



**BANCA COMERCIALA ROMANA S.A.**

Financial Statements  
31 December 2011

Prepared in accordance with Order no.13/2008 for approving Accounting Regulations compliant with the European Directives applicable to credit institutions issued by the National Bank of Romania, with its subsequent amendments and supplements made by the NBR Order no. 16/2009 and NBR Order no. 26/2010

**TRANSLATOR'S EXPLANATORY NOTE:**

This is a free translation from Romanian. The official binding version is the one  
in Romanian

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**Report of directors**

**Independent auditors' report**

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## STATEMENT,

In my capacity of Executive President of Banca Comerciala Romana S.A., according to art. 30 of Accounting Law no. 82/1991, republished, I undertake the responsibility for the preparation of the annual financial statements as at 31 December 2011 and I hereby confirm :

- a) The accounting policies used to prepare the financial statements are in accordance with accounting regulations applicable to lending institutions, respectively prepared in accordance with Order of the National Bank of Romania Governor no. 13/19.12.2008 for approval of the Accounting Regulations harmonized with the European Directives applicable to credit institutions, non-banking financial institutions and Deposit Guarantee Fund in the Banking System, as amended and supplemented through the National Bank of Romania Governor's Orders no.16/23.12.2009 and 26/13.12.2010;
- b) The annual financial statements present a true and fair view of the financial position and of other information about the bank's activity;
- c) The activity of Banca Comerciala Romana is based on the going concern principle.

Executive President,

DOMINIC BRUYNSEEL



Executive Vicepresident,

HELMUTH HINTRINGER

COUNTY: BUCHAREST

CREDIT INSTITUTION : ROUMANIAN COMMERCIAL BANK

ADRESS: REGINA ELISABETA BLVD, 3rd DISTRICT , BUCHAREST

TELEFON: 3122041 FAX No: 3122041

TRADE REGISTER NO : J40/90/1991 CREDIT INSTITUTION NO : 300

OWNERSHIP CODE: 34

FIELD OF ACTIVITY : MONETARY BROKERAGE

CAEN CODE: 6419

FISCAL CODE: R361757

**Balance sheet**

At 31 December 2011

(Ron)

ASSETS	Code item	Note	Financial year	
			Previous	Ended
A	B		1	2
Cash in hand, balances with central banks	010	3	9,468,523,497	10,288,663,296
Treasury bills and other bills eligible for refinancing with central banks	020	4	3,895,519,740	4,481,040,857
- Treasury bills and similar securities	023		3,895,519,740	4,481,040,857
- Other bills eligible for refinancing with central banks	026		0	0
Loans and advances to credit institutions	030	5	3,101,778,025	1,048,363,285
- repayable on demand	033		932,769,602	135,405,701
- other loans and advances	036		2,169,008,423	912,957,584
Loans and advances to customers	040	6	41,450,535,765	43,212,767,229
Bonds and other fixed income securities	050	7	6,212,549,395	8,530,506,077
- issued by public bodies	053		6,212,549,395	8,530,506,077
- issued by other borrowers, out of which :	056		0	0
- own debt securities	058		0	0
Shares and other variable yield securities	060	8	39,098,221	51,802,252
Investments, out of which:	070	9	19,348,911	22,020,631
-investments in credit institutions	075		0	0
Shares in affiliated undertakings, out of which:	080	10	951,294,528	849,808,395
- shares in credit institutions	085		308,417,313	222,284,073
Intangible assets, out of which:	090	11	212,742,979	207,135,148
- setting up expenses	093		0	0
- goodwill, to the extent of its onerous acquisition	096		0	0
Tangible assets, out of which:	100	12	823,081,137	628,890,777
- land and buildings occupied by the bank for its own activities	105		477,260,869	341,887,133
Called but not paid up capital	110		0	0
Other assets	120	13	662,082,975	653,460,415
Prepayments and accrued income	130	14	722,756,663	946,571,273
<b>Total assets</b>	<b>140</b>		<b>67,559,311,836</b>	<b>70,921,029,635</b>

ADMINISTRATOR,  
(MANAGER OF THE CREDIT INSTITUTION)  
**DOMINIC BRUYNSEELS**



MANAGER OF THE FINANCIAL-  
ACCOUNTING  
COMPARTMENT,  
**OVIDIU COCA**

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**Balance sheet (continued)****at 31 December 2011****(Ron)**

