | |
| Private households | 19,733,727 | 6,031,608 | 19,016,030 | 6,213,316 | | |
| Banking and insurance | 11,719,540 | 11,129,450 | 11,204,986 | 10,629,913 | | |
| Manufacturing | 9,713,035 | 3,111,072 | 9,224,812 | 2,750,537 | | |
| Construction | 7,960,576 | 3,012,539 | 6,286,954 | 1,244,703 | | |
| Public administration | 19,971,402 | 14,531,619 | 17,711,334 | 12,600,708 | | |
| Trade | 4,787,377 | 1,241,720 | 4,595,988 | 858,174 | | |
| Transport and communication | 2,397,533 | 1,217,769 | 1,459,559 | 148,415 | | |
| Agriculture and forestry | 1,683,391 | 424,518 | 1,624,800 | 316,651 | | |
| Other service activities | 706,078 | 147,401 | 834,639 | 145,666 | | |
| Health and social work | 220,513 | 103,977 | 159,631 | 18,454 | | |
| Real estate and other business activities | 850,103 | 14,563 | 813,945 | 71,116 | | |
| Energy and water supply | 1,795,798 | 1,109,191 | 1,243,835 | 743,355 | | |
| Hotels and restaurants | 466,278 | 36,949 | 530,872 | 40,707 | | |
| Mining | 620,063 | 369,015 | 666,060 | 577,279 | | |
| Other | 558,252 | 551,270 | 2,083,599 | 2,074,370 | | |
| TOTAL | 83,183,666 | 43,032,661 | 77,457,044 | 38,433,364 | | |

| Bank | | Total Ex | Total Exposure | | |
|---|------------|-------------|----------------|-------------|--|
| RON Thousand | 20 | 11 | 20 | 10 | |
| | Gross | Net maximum | Gross | Net maxlmum | |
| | maxlmum | exposure** | maxlmum | exposure** | |
| | exposure* | | exposure* | | |
| Private households | 18,785,111 | 6,174,679 | 17,932,365 | 6,575,754 | |
| Banking and insurance | 12,703,406 | 11,985,119 | 11,789,926 | 11,046,443 | |
| Manufacturing | 9,475,408 | 3,188,718 | 8,656,523 | 2,567,990 | |
| Construction | 7,750,744 | 3,121,603 | 5,877,739 | 1,164,977 | |
| Public administration | 19,096,255 | 13,657,586 | 17,145,956 | 12,036,623 | |
| Trade | 4,539,680 | 1,347,381 | 4,083,163 | 791,317 | |
| Transport and communication | 2,159,724 | 1,247,158 | 1,563,022 | 334,297 | |
| Agriculture and forestry | 1,617,934 | 448,091 | 952,347 | 124,509 | |
| Other service activities | 598,813 | 178,779 | 1,083,078 | 549,788 | |
| Health and social work | 191,867 | 104,801 | 119,940 | 17,447 | |
| Real estate and other business activities | 2,128,692 | 254,259 | 1,743,874 | 123,117 | |
| Energy and water supply | 1,768,820 | 1,113,503 | 1,200,482 | 717,950 | |
| Hotels and restaurants | 410,559 | 41,824 | 457,384 | 42,944 | |
| Mining | 599,649 | 364,188 | 558,292 | 491,852 | |
| Other | 38,088 | 31,997 | 1,545,686 | 1,538,048 | |
| TOTAL | 81,864,750 | 43,259,686 | 74,709,777 | 38,123,056 | |

^{*} Gross maximum exposure is exposure less provisions.

^{**} Net maximum exposure is exposure less provisions and collaterals, i.e. gross maximum exposure less collaterals.

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- 39.5 Credit risks (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 these 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

In 2011, the Group updated the criteria used to map the risk grades into four different risk categories as follows:

- Low risk Clients with internal ratings between 1 5c for legal entities and between A B2 for private individuals;
- Management attention Clients with internal ratings between 6a 7 for legal entities, C, C1, C2 and D1 for private individuals and non-rated clients;
- Sub-standard Clients with internal rating 8 for legal entities and D & D2 for private individuals
- Non-performing non-performing contaminated exposure (i.e. loans and off balance items such as: guarantees and unused commitments), based on the more than 90 days overdue criterion for retail clients, and for corporate driven by the Basel II default definition.

In 2010, in order to assess the credit quality of financial assets, the Group used the following criteria:

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.

39.5 Credit risks (continued)

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

Group 2011

| 010up 2011 | | Management | Sub- | Non- | |
|--|------------|-----------------|-----------|------------|------------|
| RON Thousand | Low Risk | attention | standard | performing | Total |
| Due from banks | 933,296 | 16 6,914 | - | | 1,100,210 |
| Financial assets designated at fair value through profit or loss | 7,447 | 34,508 | | | 41,955 |
| Trading Assets | | | | | |
| Treasury bills | 698,693 | - | • | - | 698,693 |
| Lisled bonds | 1,887 | 1,118 | - | | 3,005 |
| | 700,579 | 1,118 | - | | 701,698 |
| Loans and advances to customers* | | | | | |
| Corporate lending | 16,212,952 | 13,922,012 | 1,576,535 | 6,942,688 | 38,654,186 |
| Small business lending (Micros) | 1,027,816 | 498,051 | 234,314 | 1,629,098 | 3,389,280 |
| Consumer lending | 5,526,170 | 3,448,490 | 648,968 | 1,167,671 | 10,791,299 |
| Residential mortgages | 4,773,584 | 2,918,479 | 876,189 | 1,715,939 | 10,284,192 |
| Other | 203,877 | - | - | - | 203,877 |
| | 27,744,400 | 20,787,032 | 3,336,006 | 11,455,396 | 63,322,834 |
| Financial investments – available for sale | | | | | |
| Treasury bills | 4,926,365 | - | - | | 4,926,365 |
| Listed equities and bons | 124,477 | 152,413 | | 2,302 | 279,191 |
| Non-listed investments | | 38,944 | - | - | 38,944 |
| | 5,050,842 | 191,357 | • | 2,302 | 5,244,501 |
| Financial investments - held to maturity | | | | | |
| Treasury bills | 100,963 | | - | | 100,963 |
| Listed debt securities | 6,151,343 | - | - | - | 6,151,343 |
| Unlisted bonds | 1,759,516 | - | | - | 1,759,516 |
| 0.0000 | 8,011,821 | | | | 8,011,821 |
| | | | | | |
| Total | 42,448,386 | 21,180,929 | 3,336,006 | 11,457,698 | 78,423,020 |

^{*} Loans and advances to customers and off balance items (i.e. contingent liabilities such as committed credit lines and guarantees).

for the year ended 31 December 2011 39. RISK MANAGEMENT (continued)

- 39.5 Credit risks (continued)
- 39.5.5. Credit quality per class of financial assets (Continued)