LIABILITIES AND EQUITY	Code item	Note	Fiscal year	
			Previous	Ended
A	B		1	2
Amounts owed to credit institutions	300	15	19,310,505,855	20,599,186,983
- repayable on demand	303		498,414,005	648,137,094
- term deposits	306		18,812,091,850	19,951,049,889
Amounts owed to customers	310	16	37,656,693,563	38,931,707,183
- deposits, out of which :	313		30,350,971,784	31,050,399,038
- repayable on demand	314		1,249,244,376	1,280,904,660
- term deposits	315		29,101,727,408	29,769,494,378
- other debts, out of which:	316		7,305,721,779	7,881,308,145
- repayable on demand	317		7,085,762,862	7,673,824,649
- with agreed maturity dates or periods of notice	318		219,958,917	207,483,496
Debt securities	320	17	428,033,682	791,092,288
- inter-banking securities, bonds, negotiable receivables in circulation	323		428,033,682	791,092,288
- other securities	326		0	0
Other liabilities	330	18	2,341,252,217	2,504,086,978
Accrued liabilities and deferred income	340	19	911,090,942	928,770,341
Provisions for risks and charges, out of which :	350	20	160,699,758	188,892,723
- provisions for pensions and similar obligations	353		0	0
- provisions for taxes	355		0	0
- other provisions	356		160,699,758	188,892,723
Subordinated debts	360	21	1,967,316,702	2,025,585,653
Subscribed share capital	370	22	1,030,209,375	1,553,435,544
Share premium	380		0	0
Reserves	390		2,928,289,383	3,025,366,869
- legal reserves	392		563,147,918	563,147,918
- statutory reserves or contractual reserves	394		0	0
- reserve for banking risk	396		430,607,792	430,607,792
- reserves for helping purposes	397		0	0
- mutual guarantee reserve	398		0	0
- other reserves	399		1,934,533,673	2,031,611,159
Revaluation reserve	400		242,137,844	180,559,523
Own shares (-)	410		0	0
Retained earnings				
- Profit	423		527,655,345	703,164,373
- Loss	426		0	0
Profit or loss for the period				
- Profit	433		55,427,170	0
- Loss	436		0	510,818,823
Profit appropriation	440		0	0
<b>Total liabilities and equity</b>	<b>450</b>		<b>67,559,311,836</b>	<b>70,921,029,635</b>

ADMINISTRATOR  
 (MANAGER OF THE CREDIT INSTITUTION)  
**DOMINIC BRUYNSEELS**



MANAGER OF THE FINANCIAL-ACCOUNTING  
 COMPARTMENT,  
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**Balance sheet (continued)****at 31 December 2011****(Ron)**

OFF BALANCE SHEET ITEMS	Code item	Note	Fiscal year	
			Previous	Ended
<b>A</b>	<b>B</b>			<b>2</b>
Contingent liabilities, out of which:	600	23	3,513,557,206	5,323,288,101
- acceptances and endorsements	603		2,041,782,340	2,885,230,111
- guarantees and assets pledged as collaterals	606		0	0
Commitments, out of which :	610	23	3,621,382,085	4,727,374,568
- commitments arising from sale and repurchase agreements	615		0	0

  
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**Income Statement (continued)****For the year ended 31 December 2011****(Ron)**

Item	Code Item	Note	Fiscal year	
			Previous	Ended
Interest and similar income, out of which :	010	24	6,989,053,054	6,385,785,075
- arising from fixed income securities	015		556,688,901	782,615,960
Interest expense and similar charges	020	25	3,199,670,466	3,083,668,105
Income from securities	030		133,829,803	289,575,201
- Income from shares and other variable yield securities	033		2,229,506	1,975,605
- Income from participating interests	035		2,585,297	6,226,593
- Income from shares in affiliated undertakings	037		129,015,000	281,373,003
Commission income	040	26	799,167,937	840,329,616
Commission expense	050	27	134,298,363	172,622,711
Net profit or loss from financial operations	060	28	416,249,715	287,294,068
Other operating income	070	29	325,810,440	471,328,085
General administrative expenses	080	30	1,287,095,681	1,337,754,862
- Staff costs, out of which :	083		790,010,629	790,498,502
- Salaries	084		624,393,890	626,632,800
- Social security costs, out of which :	085		162,577,598	160,840,725
- related to pensions	086		0	0
- Other administrative expenses	087		497,085,052	547,256,360
Depreciation and amortization of intangible and tangible assets	090		175,785,928	197,575,568
Other operating expenses	100	31	698,128,785	835,707,451
Allocation of provision for loans and provisions for contingent liabilities and commitments	110	32	9,487,396,188	9,180,697,358
Release of provisions in respect of receivables and provisions for contingent liabilities and commitments	120	33	6,376,735,560	6,133,566,078
Provision for transferable securities held as financial immobilizations, equity investments and shares in affiliated undertakings	130	34	3,000	298,087,597
Provisions for transferable securities held as financial immobilizations, equity investments and shares in affiliated undertakings	140	35	15,007,990	187,416,706
<b>Profit or loss from operating activity</b>				
- Profit	153		73,476,088	0
- Loss	156		0	510,818,823
Extraordinary income	160		0	0
Extraordinary expenses	170		0	0

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**Income Statement (continued)**  
**For the year ended 31 December 2011**  
*(Ron)*

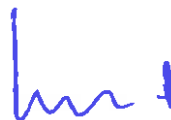
Ratio name	Code Item	Note	Fiscal year	
			Previous	Ended
<b>Profit or loss from extraordinary activity</b>				
- Profit	183		0	0
- Loss	186		0	0
<b>Total income</b>	190		15,055,854,499	14,595,294,829
<b>Total expense</b>	200		14,982,378,411	15,106,113,652
<b>Gross profit or loss</b>				
- Profit	213		73,476,088	0
- Loss	216		0	510,818,823
Profit tax	220		18,048,918	0
Other taxes not shown in the above items	230		0	0
<b>Net profit or loss for the year</b>				
- Profit	243		55,427,170	0
- Loss	246		0	510,818,823



ADMINISTRATOR,  
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MANAGER OF THE FINANCIAL-ACCOUNTING  
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## Statement of changes in equity

For the year ended 31 December 2011

(Ron)

Equity element	Note	Balance as at 1st January 2011	Increases		Decreases		Balance as at 31 decembrie 2011
			Total, out of which	via transfer	31 December out of which	via transfer	
0	1	2	3	4	5	6	7
Subscribed share capital	22	1,030,209,375	523,226,169	55,427,113	0	0	1,553,435,544
Share premium		0	0	0	0	0	0
Legal reserve		563,147,918	0	0	0	0	563,147,918
Statutory reserves or contractual reserves		0	0	0	0	0	0
General reserve for lending risk		162,935,164	0	0	0	0	162,935,164
Fund for general banking risks		267,672,628	0	0	0	0	267,672,628
Revaluation reserves		242,137,844	0	0	61,578,321	61,578,321	180,559,523
Own shares (-)		0	0	0	0	0	0
Reserves for helping purposes		0	0	0	0	0	0
Mutual guarantee reserve		0	0	0	0	0	0
Other reserves		1,934,533,673	97,077,486	0	0	0	2,031,611,159
Retained earnings		0	0	0	0	0	0
Undistributed profit		231,749	57	57	0	0	231,806
Uncovered loss		0	0	0	0	0	0
Retained earnings from the first IAS adoption, except IAS 29							
Credit balance		0	0	0	0	0	0
Debit balance		0	0	0	0	0	0
Retained earnings from adjustments of fundamental errors							
Credit balance		0	0	0	0	0	0
Debit balance		0	0	0	0	0	0
Retained earnings from surplus from revaluation reserve		475,524,427	61,578,321	61,578,321	0	0	537,102,748
Retained earnings from the adoption of accounting regulations in compliance with EU Directives	38	51,899,169	250,884,038	0	136,953,388	0	165,829,819
Credit balance							
Debit balance							
Result of the financial year :							
Credit balance		55,427,170	510,818,823	0	55,427,170	55,427,170	510,818,823
Debit balance		0	0	0	0	0	0

ADMINISTRATOR  
 (MANAGER OF THE CREDIT INSTITUTION)  
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 ACCOUNTING COMPARTMENT,

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**Statement of changes in equity (continued)****For the year ended 31 December 2011****(Ron)**

Equity element	Note	Balance as at 1st January 2010	Increases		Decreases		Balance as at 31 decembrie 2010
			Total, out of which	via transfer	31 December out of which	via transfer	
0	1	2	3	4	5	6	7
Subscribed share capital	20	792,468,750	237,740,625	237,740,625	0	0	1,030,209,375
Share premium		0	0	0	0	0	0
Legal reserve		563,147,918	0	0	0	0	563,147,918
Statutory reserves or contractual reserves		0	0	0	0	0	0
General reserve for lending risk		162,935,164	0	0	0	0	162,935,164
Fund for general banking risks		267,672,628	0	0	0	0	267,672,628
Revaluation reserves		355,826,886	0	0	113,689,042	113,689,042	242,137,844
Own shares (-)		0	0	0	0	0	0
Reserves for helping purposes		0	0	0	0	0	0
Mutual guarantee reserve		0	0	0	0	0	0
Other reserves		1,934,533,673	0	0	0	0	1,934,533,673
Retained earnings		0	0	0	0	0	0
Undistributed profit		0	231,749	231,749	0	0	231,749
Uncovered loss		0	0	0	0	0	0
Retained earnings from the first IAS adoption, except IAS 29		0	0	0	0	0	0
Credit balance		0	0	0	0	0	0
Debit balance		0	0	0	0	0	0
Retained earnings from adjustments of fundamental errors		0	0	0	0	0	0
Credit balance		0	0	0	0	0	0
Debit balance		0	0	0	0	0	0
Retained earnings from surplus from revaluation reserve		361,835,385	113,689,042	113,689,042	0	0	475,524,427
Retained earnings from the adoption of the accounting regulations in compliance with EU Directives		0	51,899,169	0	0	0	51,899,169
Credit balance		0	0	0	0	0	0
Debit balance		0	0	0	0	0	0
Result of the financial year :		237,972,374	55,427,170	0	237,972,374	237,972,374	55,427,170
Credit balance		0	0	0	0	0	0
Debit balance		0	0	0	0	0	0