Group 2010

| 01040 2010 | | Management | Sub- | Non- | |
|--|------------|------------|-----------|------------|----------------|
| RON Thousand | Low Risk | attention | standard | performing | Total |
| Due from banks | 916,469 | 818,535 | 31,049 | 5,685 | 1,771,738 |
| Financial assets designated at fair value through profit or loss | 23,963 | 18,000 | | | 41,963 |
| Trading Assets | | | | | |
| Treasury bills | 956,773 | - | - | • | 956,773 |
| Listed bonds | 9,676 | 495 | | - | 10,171 |
| | 966,449 | 495 | • | • | 966,944 |
| Loans and advances to customers* | | | | | |
| Corporate lending | 11,839,927 | 11,648,469 | 7,063,344 | 4,456,972 | 35,008,712 |
| Small business lending (Micros) | 403,541 | 802,260 | 1,016,536 | 1,245,643 | 3,467,980 |
| Consumer lending | 6,633,664 | 833,830 | 876,504 | 1,457,619 | 9,801,617 |
| Residential mortgages | 7,799,817 | 665,075 | 711,366 | 1,878,285 | 11,054,543 |
| Other | 201,463 | 53 | 47,844 | 20 | 249,380 |
| | 26,878,412 | 13,949,687 | 9,715,594 | 9,038,539 | 59,582,232 |
| Financial investments – available for sale | | | | | |
| Treasury bills | 2,959,962 | - | • | - | 2,959,962 |
| Listed equities and bons | 920,552 | 17,271 | 3,401 | | 941,224 |
| Non-listed investments | | 24,185 | | | 24, 185 |
| | 3,880,514 | 41,456 | 3,401 | | 3,925,371 |
| Financial investments - held to maturity | | | | | |
| Treasury bills | 6,769 | _ | - | - | 6,769 |
| Listed debt securities | 5,422,986 | - | | - | 5,422,986 |
| Unlisted bonds | 12,463 | | - | | 12,463 |
| Office Bories | 5,442,218 | | • | 4 | 5,442,218 |
| Total | 38,108,025 | 14,828,173 | 9,750,044 | 9,044,224 | 71,730,466 |

^{*} Loans and advances to customers and off balance items (i.e. contingent liabilities such as committed credit lines and guarantees).

39.5 Credit risks (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 2011

| Delik 2011 | | Management | Sub- | Non- | |
|--|------------|-----------------|-------------------|------------|-------------------|
| RON Thousand | Low Risk | attention | standard | performing | Total |
| Due from banks | 851,300 | 155 ,057 | • | | 1,006,357 |
| Financial assets designated at fair value through profit or loss | 7,447 | 34,507 | | • | 41,954 |
| Trading Assets | | · | | | |
| Treasury bills | 698,693 | | - | • | 698,693 |
| Listed bonds | 1,887 | 1,118 | - | • | 3,005 |
| | 700,579 | 1,118 | | | 701,698 |
| Loans and advances to customers* | | | | | |
| Corporate lending | 16,400,430 | 14,672,031 | 1,465,946 | 6,293,054 | 38,831,461 |
| Small business lending (Micros) | 690,375 | 426,527 | 195,642 | 1,024,784 | 2,337,328 |
| Consumer lending | 3,734,294 | 2,088,265 | 443,342 | 788,509 | 7,054,410 |
| Residential mortgages | 6,493,355 | 4,262,548 | 1,077,228 | 777,300 | 12,610,431 |
| Other | 203,173 | - | | | 203,173 |
| | 27,521,627 | 21,449,371 | 3,182, 158 | 8,883,647 | 61,036,803 |
| Financial investments – available for sale | | | | | |
| Treasury bills | 4,894,420 | | - | - | 4,894,420 |
| Listed equities and bons | 124,477 | 146,704 | - | 2,302 | 273,483 |
| Non-listed investments | 480,569 | 56 0,249 | | | 1,040,819 |
| | 5,499,466 | 706,953 | | 2,302 | 6,208,721 |
| Financial investments - held to maturity | | | | | |
| Listed debt securities | 5,409,481 | - | - | - | 5,409,481 |
| Unlisted bonds | 1,746,127 | - | | | 1,746,127 |
| | 7,155,608 | | | * | 7 ,155,608 |
| Total | 41,736,028 | 22,347,007 | 3,182,158 | 8,885,949 | 76,151,141 |

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

for the year ended 31 December 2011

39.5 Credit risks (continued)

39.5.5 Credit quality per class of financial assets (Continued)

Bank 2010

| | _ | Management | Sub- | Non- | |
|--|-----------------|--------------------|-----------|------------|-----------------|
| RON Thousand | Low Risk | attention | standard | performing | Total |
| Due from banks | 638,345 | 817 ,390 | • | • | 1,455,735 |
| Financial assets designated at fair value through profit or loss | 23,963 | 18,000 | | | 41,963 |
| Trading Assets | | | | | |
| Treasury bills | 956,773 | • | | - | 956,773 |
| Listed bonds | 9,676 | 495 | - | - | 10,171 |
| | 966,449 | 495 | - | | 966,944 |
| Loans and advances to customers* | | | | | |
| Corporate lending | 11,430,329 | 12,050,278 | 6,548,549 | 3,760,294 | 33,789,450 |
| Small business lending (Micros) | 101,222 | 723,545 | 665,689 | 816,486 | 2,306,942 |
| Consumer lending | 6,542,195 | 826,605 | 869,349 | 1,327,039 | 9,565,188 |
| Residential mortgages | 7,784,616 | 657,694 | 710,802 | 614,308 | 9,767,420 |
| Other | 197 ,904 | • | - | - | 197 ,904 |
| | 26,056,266 | 14,258,122 | 8,794,389 | 6,518,127 | 55,626,904 |
| Financial investments – available for sale | | | | | |
| Treasury bills | 2,866,408 | - | - | - | 2,866,408 |
| Listed equities and bons | 913,107 | 17,269 | - | - | 930,376 |
| Non-listed investments | 796,888 | 369,923 | - | - | 1,166,811 |
| | 4,576,403 | 387,192 | - | | 4,963,595 |
| Financial investments - held to maturity | | | | | |
| Listed debt securities | 4,998,420 | - | - | - | 4,998,420 |
| | 4,998,420 | | | • | 4,998,420 |
| Total | 37,259,846 | 15,481, 199 | 8,794,389 | 6,518,127 | 68,053,561 |

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

for the year ended 31 December 2011

Credit risks (continued)

Loan Portfolio on time bands

39. RISK MANAGEMENT (continued)

39.5

39.5.6.

The Bank exposure from loans on time bands, RON equivalent, as at 31 December 2011:

| RON Thousand | TOTAL | | Ехр | osure cont | aminated with | the debt | service | |
|--------------------------|------------|-------|-------------|------------|--------------------|----------|----------------------------|-----------------------|
| | LOANS | | 1 - 30 days | | 31- 90 days | | NPL (more than 90 days) | NPL* / Total loans |
| | | | | | | % in | | |
| | | | | % in Total | | Total | | 0/ |
| | Amount | % | Amount | loans | Amount | loans | Amount | % |
| I. Corporate cilents, | | | | | | | | |
| - GLC* | 5,258,754 | 17.6 | 497,878 | | 2,210 | | 228,524 | 4.3 |
| - LC* | 7,687,951 | 25.7 | 545,409 | | 89,900 | | 1,582,153 | 20.6 |
| - Public Sector | 542,096 | 1.8 | 658 | | - | | | 0.0 |
| - SME* | 8,839,622 | 29.5 | 533,862 | | 781,417 | | 2,828,711 | 32.0 |
| - Municipalities | 4,515,779 | 15.1 | 170 | | | | - | 0.0 |
| - Real estate | 3,069,772 | 10.2 | 224,669 | | 99,257 | | 929,899 | 30.3 |
| - ALM* | 43,093 | 0.1 | - | | - | | - | 0.0 |
| i.Total Corporate loans, | 29,957,067 | 100 | 1,802,646 | 6.0 | 972,784 | 3.2 | 5,569,287 | 18.6 |
| II. Retall clients | | | | | | | | |
| ~ Individuals | 18,923,893 | 89.5 | 1,629,857 | | 725,325 | | 1,564,566 | 8.3 |
| - Micro | 2,228,508 | 10.5 | 139,667 | | 98,850 | | 1,024,329 | 46.0 |
| II.Total Retall loans, | 21,152,401 | 100.0 | 1,769,524 | 8.4 | 824,175 | 3.9 | 2,588,895 | 12.2 |
| Total loans (I+II) | 51,109,468 | 100.0 | 3,572,170 | 7.0 | 1,796,959 | 3.5 | 8,158, 182 | 16.0 |

^{*)} GLC - Group Large Corporates; LC - Large Corporates; SME - Small and medium enterprises; ALM -Assets and liabilities management; NPL - Non-performing loans.