ADMINISTRATOR,  
(MANAGER OF THE CREDIT INSTITUTION)  
**DOMINIC BRUYNSEELS**



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## Statement of cash flows

For the year ended 31 December 2011

(Ron)

ITEM	Code Item	Note	Financial year	
			Previous	Ended
<b>Net Result</b>	01		<b>55,427,170</b>	<b>-510,818,823</b>
<i>Net result elements wich are non-cash items</i>				
± provisions allocation or release	02		3,111,162,287	3,047,131,280
+ amortization and depreciation	03		175,785,928	197,801,795
± <i>Other adjustments for non-cash items</i>	04		-67,297,571	-117,421,942
± adjustments related to elements included in investing or financing activities	05		-562,339,371	-308,581,437
± other adjustments	06		0	0
<b>Sub-total (rows 01 to 06)</b>	07		<b>2,712,738,443</b>	<b>2,308,110,873</b>
<i>Changes in operating assets and liabilities after adjustments for non-cash items</i>				
± securities other than investments securities	08		-1,206,500,698	-994,949,270
± receivables from credit institutions	09		-297,409,283	1,551,947,310
± loans and advances to customers	10		-3,284,870,893	-4,570,424,058
± accrued interest receivable	11		-10,384,832	-223,814,610
± other operating assets	12		3,706,719	198,149,761
± amounts due to credit institutions	13		2,944,801,889	1,301,851,293
± amounts due to customers	14		1,378,089,823	1,275,013,620
± accrued interest payable	15		-149,741,498	7,203,939
± other operating liabilities	16		199,654,410	-26,692,440
- tax on profit paid	17		-58,408,261	0
<b>Cash flow from operating activities (rows 07 to 17)</b>	18		<b>2,231,675,819</b>	<b>826,396,418</b>

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## Statement of cash flows (continued)

For year ended 31 December 2011

(Ron)

ITEM	Code item	Note	Financial year	
			Previous	Ended
<b>Cash flow from investing activities</b>				
- cash payments for acquisition of subsidiaries or other sub-units	19		-374,534,044	-149,436,930
+ proceeds from sale of subsidiaries or other sub-units	20		0	0
+ dividends received	21		131,705,521	287,666,940
- acquisition of securities	22		-3,131,422,067	-2,171,421,030
+ proceeds from sale of securities	23		0	0
+ interest received	24		414,443,790	379,866,110
- cash payments for acquisition of land and tangible fixed assets, intangible assets and other long term assets	25		-142,160,467	-156,483,866
+ proceeds from sale of land and tangible fixed assets, intangible assets and other long term assets	26		236,327,475	151,919,585
- other cash payments related to investment activities	27		0	0
+ other proceeds from investment activities	28		299,044,625	443,338,702
<b>Cash flows from investing activities (rows 19 to 28)</b>	29		<b>-2,566,595,167</b>	<b>-1,214,550,489</b>
<b>Cash flows from financing activities</b>				
+ cash proceeds from issue of debentures and subordinated debts	30		332,402,651	396,760,956
- repayment of debentures and subordinated debts	31		0	-148,723,369
+ cash proceeds from issue of shares	32		0	467,799,056
- repurchase of own shares	33		0	0
+ cash proceeds from shares sold	34		0	0
- dividends paid	35		0	0
- other cash payments related to financing activities	36		-603,830,988	-639,686,403
+ other proceeds from financing activities	37		305,531,026	630,676,200
<b>Cash flows from financing activities (rows 30 to 37)</b>	38		<b>34,102,689</b>	<b>706,826,440</b>

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# Statement of cash flows (continued)

For the year ended 31 December 2011

(Ron)

ITEM	Code item	Note	Financial year	
			Previous	Previous
Cash balances at the beginning of the period	39		11,185,433,297	10,884,616,638
± Cash flows from operating activities (row 18)	40		2,231,675,819	826,396,418
± Cash flows from investing activities (row 29)	41		-2,566,595,167	-1,214,550,489
± Cash flows from financing activities (row 38)	42		34,102,689	706,826,440
± Effect of exchange rate changes on cash and cash equivalents	43		0	0
Cash balances at the end of the period (rows 39 to 43)	44	36	10,884,616,638	11,203,289,007

ADMINISTRATOR,  
 (MANAGER OF THE CREDIT INSTITUTION)  
 DOMINIC BRUYNSEELS



MANAGER OF THE FINANCIAL-ACCOUNTING  
 COMPARTMENT,  
 OVIDIU COCA

## Notes to the financial statements

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### 1. INTRODUCTION

Banca Comercială Română S.A, (hereinafter called the „Bank”) was established on 1 December 1990. The Bank is a Romanian legal entity and is licensed by the National Bank of Romania (“NBR”) to conduct banking activities with both retail and corporate customers. The main services provided to customers include: loans, deposits, domestic and international payments, foreign exchange transactions, bank guarantees, letters of credit, etc.

At 31 December 2011, the Bank’s shareholders were the following:

	%
EGB Ceps Holding GmbH	89.12945309
Banat-Crisana” Financial Investment Company	2.35847158
Muntenia” Financial Investment Company	1.55619347
„Oltenia” Financial Investment Company	6.58884308
SC Actinvest SA	0.00139099
SC Carina Import Export SRL	0.00038590
SC Milord Impex SRL	0.00017205
FDI Certinvest Dinamic	0.00008819
Individuals	0.36500165

The current registered office is located in Bucharest, Romania, No.5, Regina Elisabeta Blvd.

The Bank operates through 2 the Head Office located in Bucharest and through its territorial units, as follows:

- **Retail**, grouped into 6 geographical locations including 667 branches.

There are also functioning 28 units as retail mortgage centers, out of which 16 are located in Bucharest.

- **Corporate** including 48 units as corporate business centers grouped in 8 business regions.

The name of the entity that prepares the annual consolidated financial statements of the largest group of entities to which the Bank belong, as subsidiary is Erste Group Bank AG with its registered office in 21 Graben, 1010, Vienna, AUSTRIA.

The name of the entity that prepares the annual consolidated financial statements of the smallest group of entities to which the Bank belongs as subsidiary, being also included in the group mentioned in the previous paragraph, is Erste Group Bank AG, with its registered office in 21 Graben, 1010, Vienna, AUSTRIA.

Copies of the annual consolidated financial statements of the aforementioned entities can be found at the registered offices listed above.

## **Notes to the financial statements (continued)**

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### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Basis of Preparation and Presentation of the financial statements**

The financial statements have been prepared in accordance with:

1) Order of the National Bank of Romania Governor no. 13/19.12.2008 for approval of the Accounting Regulations harmonized with the European Directives applicable to credit institutions, non-banking financial institutions and Deposit Guarantee Fund in the Banking System, as amended and supplemented through the NBR Governor's Order no.16/23.12.2009 and NBR Governor's Order no. 26/29.12.2010;

2) Accounting Law no.82/1991 republished on 18.06.2008 and subsequently amended by the Government Emergency Ordinance no. 37/13.04.2011;

3) Other legal provisions issued by the Ministry of Public Finance and the National Bank of Romania regarding the preparation of financial statements.

These financial statements were prepared based on the historical cost convention, with the exceptions explained below in the accounting policies.

#### **b) Basis of Accounting**

The Bank keeps its accounting records in Romanian lei ("RON") according to the accounting and reporting regulations issued by the National Bank of Romania and by the Ministry of Public Finance.

#### **c) Functional and presentation currency**

The functional currency of the financial statements is the Romanian leu („RON”). All figures are shown in RON, rounded to the nearest RON.

#### **d) Foreign currency transactions**

Foreign currency transactions are recorded at the official exchange rate published by NBR on transaction date. The exchange rate differences resulting from foreign currency transactions are included as income or expenses on transactions date, using the official exchange rate of the respective day.

Monetary assets and liabilities denominated in foreign currency are translated into RON equivalent, using the spot exchange rate on the balance sheet date, except for investments denominated in foreign currency, which are translated in RON using the historic exchange rate in force on the date of their purchase. The spot exchange rate in force on the balance sheet date represents the exchange rate on the foreign exchange market published by the NBR on the last banking date of the related financial year.

The exchange rates of the main foreign currencies at the end of the financial year were as follows:

<b>Currency</b>			<b>31 december 2010</b>	<b>31 december 2011</b>
Dolar (USD)	1:	Lei	3.2045	3.3393
Euro (EUR)	1:	Lei	4.2848	4.3197

## **Notes to the financial statements (continued)**

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### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **d) Foreign currency transactions (continued)**

Spot exchange transactions are converted using the spot exchange rate for the remaining maturity from the balance sheet date.

Forward transactions denominated in foreign currency are converted using the forward exchange rate for the remaining maturity from the balance sheet date. The foreign exchange loss or gain resulting from translation of monetary assets and liabilities is included in the income statement of the current year.

#### **e) Interest income and expense**

Interest income and expense are recorded in the income statement in accordance with the accrual concept of accounting. Interest income includes income from fixed interest rate securities, as well as interest related to derivative financial instruments. Interest income also includes commissions that are part of the effective interest rate of the loans – commissions related to loan granting activity.

- the analysis and preparation of loan documentation;
- loans managing/granting;
- registering of the guarantee notes in the Electronic Archive of collateral in the form of securities
- loans management;
- credit risks management and monitoring;
- commission for deferred interest;
- adjustment of costs related to secured loans;

In accordance with the NBR's Order no.16/2009 for the amendment of the NBR's Order no.13/2008, for the approval of the accounting regulations compliant with the European directives, the commissions together with the related transaction costs included in the effective interest rate ("EIR") of a loan, shall be deferred and recognized as an adjustment of interest income, either through the linear or the EIR method.