The Bank exposure from loans on time bands, RON equivalent, as at 31 December 2010:

| RON Thousand | TOTAL | Exposure contaminated with the debt service | | | | | | | |
|-------------------------------------|------------|---|-------------|------------|------------|-------|---------------|--------------|--|
| | | | | | | | NPL* (more | NPL* / Total | |
| | LOANS | | 1 - 30 days | | 31-90 days | | than 90 days) | loans | |
| | | • | | | , | % in | | | |
| | | | 9 | % in Total | | Total | | | |
| | Amount | % | Amount | loans | Amount | loans | Amount | % | |
| I. Corporate clients, | <u> </u> | | | | | | | | |
| - GLC* | 4,039,460 | 14.6 | - | | 2,498 | | 151,406 | 3.7 | |
| -LC* | 6,527,505 | 23.5 | 779,076 | | 353,483 | | 629,047 | 9.6 | |
| - Public Sector | 217,215 | 0.8 | - | | | | - | 0.0 | |
| - SME* | 8,096,706 | 29.2 | 456,556 | | 667,969 | | 2,136,329 | 26.4 | |
| - Municipalities | 4,364,987 | 15.7 | 14,969 | | 3,218 | | 14,604 | 0.3 | |
| - Real estate | 2,870,850 | 10.3 | 104,495 | | - | | 550,039 | 19.2 | |
| - ALM* | 1,628,145 | 5.9 | | | | | | 0.0 | |
| I. Corporate clients, out of which: | 27,744,868 | 100 | 1,355,096 | 4.9 | 1,027,168 | 3.7 | 3,481,425 | 12.5 | |
| II. Retail clients | | | | | | | | | |
| Individuals | 18,666,298 | 89.5 | 1,570,682 | | 813,293 | | 1,940,962 | 10.4 | |
| Micro | 2,196,601 | 10.5 | 147,691 | | 134,603 | | 815,739 | | |
| II. Retall loans, out of which: | 20,862,899 | 100.0 | 1,718,373 | 8.2 | 947,896 | 4.5 | 2,756,701 | 13.2 | |
| Total loans (I+II) | 48,607,767 | 100.0 | 3,073,469 | 6.3 | 1,975,064 | 4.1 | 6,238,126 | 12.8 | |

^{*)} GLC - Group Large Corporates; LC - Large Corporates; SME - Small and medium enterprises; ALM -Assets and liabilities management; NPL - Non-performing loans.

39.5 Credit risks (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 proper evolution of the ratio of liquid assets to customers (banking and non-banking customers) liabilities:

| | 2011 | 2010 |
|----------|-------|-------|
| | (%) | (%) |
| December | 36.20 | 33.60 |
| Average | 35.27 | 30.88 |
| Max | 37.11 | 34.14 |
| Min | 33.79 | 27.57 |

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 2011

| | Less than 3 | Less than 3 | | Subtotal less than | | | Subtotal over 12 | |
|---|-------------|-------------|----------------|--------------------|--------------|--------------|------------------|------------|
| RON Thousand | days | months | 3 to 12 months | 12 months | 1 to 5 years | Over 5 years | months | Total |
| ASSETS | | | | | | | | |
| Cash and balances with central banks | 10,324,934 | | | 10,324,934 | • | | | 10,324,934 |
| Due from banks | 245,445 | 797,050 | | 1,042,495 | 57,565 | | | |
| Derivative financial instruments | 8,005 | 3,065 | 6,993 | 18,063 | 39,448 | | | |
| Financial assets held for trading | | 515 | 698,178 | 698,693 | - | 3,005 | 3,005 | 701,69 |
| Financial assets designated at fair value through profit or loss | | | | | | 41,954 | 41,954 | 41,95 |
| Loans and advances to customers, net | 1,976,153 | 3,885,716 | 5,977,602 | 11,839,471 | 9,314,041 | | | |
| Financial investments – avaitable-for-sale | 1,510,100 | 1,892,895 | | 4,244,496 | 653,672 | | | |
| Financial investments – available-for-sale Financial investments – held-to-maturity | • | 32,070 | | | 5,668,969 | | | |
| Property and equipment | • | JZ,010 | 001,102 | 000,002 | 3,000,303 | 1,584,721 | | |
| Goodwill and other intangible assets | | | · | | | 439,820 | | |
| Current lax assets | | 177,428 | | 177.428 | | | | 177,42 |
| Deferred tax assets | | 111,120 | | | | 46,920 | 46,920 | |
| Other assets | | 882,582 | 30,826 | 913,408 | 3,338 | | | |
| Assets held for sale | | | 212,663 | | | , | | 212,66 |
| TOTAL ASSETS | 12,554,537 | 7,671,321 | 10,079,645 | | 15,737,033 | 30,703,125 | 46,440,162 | 76,745,66 |
| LIABILITIES AND EQUITY | | | | | | | | |
| Due to banks | 1,456,109 | 1,880,660 | 4,332,657 | 7,669,426 | 11,624,503 | 3,612,469 | 15,236,968 | 22,906,39 |
| Derivative financial instruments | 450 | | | | | 44,104 | 1,247,643 | 1,854,88 |
| Due to customers | 9,669,923 | | | 32,047,993 | 7,555,695 | 60,611 | 7,616,300 | 39,664,29 |
| Debt issued and other borrowed funds | | | 81,881 | 81,881 | 568,333 | 482,60 | 7 1,050,940 | 1,132,82 |
| Current tax liabilities | | 4,071 | | 4,071 | , | | • | - 4,07 |
| Deferred tax liabilities | | | | | | - 534,42 | 7 534,42 | 534,42 |
| Other liabilities | | 765,125 | 6,16 | ? 771,287 | 708 | 3 | - 70 | |
| Provisions | 305,778 | } | | 305,778 | | • | • | - 305,77 |
| Subordinated liabilities | | | | | 000,000 | | _ | |
| TOTAL LIABILITIES | 11,432,260 | 21,187,881 | 8,867,54 | 41,487,681 | 21,553,64 | 6,158.03 | 7 27,711,68 | 69,199,36 |
| Net | 1,122,277 | (13,516,560 |) 1,212,10 | 5 (11,182,178 | (5,816,612 | 24,545,09 | 2 18,728,48 | 7,546,30 |