In accordance with the NBR's Order no. 27 from 16.12.2010, starting with 1 January 2012, all credit institutions must apply IFRS as basis of accounting. Based on these standards commissions should be amortized over the life of the financial instrument using the EIR method.

Based on these provisions, starting with the year 2011 BCR implemented the EIR method for the amortization of loan commissions for non-banking customers. The use of this method represents a change in accounting policy, which was applied retrospectively. In this respect, the related adjustments were recorded in retained earnings.

The change in accounting policy referring to the transition from the linear method for the amortization of loan commissions to the EIR method resulted in more relevant and reliable information on the financial return of the financial instrument.

The EIR method is a method of calculating the amortized cost of a financial asset or liability and of distributing the interest income and expense over the relevant period. The EIR method represents the rate which accurately discounts the future estimated cash flows over the expected life of the financial



## **Notes to the financial statements (continued)**

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### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **e) Interest income and expense (continued)**

instruments or over a shorter period, as applicable, to the carrying value of the financial asset or liability. When calculating the EIR, the cash flows are estimated by taking into account all the contractual provisions of the financial instrument, respectively any incremental commissions/costs which may be directly attributed to the financial instrument and are included in the EIR, yet excluding future losses from loans.

Direct costs are related to the following:

- granting loans based on partnerships;
- Commission for the evaluation of guarantees for loans in balance as at 31.12.2010.

For credit lines, including overdraft, the amortization of commissions is performed through the linear method, as future cash flows at the date of granting the loan cannot be estimated.

Interest income and expense also include amounts resulted from deferral of any discount or premium between the initially recognized value of an asset or of a contracted debt and their respective value on maturity.

#### **f) Fee and commission income and expense**

Income from fees and commissions mainly include commissions related to the lending activity (other than those similar to interest), issuance of guarantees and letters of credit, bank transfers for customers and card operations. Commission expense includes the commissions paid for similar services received by the Bank.

Commissions not similar to interest are recorded as income and expense on transaction date, except for commissions received for letters of guarantee which are recognized on a linear basis over the period from issue until maturity.

#### **g) Software Development Costs**

Costs to improve and extend software beyond its economic useful life and initial specifications and which may be likely evaluated, are capitalized and added to the initial value of the software.

These costs are recorded as intangible assets and amortized using the straight line method over their economic life.

The costs for maintenance of existing software are recorded as expenses for the period when they are incurred.

#### **h) Securities**

##### ***1) Classifications***

Securities are financial assets represented by a security, a T-bill or a bond negotiable on a regulated market or any security, T-bill or bond that was previously subject to any onerous transaction between two parties involved in normal trading conditions (the so-called „over-the-counter” transactions).

State bonds are financial instruments in the form of short-term, medium or long term state loans and other financial instruments to certify the public debt.

## **Notes to the financial statements (continued)**

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### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **h) Securities (continued)**

Securities can be classified into the following categories: trading securities, investment securities and placement assets.

**Trading securities** are those financial instruments acquired principally for the purpose of generating a short-term profit.

**Investment securities** are financial assets that have fixed or determinable income and fixed maturity, which the Bank has the intention and the ability to hold until maturity.

**Placement securities** are financial assets, other than those immobilised, that can not be classified as trading or investment securities.

#### **2) Measurement**

Securities are initially measured at cost and are recorded in the currency of the transaction.

Subsequent to initial recognition, all **trading securities** are measured at market value. For trading instruments lacking a price quotation on an active market, the market value has been estimated using an yield curve. All gains and losses arising from changes in value of securities held for trading are recognized in the income statement. Securities to be received are recorded off-balance sheet or in the balance sheet at the settlement date and the differences from the revaluation up to the settlement date are to be recorded in the balance sheet. Transaction costs directly attributed to securities purchase are not included in the acquisition costs, in the case of transaction securities, being recognized in the income statement.

**Placement securities** are initially valued at their purchase price. At the balance sheet date, placement securities are measured at purchase cost or, in case of impairment, at the lower of market value and purchase value. Interest calculated from issue date and up to purchase date (coupon) for fixed income securities classified as placement securities is recorded distinctly in the accrued interest account, the difference being recorded in the corresponding securities accounts.

**Investment securities:** premiums and discounts representing the difference between the acquisition price and the redemption price of investment securities, are amortized in the income statement over the period between acquisition and redemption.

#### **3) Derecognition**

Securities sold are derecognized at the settlement date.

#### **4) Debt securities**

Loans received based on securities issued, namely bonds, are recorded in debt securities accounts at their redemption value.

Share premiums and redemption premiums are recorded in separate accounts and are monthly amortized using the linear method until securities' maturity.

Interest payable on granted loans is recorded separately in debt securities accounts.

## **Notes to the financial statements (continued)**

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **i) Cash and cash equivalents**

For the purposes of the cash flow statement, cash in hand and cash equivalents include balances with initial maturity below 90 days, including: cash in hand and balances of current accounts with the National Bank of Romania and with other banks, deposits with other banks and T-bills and equivalent securities.

T-bills include treasury certificates issued by the Ministry of Public Finances and certificates of deposit issued by the National Bank of Romania and state bonds accepted for refinancing at the Central Bank. All incomes from interest and all gains and losses resulting from transactions with treasury certificates are included in the income statement.

#### **j) Bonds and other fixed income securities**

Bonds and other fixed income securities include those securities which are not accepted for refinancing by the Central Bank.

Bonds and other fixed income securities classified as available for sale or held to maturity are recorded either at purchase value or at the lower of market and purchase value. Bonds and fixed income securities classified as investment securities are recorded at cost. Bonds and fixed income securities classified as securities held for trading are recorded at their market value.

#### **k) Loans and provisions for loan impairment**

Loans granted by the Bank by directly delivering funds to a customer for which the Bank charge fees and interest are recognised at the moment of delivering funds to customers.

These loans are presented in the balance sheet at the level of the existing balance, less the provision for credit risk determined by multiplying the loans less guarantees expressed at fair value, with the provisioning percentage related to each category of loans classification, as presented below.

Since 01.04.2009 the Bank uses the NBR Governor's Regulation no. 3/2009, with subsequent amendments, as the legal basis for the classification, setting up and use of the provisions for loans to customers.

According to this regulation, loans are classified and provisioned in the following categories:

Provisionig percent for Loans placements categories	Loans in foreign currency or indexed to the exchange rate of a foreign currency, granted to individuals exposed to currency risk	Loans*)/ placements ) other than those in the previous column
Standard	0.07	0
Watch	0.08	0.05
Sub-standard	0.23	0.2
Doubtful	0.53	0.5
Loss	1	1

## **Notes to the financial statements (continued)**

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### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **k) Loans and provisions for loan impairment (continued)**

Moreover, in order to reduce the amounts of loan exposure, values of eligible collateral are adjusted by applying ratios varying between 0 and 1, the result being limited at the level of granted amounts.

Also, based on the same regulation, placements and loans, depending on debt servicing, financial performance and legal proceedings are classified into the following categories:

- Standard
- Loss

#### **l) Other loan related commitments**

During its current operations, the Bank also entered into other credit related commitments, including commitments to extend credits, Letters of Credit and Guarantees that are booked off- balance sheet.

#### **m) Investments in subsidiaries**

The Bank classified its investments in subsidiaries as shares in affiliated undertakings and presented them at historic cost at the balance sheet date.

#### **n) Intangible assets**

Purchased software is recorded at acquisition or production cost, depending on the case, and are evidenced in the financial statements at its net book value, respectively cost minus the accumulated amortization.

Purchased/produced software is capitalized and amortized using the straight line method over their useful life, respectively between 3 and 5 years.

#### **o) Tangible fixed assets**

Tangible fixed assets are recorded in the financial statements at their historic cost, minus accumulated depreciation. Subsequently, tangible fixed assets are revalued, according to legal regulations issued for this purpose, considering inflation, the asset utility, its physical condition and the market price.

The most recent revaluation of land and buildings, and also of the refurbishments of rented spaces was performed at the end of 2009 for the portfolio of held at that date, by an independant valuator.

Where the revaluation result was an increase of the net carrying value, then it was treated as follows:

- as increase of the revaluation reserve recorded in „Equity”, in case there is no previous decrease recognised as expense related to the repective assets, or
- as income to compensate the expense to the previously recognised decrease to such asset; if the increase exceeds the expense previously recognised, the difference was recorded as surplus of the revaluation reserve.

Where the result of revaluation was recorded as decrease of the assets net carrying value, then it was treated as expense for the full value of the impairment, if no prior revaluation reserve was recorded related to such assets (revaluation surplus). It was treated as a decrease of the revaluation reserve recognised in equity, with the minimum between the reserve value and the value of the decrease, and any uncovered difference was recorded as non-fiscal deductible expense.

## Notes to the financial statements (continued)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### o) Tangible fixed assets (continued)

Accumulated depreciation on the revaluation date has been removed from the gross carrying value of the asset, and the net value resulted, has been revalued and recorded as the new value of the asset.

Subsequent expenditure relating to tangible fixed assets is recognised as expenditure when incurred if aimed at ensuring operation within normal parameters. Refurbishments are capitalized in case of improvement over initial technical parameters and if generating future economic benefits, additionally to the initial ones.

Expenses with repairs and renovations are recorded in the income statement when they are incurred. Interest expense is not capitalized in the cost of buildings and equipment.

Depreciation is provided using the linear method for depreciation. Depreciation is determined by applying depreciation rates on tangible fixed assets carrying value.