39.6.2 Liquidity analysis of assets and liabilities (continued)

GROUP 2010

| | Less than 3 | Less than 3 | | Subtotal less than | | | Subtotal over 12 | |
|---|-------------|---------------|----------------|--------------------|--------------|--------------|------------------|-------------|
| RON Thousand | days | months | 3 to 12 months | 12 months | 1 to 5 years | Over 5 years | months | Total |
| ASSETS | | | | | | | | |
| Cash and balances with central banks | 9,545,395 | - | | 9,545,395 | | - | | 410-101001 |
| Due from banks | 1,178,595 | 489,688 | 690 | 1,668,973 | | - | | |
| Derivative financial instruments | | | 1,177 | | | 16,401 | 42,110 | |
| Financial assets held for trading | | 966,944 | | 966,944 | | | | 966,944 |
| Financial assets designated at fair value through | | | | | | | | |
| profit or loss | | 41,963 | - | 41,963 | | | | 41,96 |
| Loans and advances to customers, net | 3,198,267 | 4,336,077 | 8,981,074 | 16,515,418 | 13,448,726 | 17,429,543 | 30,878,269 | 47,393,687 |
| Financial investments – available-for-sale | | 722,590 | 2,237,307 | 2,959,897 | 701,465 | 264,009 | 965,474 | 3,925,37 |
| Financial investments – held-to-maturity | | 6,902 | 294,808 | 301,710 | 3,565,548 | 1,574,960 | 5,140,508 | 5,442,211 |
| Property and equipment | | | | | | 1,693,938 | 1,693,938 | 1,693,93 |
| Goodwill and other intangible assets | | | . , | | | 424,320 | 424,320 | 424,32 |
| Current tax assets | | 192,961 | | 192,961 | | | | 192,96 |
| Deferred tax assets | | . , | | | | 53,612 | 53,612 | 53,61 |
| Other assets | | 1,032,131 | 755,285 | 1,787,416 | 83,893 | 216,313 | 300,200 | |
| Assets held for sale | 29,429 |) | | 29,429 | | | | 29,42 |
| TOTAL ASSETS | 13,951,686 | 7,789,256 | 12,270,341 | 34,011,283 | 17,879,383 | 21,721,819 | 39,601,207 | 73,612,48 |
| LIABILITIES AND EQUITY | | | | | | | | |
| Due to banks | 89,781 | 3,411,22 | 2,804,005 | 6,305,008 | 13,067,919 | 2,450,60 | 5 15,518,52 | 21,823,53 |
| Repurchase agreements | | - 1,88 | 6 | - 1,880 | 3 | | | - 1,88 |
| Derivative financial instruments | | • | - 1,507 | 1,507 | 7 1,786,870 |) | - 1,786,87 | 1,788,37 |
| Due to customers | 7,078,55 | 5 19,264,76 | 6 6,069,610 | 32,412,934 | 2,762,98 | 2,651,010 | 5,414,00 | 2 37,826,93 |
| Debt issued and other borrowed funds | | - 192,04 | 6 16,77 | 208,82 | 172,70 | 256,65 | 3 429,35 | |
| Current lax liabilities | | | | - | • | - 21,72 | 6 21,72 | 6 21,72 |
| Deferred tax flabilities | | | | | | - 498,40 | 5 498,40 | 5 498,40 |
| Other liabilities | | - 1,499,20 | 2 118,22 | 1,617,43 | 1 69,94 | 6 1,13 | 8 71,08 | 4 1,688,51 |
| Provisions | 253,95 | | | - 253,95 | 1 | • | | - 253,95 |
| Subordinated Liabilities | , | | | • | • | - 1,967,31 | | |
| TOTAL LIABILITIES | 7,422,28 | 7 24,369,12 | 2 9,010,12 | 8 40,801,53 | 7 17,860,42 | 5 7,846,86 | 0 25,707,28 | 5 66,508,82 |
| Net | 6,529,39 | 9 (16,579,860 | 3,260,21 | 3 (6,790,254 | i) 18,95 | 8 13,874,95 | 9 13,893,91 | 7 7,103,60 |

39.6.2 Liquidity analysis of assets and liabilities (continued)

Bank 2011

| | Less than 3 | Less than 3 | | Subtotal less | | | Subtotal over 12 | |
|---|-------------|---------------|----------------|----------------|--------------|--------------|------------------|------------|
| RON Thousand | days | months | 3 to 12 months | than 12 months | 1 to 5 years | Over 5 years | months | Total |
| ASSETS | | | | | | | | |
| Cash and balances with central banks | 10,290,771 | | | 10,290,771 | • | | | 10,290,771 |
| Due from banks | 243,319 | 705,323 | | 948,642 | 57,565 | 150 | 57,715 | 1,006,357 |
| Derivative financial instruments | 8,005 | 3,065 | 6,993 | 18,063 | 39,448 | 27,525 | 66,973 | 85,036 |
| Financial assets held for trading | | 515 | 698,178 | 698,693 | | 3,005 | 3,005 | 701,698 |
| Financial assets designated at fair value through | 1 | | | | | | | |
| profit or loss | | | - | | | 41,954 | 41,954 | 41,954 |
| Loans and advances to customers, net | 1,967,462 | 2,900,780 | 5,757,946 | 10,626,188 | 8,911,134 | 27,453,112 | 36,364,246 | 46,990,434 |
| Financial investments – available-for-sale | | 1,861,067 | 2,351,484 | 4,212,551 | 653,671 | 1,292,499 | 1,946,170 | 6,158,721 |
| Financial investments – held-to-maturity | | | 543,497 | 543,497 | 5,180,914 | 1,431,197 | 6,612,111 | 7,155,608 |
| Property and equipment | | | | | | 535,398 | 535,398 | 535,398 |
| Goodwill and other intangible assets | | | | | | 243,528 | 243,528 | 243,528 |
| Current tax assets | | 177,284 | | 177,284 | | | | 177,284 |
| Other assets | | 497,042 | | 497,042 | | | | 497,042 |
| TOTAL ASSETS | 12,509,557 | 6,145,076 | 9,358,098 | 28,012,731 | 14,842,732 | 31,028,368 | 45,871,100 | 73,883,831 |
| LIABILITIES AND EQUITY | | | | | | | | |
| Due to banks | 1,448,186 | 766,230 | 3,987,748 | 6,202,164 | 10,927,482 | 3,612,467 | 14,539,949 | 20,742.113 |
| Derivative financial instruments | 450 | | 598,001 | 607,245 | 1,203,539 | 44,104 | 1,247,643 | 1,854,88 |
| Due to customers | 9,608,920 | 18,689,165 | 3,794,285 | 32,092,370 | 6,790,118 | 60,274 | 6,850,392 | 38,942,762 |
| Debt issued and other borrowed funds | | | 81,881 | 81,881 | 436,401 | 482,607 | 919,008 | 1,000,88 |
| Deferred tax liabilities | | | | | | - 506,256 | 506,256 | 506,25 |
| Other liabilities | | - 666,891 | | 666,891 | | | • | - 666,89 |
| Provisions | 297,845 | , | | 297,845 | | | - | - 297,84 |
| Subordinated liabilities | | | | | 600,867 | 1,423,823 | 3 2,024,696 | |
| TOTAL LIABILITIES | 11,355,40 | 20,131,080 | 8,461,91 | 39,948,396 | 19,958,40 | 6,129,53 | 26,087,93 | 66,036,33 |
| Net | 1,154,15 | 6 (13,986,004 | 996,18 | {11,935,665 |) (5,115,675 | 24,898,83 | 7 19,783,16 | 2 7,847,49 |

39.6.2 Liquidity analysis of assets and liabilities (continued)

Bank 2010

| | Less than 3 | Less than 3 | | Subtotal less | | | Subtotal over 12 | |
|--|---|-------------|----------------|----------------|--------------|--------------|------------------|-----------|
| RON Thousand | days | months | 3 to 12 months | than 12 months | 1 to 5 years | Over 5 years | months | Total |
| ASSETS | | | | | | | | |
| Cash and balances with central banks | 9,468,523 | | | 9,468,523 | | | | 9,468,52 |
| Due from banks | 924,048 | 489,688 | | 1,413,736 | 23,791 | 18,208 | 41,999 | 1,455,73 |
| Derivative financial instruments | | | 1,156 | 1,156 | 25,709 | 16,401 | 42,110 | 43,26 |
| Financial assets held for trading | | 966,944 | | 966,944 | | | | 966,94 |
| Financial assets designated at fair value throug | gh | | | | | | | |
| profit or loss | | 41,963 | | 41,963 | , | | | 41,96 |
| Loans and advances to customers, net | 3,047,586 | 4,131,791 | 8,557,946 | 15,737,323 | 12,815,114 | 16,608,381 | 29,423,495 | 45,160,81 |
| Financial investments – available for sale | | 684,589 | 2,181,819 | 2,866,408 | 701,059 | 1,396,126 | 2,097,187 | 4,963,59 |
| Financial investments – held-to-maturity | | | 292,291 | 292,291 | 3,143,500 | 1,562,629 | 4,706,129 | 4,998,42 |
| Property and equipment | | | | | | 751,276 | 751,276 | 751,27 |
| Goodwill and other intangible assets | | | | | | 220,638 | 220,638 | 220,63 |
| Current tax assets | | 189,527 | • | 189,527 | , | | | 189,52 |
| Other assets | | 790,612 | 658,449 | 1,449,061 | 40,211 | 195,210 | 235,421 | 1,684,48 |
| TOTAL ASSETS | 13,440,157 | 7,295,114 | 11,691,661 | 32,426,932 | 16,749,384 | 20,768,87 | 37,518,255 | 69,945,18 |
| LIABILITIES AND EQUITY | | | | | | | | |
| Due to banks | 89,948 | 1,689,703 | 1,575,141 | 3,354,792 | 13,092,337 | 2,455,184 | 15,547,521 | 18,902,31 |
| Repurchase agreements | | 1,886 | | 1,886 | ; | | | 1,88 |
| Derivative financial instruments | | , | 1,507 | 1,507 | 1,786,870 |) | - 1,786,870 | 1,788,37 |
| Due to customers | 6,937,689 | 18,991,607 | 5,988,793 | 31,918,089 | 2,733,911 | 2,635,140 | 5,369,057 | 37,287,14 |
| Debt issued and other borrowed funds | -,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | 192,048 | | | | 256,650 | 3 429,357 | 638,17 |
| Deferred tax liabilities | | | | | | 465,99 |) 465,990 | 465,99 |
| Other liabilities | | 1,374,289 | 108,405 | 1,482,694 | 64,134 | | | 1,547,87 |
| Provisions | 226,47 | | | 226,47 | | • | | 226,47 |
| Subordinated Liabilities | 220,11 | • | | • | • | - 1,967,31 | 7 1,967,317 | 1,967,31 |
| TOTAL LIABILITIES | 7,254,10 | 22,249,53 | 7,690,620 | 37,194,25 | 17,849,95 | 5 7,781,33 | 25,631,290 | 62,825,54 |
| Net | 6,186,04 | (14,954,417 | 4,001,041 | (4,767,327 |) (1,100,572 | 12,987,53 | 7 11,886,965 | 7,119,6 |

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 2011 and at 31 December 2010 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 2011

| | Less than 3 | Less than 3 | | Subtotal less than | | | Subtotal over 12 | |
|--|-------------|-------------|----------------|--------------------|--------------|--------------|------------------|-----------|
| RON Thousand | days | months | 3 to 12 months | 12 months | 1 to 5 years | Over 5 years | months | Total |
| Due in banks | 1,459,962 | 1,893,101 | 4,475,963 | 7,829,026 | 13,470,057 | 4,568,349 | 18,038,406 | 25,867,43 |
| Derivative financial instruments | 450 | 8,794 | 598,001 | 607,245 | 1,203,539 | 44,104 | 1,247,643 | 1,854,88 |
| Due to customers | 9,689,285 | 18,621,983 | 3,945,169 | 32,256,437 | B,463,410 | 72,747 | 8,536,157 | 40,792,59 |
| Debt issued and other borrowed funds | | | 83,590 | 83,590 | 1,325,452 | 492,730 | 1,818,182 | 1,901,772 |
| Current tax liabilities | | 4,071 | | 4,071 | - | | | 4,07 |
| Deferred tax liabilities | | | | | | 534,427 | 534,427 | 534,42 |
| Other liabilities | | 765,126 | 6,162 | 771,288 | 708 | | 708 | 771.99 |
| Provisions | 305,777 | ٠. | | 305,777 | | | | 305,77 |
| Subordinated liabilities | | | | | 853,640 | 2,422,114 | 3,275,754 | 3,275,75 |
| Total undiscounted financial liabilities | 11,455,474 | 21,293,075 | 9,108,885 | 41,857,434 | 25,316,806 | 8,134,471 | 33,451,277 | 75,308,71 |

Group 2010

| | Less than 3 | Less than 3 | | Subtotal less than | | | Subtotal over 12 | |
|--|-------------|-------------|----------------|--------------------|--------------|--------------|------------------|-----------|
| RON Thousand | days | months | 3 to 12 months | 12 months | 1 to 5 years | Over 5 years | months | Total |
| Due to banks | 90,211 | 3,452,071 | 2,971,892 | 6,514,174 | 16,823,577 | 3,624,425 | 20,448,002 | 26,962,17 |
| Derivative financial instruments | | | 1,507 | 1,507 | 1,786,870 | - | 1,786,870 | 1,788,37 |
| Tue to customers | 7,095,902 | 19,382,795 | 6,255,546 | 32,734,243 | 3,169,258 | 3,300,695 | 6,469,953 | 39,204,19 |
| Oebl issued and other borrowed funds | | 192,856 | 17,128 | 209,984 | 452,513 | 704,102 | 1,156,615 | 1,366,59 |
| Current (ax liabilities | | | | | | 21,726 | 21,726 | 21,72 |
| elerred lax liabilities | | | • | | | 498,405 | 498,405 | 498,40 |
| Other liabilities | | 1,499,202 | 118,229 | 1,617,431 | 69,947 | 1,137 | 71,084 | 1,688,51 |
| Provisions | 253.951 | | | - 253,951 | | | , , | 253,95 |
| Subordinated liabilities | , | | | | | 3,346,669 | 3,346,669 | 3,346,66 |
| Total undiscounted financial liabilities | 7,440,064 | 24,526,924 | 9,364,302 | 41,331,290 | 22,302,165 | 11,497,159 | 33,799,324 | 75,130,61 |

for the year ended 31 December 2011

39. RISK MANAGEMENT (continued)

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

Bank 2011

| | Less than 3 | Less than 3 | | Subtotal less than | | | Subtotal over 12 | |
|--|-------------|-------------|----------------|--------------------|--------------|--------------|------------------|------------|
| RON Thousand | days | months | 3 to 12 months | 12 months | 1 to 5 years | Over 5 years | months | Total |
| Due to banks | 1,452,018 | 771,299 | 4,119,646 | 6,342,963 | 12,662,374 | 4,568,351 | 17,230,725 | 23,573,688 |
| Derivative financial instruments | 450 | 8,794 | 598,001 | 607,245 | 1,203,539 | 44,104 | 1,247,643 | 1,854,888 |
| Due to customers | 9,609,762 | 18,782,717 | 3,889,250 | 32,281,729 | 7,605,859 | 72,343 | 7,678,202 | 39,959,931 |
| Debt issued and other borrowed funds | | | 83,590 | 83,590 | 1,116,805 | 492,673 | 1,609,478 | 1,693,068 |
| Deferred tax liabilities | | | | | | 506,256 | 506,256 | 506,256 |
| Other liabilities | | 666,892 | | 666,892 | | | | 666,892 |
| Provisions | 297.844 | | | 297,844 | | | | 297,844 |
| Subordinated liabilities | | | | | 853,640 | 2,422,114 | 3,275,754 | 3,275,754 |
| Total undiscounted financial liabilities | 11,360,074 | 20,229,702 | 8,690,487 | 40,280,263 | 23,442,217 | 8,105,841 | 31,548,058 | 71,828,321 |

Bank 2010

| | Less than 3 | Less than 3 | | Subtotal less than | | | Subtotal over 12 | |
|--|-------------|--------------|----------------|--------------------|--------------|--------------|------------------|------------|
| RON Thousand | days | months | 3 to 12 months | 12 months | 1 to 5 years | Over 5 years | months | Total |
| Due to banks | 90,379 | 1,709,937 | 1,669,451 | 3,469,767 | 16,855,012 | 3,631,198 | 20,486,210 | 23,955,977 |
| Derivative financial instruments | | | 1,507 | 1,507 | 1,786,870 | | 1,786,870 | 1,788,377 |
| Due to customers | 6,938,187 | 19,107,963 | 6,172,251 | 32,218,401 | 3,135,907 | 3,260,936 | 6,416,843 | 38,635,244 |
| Debt issued and other borrowed funds | | - 192,856 | 17,128 | 209,984 | 449,568 | 701,424 | 1,150,992 | 1,360,976 |
| Deferred tax liabilities | | | | , , | | 465,990 | 465,990 | 465,990 |
| Other liabilities | | - 1,374,289 | 108,404 | 1,482,693 | 64,134 | 1,045 | 65,179 | 1,547,872 |
| Provisions | 226,471 | 1 | , | 226,471 | | | | 226,471 |
| Subordinated liabilities | • | | | | | 3,346,670 | 3,346,670 | 3,346,670 |
| Total undiscounted financial liabilities | 7,255,03 | 7 22,385,045 | 7,968,741 | 37,608,823 | 22,291,491 | 11,427,263 | 33,718,754 | 71,327,577 |

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 2011

| 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 |
|--|--------------------------------------|-------------------|------------------------------------|--------------|-----------------|-------------------------------|-----------|
| Conlingent liabilities Commitments Total | 487,518 421,230 908,748 | 729,735 | 1,150,965 | <u> </u> | | 3,400,291 | 4,551,256 |

Group 2010

| | | | Subtotal less | | | Subtotal | |
|------------------------|--------------------|-------------------|-------------------|-------------------|-----------------|-------------------|-------------------|
| RON Thousand | Less than 3 months | 3 to 12 months | than 12 months | 1 to 5 years | Over 5 years | over 12 months | Total |
| Contingent liabilities | 559,336 | 799,559 | 1,358,895 | 1,675,539 | 647,367 | 2,322,906 | 3,681,801 |
| Commitments | 428,816 | 764,023 | 1,192,839 | 1,436, 755 | 922,540 | 2,359,295 | 3,552.1 34 |
| Total | 988,152 | 1,563,582 | 2,551,734 | 3,112,294 | 1,569,907 | 4,682,201 | 7,233,935 |

Bank 2011

| RON Thousand | Less than 3 months | 3 to 12 months | Subtotal less than 12 months | 1 to 5 years | Over 5 | Subtotal over 12 months | Total |
|--|-------------------------------|-------------------|------------------------------------|--------------|--------|-------------------------------|-----------|
| Contingent liabilities Commitments Total | 486,485 420,513 906,998 | 728,494 | 1,149,007 | 3,309,611 | 84,896 | 3,394,507 | 4,543,514 |

BANK 2010

| 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 | 530,590 | 758,467 | 1,289,057 | 1,589,425 | 614,097 | 2,203,522 | |
| Commitments | 412,507 | 734,963 | 1, 147 .470 | | | 2,269,519 | |
| Total | 943,097 | 1,493,430 | 2,436,527 | 2,971,493 | 1,501,548 | 4,473,041 | 6,909,568 |

Consolidated and Bank for the year ended 31 December 2011

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 currencles | | posure on currencles 2011 % of own funds | |
|------------------------|---------|---|------|
| FUD | Average | 6.54% | 0.93 |
| EUR | Maximum | 9,94% | 3.03 |
| HOD | Average | 0,06% | 0.07 |
| USD | Maximum | 0,83% | 0.18 |
| | Average | 6,58% | 1.01 |
| Total | Maximum | 10,12% | 3.04 |

The value at risk ("VaR") of the total FX position was reduced accordingly for 2011, as presented below:

| 1 day, 99%, RON VaR | | 2011 | 2010 |
|----------------------------------|---------|---------|---------|
| The VaR of the total FX position | Average | 56,969 | 50,239 |
| | Maximum | 117.862 | 205,156 |

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.

Below one can see the structure of the internal market risk limits as of 31 December 2010 and 31 December 2011:

Limits for the Trading Book

- Limits on the FX position (for three categories: i) EUR and USD, ii) other currencies except EUR and USD, iii) Total FX position):
 - o Exposure (Delta)
 - o 1 Day, 99% VaR limit;

Limits of Fixed Income Trading Book:

- o Present value of a basis point ("PVBP") and
- o 1 Day, 99% VaR

Limits on common stock position:

- o Exposure (delta) limits (for three categories: i) Erste, ii) Other, iii) Total)
- o 1 Day, 99% VaR

Aggregated VaR limits:

- o for FITB plus MM and the
- for the whole TB.

39.7 Market Risk (continued)

Limits for the Banking Book

- . Limits for money market ("MM"):
 - o PVBP limits for MM (for RON, EUR, USD, other currencies and total):
 - o 1 Day, 99% VaR limit
- Limits for fixed income
 - PVBP limits for FI BB AFS and HTM (for RON, EUR, USD, other currencies and total):
 - o 1 Day, 99% VaR

During 2011 and 2010 there were no market risk limit breaches.

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 2011, the market risk limits system were further improved by adding in the TB, two new, more aggregated VaR limits: one for FLTB plus MM and the other for the whole TB, in addition to the existing ones. The one for the whole TB will also be useful for ICAAP.

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.

39.7 Market Risk (continued)

39.7.1. Currency risk

Group 2011

| RON Thousand | RON | EUR | USD | Other | Total |
|--|-------------|------------|-----------|---------|------------|
| Assets | | | | | |
| Cash and balances with central banks | 5,348,002 | 4,867,908 | 43,195 | 65,829 | 10,324,934 |
| Due from banks | 681,710 | 271,433 | 70,992 | 76,075 | 1,100,210 |
| Financial assets held for trading | 701,698 | - | | | 701,698 |
| Derivative financial instruments | 29,586 | 56,745 | 156 | - | 86,487 |
| Financial assets designated at fair value through profit or loss | 41,954 | | - | • | 41,954 |
| Loans and advances to customers | 17,002,012 | 29,357,324 | 1,392,588 | 51,601 | 47,803,525 |
| Financial investments - available-for-sale | 4,270,790 | 941,473 | - | 32,238 | 5,244,501 |
| Financial investments - held-to-maturity | 5,112,608 | 2,848,779 | - | 50,434 | 8,011,821 |
| Property and equipment | 1,576,595 | 210 | - | 7,916 | 1,584,721 |
| Intangible assets | 438,882 | - | • | 938 | 439,820 |
| Current lax assets | 177,295 | 87 | - | 46 | 177,428 |
| Deferred tax assets | 43,911 | 90 | • | 2,919 | 46,920 |
| Other assets | 629,896 | 283,359 | 37,455 | 18,273 | 968,983 |
| Assets Held For Sale | 212,663 | - | | - | 212,663 |
| Total assets | 38,267,602 | 38,627,408 | 1,544,386 | 306,269 | 76,745,665 |
| Liabilities | | | | | |
| Due to banks | 12,350,286 | 10,493,602 | 24,305 | 38,201 | 22,906,394 |
| Derivative financial instruments | 1,783,336 | 71,354 | 198 | - | 1,854,888 |
| Due to customers | 26,366,394 | 11,450,705 | 1,641,931 | 205,269 | 39,664,299 |
| Debt issued and other borrowed funds | 708,501 | 424,320 | .,, | , | 1,132,821 |
| Current tax liabilities | 3,948 | | - | 123 | 4,071 |
| Deferred lax liabilities | 534,378 | | - | 49 | 534,427 |
| Other liabilities | 596,171 | 155,855 | 16,646 | 3,323 | 771,995 |
| Provisions | 106,181 | 177,498 | 22,099 | -, | 305,778 |
| Subordinated Liabilities | 1,351,866 | 672,824 | | | 2,024,690 |
| Total liabilities | 43,801,061 | 23,446,158 | 1,705,179 | 246,965 | 69,199,363 |
| Net | (7,533,459) | 15,181,250 | (160,793) | 59,304 | 7,546,302 |

for the year ended 31 December 2011

39.7 Market Risk (continued)

39.7.1. Currency risk (continued

Group 2010

| RON Thousand | RON | EUR | USD | Other | Total |
|--|-------------|------------|-----------|---------|------------|
| Assets | | | | | |
| Cash and balances with central banks | 4,807,056 | 4,624,462 | 58.536 | 55,341 | 9,545,395 |
| Due from banks | 735,366 | 607,141 | 255,283 | 173,948 | 1,771,738 |
| Financial assets held for trading | 966,944 | | - | | 966,944 |
| Derivative financial instruments | 30,670 | 12,471 | 146 | - | 43,287 |
| Financial assets designated at fair value through profit or loss | 41,963 | * | | - | 41,963 |
| Loans and advances to customers | 17,351,304 | 28,704,031 | 931,299 | 407,053 | 47,393,687 |
| Financial investments - available-for-sale | 2,626,322 | 1,245,061 | 3,401 | 50,587 | 3,925,371 |
| Financial investments - held-to-malurity | 4,598,791 | 843,294 | | 133 | 5,442,218 |
| Property and equipment | 1,684,893 | 38 | - | 9,007 | 1,693,938 |
| Intangible assets | 423,416 | 17 | | 887 | 424,320 |
| Current Lax assels | 190,596 | 2,365 | | - | 192,961 |
| Deferred lax assets | 46.587 | 7,025 | _ | | 53,612 |
| Olher assels | 1,431,952 | 580,906 | 41,084 | 33,680 | 2,087,622 |
| Assets Held For Sale | 29,429 | - | | - | 29,429 |
| Total assets | 34,965,289 | 36,626,811 | 1,289,749 | 730,636 | 73,612,485 |
| | | | | | |
| Liabilities | | | | | |
| Due to banks | 12,337,121 | 9,277,197 | 157,547 | 51,667 | 21,823,532 |
| Repurchase agreements | | 1,886 | - | - | 1,886 |
| Derivative financial instruments | 1,742,573 | 45,539 | 265 | - | 1,788,377 |
| Due to customers | 24,964,904 | 11,203,494 | 1,465,739 | 192,799 | 37,826,936 |
| Debt issued and other borrowed funds | 385,659 | 252,518 | - | - | 638,177 |
| Current tax liabilities | 21,630 | - | • | 96 | 21,726 |
| Deferred (ax tiabilities | 498,405 | - | - | | 498,408 |
| Other liabilities | 978,680 | 603,123 | 65,747 | 40,965 | 1,688,518 |
| Provisions | 93,904 | 138,709 | 21,206 | 132 | 253,951 |
| Subordinated Liabilities | 1,351,073 | 616,244 | - | | 1,967,317 |
| Total liabilities | 42,373,949 | 22,138,710 | 1,710,504 | 285,659 | 66,508,822 |
| Net | (7,408,660) | 14,488,101 | (420,755) | 444,977 | 7,103,663 |

39.7 Market Risk (continued)

39.7.1. Currency risk (continued)

BANK 2011

| RON Thousand | RON | EUR | USD | Other | Total |
|--|-------------|------------|-----------|---------|-----------------|
| Assets | | | | | |
| Cash and balances with central banks | 5,347,850 | 4,858,372 | 37,724 | 46,825 | 10,290,771 |
| Due from banks | 629,220 | 235,223 | 65,896 | 76,018 | 1,006,357 |
| Financial assets held for trading | 701,698 | - | - | • | 701,698 |
| Derivative financial instruments | 29,568 | 55,311 | 156 | 1 | 85,036 |
| Financial assets designated at fair value through profit or loss | 41,954 | + | - | | 41,954 |
| Loans and advances to customers | 18,152,681 | 27,544,014 | 1,286,272 | 7,467 | 46,990,434 |
| Financial investments - available-for-sale | 5,033,320 | 949,941 | - | 175,460 | 6,158,721 |
| Financial investments - held-to-maturity | 4,306,829 | 2,848,779 | - | | 7,155,608 |
| Property and equipment | 535,398 | - | • | | 535,398 |
| Intangible assets | 243,528 | - | - | | 243,528 |
| Current lax assets | 177,284 | | - | | 177,284 |
| Other assets | 340,045 | 122,663 | 32,857 | 1,477 | 497 ,042 |
| Total assets | 35,539,375 | 36,614,303 | 1,422,905 | 307,248 | 73,883,831 |
| (1-104 | | | | | |
| Liabilities Due to banks | 12,368,857 | 8,335,073 | 22,627 | 15,556 | 20,742,113 |
| Due to banks Derivative financial instruments | 1,783,336 | 71,354 | 198 | 10,000 | 1,854,888 |
| Delivative infancia insutinents Due lo customers | 25,726,605 | 11,450,416 | 1,628,417 | 137,324 | 38,942,762 |
| Due to customers Debt issued and other borrowed funds | 708,501 | 292,388 | 1,020,411 | 101,024 | 1,000,889 |
| Deat issued and other borrowed tolids Deferred lax liabilities | 506,256 | 232,300 | | | 506,256 |
| Other liabilities | 538,617 | 109,883 | 16,587 | 1,804 | 666,891 |
| One nabilities Provisions | 98,248 | 177,498 | 22,099 | 1,001 | 297,84 |
| Provisions Subordinated Liabilities | 1,351,866 | 672,824 | 25,033 | _ | 2,024,690 |
| Total liabilities | 43,082,286 | 21,109,436 | 1,689,928 | 154,684 | 66,036,334 |
| Net | (7,542,911) | 15,504,867 | (267,023) | 152,564 | 7,847,49 |

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39. RISK MANAGEMENT (continued)

39.7 Market Risk (continued)

39.7.1. Currency risk (continued)

BANK 2010

| RON Thousand | RON | EUR | USD | Other | Total |
|--|-------------|------------|-----------|---------|------------|
| Assets | | | | | |
| Cash and balances with central banks | 4,787,436 | 4,589,269 | 49,562 | 42,256 | 9,468,523 |
| Due from banks | 666,484 | 459,799 | 187,909 | 141,543 | 1,455,735 |
| Financial assets held for trading | 966,944 | | | | 966,944 |
| Derivative financial instruments | 30,671 | 12,449 | 146 | | 43,266 |
| Financial assets designated at fair value through profit or loss | 41,963 | - | | | 41,963 |
| Loans and advances to customers | 17,489,428 | 26,444,627 | 902,285 | 324,478 | 45,160,818 |
| Financial investments - available-for-sale | 3,404,429 | 1,401,002 | - | 158,164 | 4,963,595 |
| Financial investments - held-to-maturity | 4,155,126 | 843,294 | • | | 4,998,420 |
| Property and equipment | 751,276 | | | | 751,276 |
| Intangible assets | 220,638 | - | - | | 220,638 |
| Current lax assels | 189,527 | - | | • | 189,527 |
| Other assets | 1,200,922 | 422,558 | 40,039 | 20,963 | 1,684,482 |
| Total assets | 33,904,844 | 34,172,998 | 1,179,941 | 687,404 | 69,945,187 |
| Liabilities | | | | | |
| Due to banks | 12,306,521 | 6,566,772 | 13,951 | 15,069 | 18,902,313 |
| Repurchase agreements | · · · | 1,886 | • | • | 1,886 |
| Derivative financial instruments | 1,742,573 | 45,539 | 265 | | 1,788,377 |
| Oue to customers | 24,517,903 | 11,222,829 | 1,431,752 | 114,662 | 37,287,146 |
| Debt issued and other borrowed funds | 385,659 | 252,518 | • | * | 638,177 |
| Deferred tax liabilities | 465,990 | - | - | | 465,990 |
| Other liabilities | 937,005 | 506,971 | 63,935 | 39,961 | 1,547,872 |
| Provisions | 87,783 | 117,482 | 21,206 | - | 226,471 |
| Subordinated Liabilities | 1,351,073 | 616,244 | | | 1,967,317 |
| Total ilabilities | 41,794,507 | 19,330,241 | 1,531,109 | 169,692 | 62,825,549 |
| Net | (7,889,663) | 14,842,757 | (351,168) | 517,712 | 7,119,638 |

39.7 Market Risk (continued)

39.7.1. Currency risk (continued)

As a member of Erste Bank Group, BCR was included in 2009 in the program of trading activity centralization set up at Holding level and according to the 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 prorated basis, depending on the contribution of the local trader and the volume of transactions.

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.

Beginning with September 2010, the Bank reports potential changes in the economic value of the bank due to changes in interest rates, according to the NBR's Regulation no. 18.

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:

| 2011 in RON thousand | 1-3 years | 3-5 years | 5-10 years | over 10 years |
|---|-----------|-----------|------------|---------------|
| Fixed-interest gap in EUR positions at 31 December 2011 | 1,452,274 | 1,873,493 | (279,316) | (23,953) |
| Fixed-interest gap in RON positions at 31 December 2011 | 1,862,825 | 1,529,045 | 2,238,619 | 12,789 |

| 2010 in RON thousand | 1-3 years | 3-5 years | 5-10 years | over 10 years |
|---|-------------------|-----------|------------|---------------|
| Fixed-interest gap in EUR positions at 31 December 2010 | 1, 144,483 | 1,117,577 | (122,903) | (93,048) |
| Fixed-interest gap in RON positions at 31 December 2010 | 1,467,871 | 1,890,597 | 2,212,018 | 16,635 |

39.8 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. This definition excludes strategic and reputational risk. Legal risk is defined as the risk of loss due to the violation of applicable laws, rules, regulations, ethical standards, internal policies, procedures and contractual commitments.

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.

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 BCR, 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.

In order to decrease the Bank's exposure to operational risk, the BCR operational risk strategy for 2011 followed these main guidelines:

- The set-up of the Operational Risk Committee at the BCR level unique forum for discussing the main operational risk issues and establishing the related mitigation action plan with the involvement of all stakeholders
- the implementation of proper procedures/ norms/ work instructions with the purpose of preventing/ mitigating operational risk and improving internal control system;
- continuing the internal control self-assessment process begun in August 2009 by the functional entities from Central Administration (Risk and Control Self-Assessment - RCSA) in order to identify high and medium risk areas, put forth proper measures for the prevention/ mitigation of operational losses or undertake risks;
- development of the RCSA mitigating measures follow up/ reporting process;
- the centralization of the corporate credit and collateral contracts writing process and the storage of original documentation within the Loan Administration Project
- improving the risk assessment process related to the new products;
- · developing means/ criteria for the fraud identification and prevention;
- concluding insurance policies against operational risks (for example internal and external fraud, legal and civic liability, etc.) and own patrimony damages;
- the constant revisal of the plans drawn up for the re-running of activity and for unforeseen situations.

Starting with October 2010, BCR uses the AMA method (advanced measurement approach for operational risk) as per National Bank of Romania and Financial Markets Authority in Austria approval.

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 2011 based on provisional data was of 12.65% (31 December 2010: 12.98% based on final financial statements).

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 2011 were:

- 14.33% and 17.52%, respectively (31 December 2010: 13.69% and 16.82%, respectively) for the Bank
- 13.30% and 17.09%, respectively (31 December 2010: 12.96% and 16.77%, respectively) for the Group.

Under BIS guidelines, on-balance sheet 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.

40. 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.

| | Gro | Bank | | |
|---|------------|------------|------------|------------|
| RON Thousand | 2011 | 2010 | 2011 | 2010 |
| Tier 1 capital | 7,075,139 | 6,670,090 | 7,149,215 | 6,373,432 |
| Tier 1+ Tier 2 capital | 9,089,920 | 8,628,162 | 8,738,779 | 7,831,713 |
| Risk weighted assets (credit, market and operational risks) | 53,193,008 | 51,458,544 | 49,886,792 | 46,556,973 |
| BIS Capital ratios | | | | |
| Tier 1 capital | 13.30% | 12.96% | 14.33% | 13.69% |
| Tier 1+ Tier 2 capital | 17.09% | 16.77% | 17.52% | 16.82% |