Depreciation of fixed tangible assets is computed from the following month of putting into service, until full recovery of their carrying value.

Useful lives of fixed assets in use are in compliance with Government Decision no. 2139/2004 for approval of the Catalogue regarding the classification and normal useful lives of fixed assets.

Land is not depreciated.

Investments in rented tangible assets are subject to depreciation over the rent agreement.

In case of fixed assets which are decommissioned or disposed of, both sales revenue and expenditure are recorded separately, the latter representing the assets' net carrying value and other expenditure related to the disposal.

Starting with 1 May 2009, revaluation reserves of fixed assets, including land, (performed after 1 January 2004), deducted when computing tax on profit by way of depreciation or expenses for assets disposal/decommissioning :

- are taxable simultaneously with tax depreciation deduction by including for them in taxable income equal to depreciation expenses related to differences from revaluation recorded in the respective fiscal period;
- at the moment of fixed assets disposal by including them in taxable income at the level of revaluation differences, not deducted when computing tax on profit by way of depreciation expenses up to that moment.

#### p) Derivative Financial Instruments

Derivative financial instruments, initially have zero value, except for the options whose initial fair value is given by the value of the premium paid or collected.

Subsequently the operations with derivative instruments are valued at fair value as follows:

- at the end of each month, considering the price of similar options, for a period equivalent with the residual period, for the options on exchange rate/on interest rate/other options;
- at the end of the month based on the quotation for a similar transaction, over a period equivalent with the residual period, for swap transactions on interest rate;

## **Notes to the financial statements (continued)**

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### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **p) Derivative Financial Instruments**

- at the contract date and at the end of each month, at the forward rate for the outstanding period, for exchange rate swap and forward transactions. On delivery date, transaction are recorded at the rate of exchange notified by NBR.

#### **Hedging instruments**

- **Hedging the risk of changes in fair value**

The purpose of hedging instruments is to cover the risk of change in fair value of term deposits from other banks, considered as hedged items. The aim of hedging instruments "currency interest rate swap" is to cover the interest rate risk by changing the interest payment flows for attracted deposits according to the index ROBOR in fixed interest payments resulted from CIRS operations. Changes on inter-bank reference rate levels ROBOR have a direct impact on future interest payment flows of hedging instruments. By introducing hedging transactions volatility is eliminated. Hedging instruments have the same maturity as attracted deposits on medium and long term considered also hedging instruments

- **Cash flow hedge**

Hedging instruments have the same maturity and same currency the instrument cover.

Hedge accounting is applied to the cash flow to cover interest rate risk – changes in the level of benchmark interest rates directly influence the future cash flows of hedged item. Entering into hedging relationship using interest rate swaps should eliminate this volatility. Changes in the fair value related to the hedged item shall be recorded under accruals in the balance sheet until the recognition of cash flows in the income statement. Gain/loss recognized in the accruals accounts are to be transfered in the income or expense accounts in the same period in which cash flows will impact the income statement. Hedging instruments shall have the same maturity and currency as the hedged item.

#### **Non hedging instruments**

Forward agreements are concluded at the banking and non-banking customers' request representing firm exchange operations such as: foreign currency - RON or foreign currency- foreign currency. Treasury swap agreements represent two exchange operations of a nominal amount in foreign currency based on two different exchange rates (spot exchange rate on trading date and forward exchange rate on maturity date).

Options on exchange rate and interest rate are performed at the request of non-banking customers and are closed on the interbank market.

## **Notes to the financial statements (continued)**

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### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **q) Corporate Tax**

The Bank records tax on profit determined according to the accounting and reporting regulations issued by the National Bank of Romania and by the Ministry of Public Finances.

In compliance with the Fiscal Code, the corporate tax is paid on a quarterly basis in advance, amounting to ¼ of the corporate tax owed for the previous year, updated with the inflation rate communicated via Order of the Ministry of Public Finance at the beginning of the year for which payments in advance are made.

The tax rate for profits obtained on Romania's territory during 2011 was maintained at the level of 16% (2010:16%).

#### **r) Pensions and employees benefits**

During its normal operations, the Bank makes payments to the Romanian state funds for its employees in Romania for pensions, health insurances and unemployment insurances. All the Bank employees are included in the State pensions system.

In accordance with the Collective labor contract, the Bank undertakes to pay up to six gross monthly salaries to its employees at the moment of retirement. This provision represents the amount of future financial benefits granted to employees for their current and previous activity in the Bank.

Until 2011, the Bank recorded these amounts in the income statement at the moment of their payment, without recognizing any provisions related to such contractual obligation.

Starting with 2011, in accordance with the amendments to the NBR's Order no.13/2008 through the NBR's Order no. 26/201, the Bank set up provisions related to the obligation from the Collective Labor Contract regarding employees' benefits for their entire activity in the bank up to the moment of retirement.

The amount of this obligation is calculated by a certified actuary by taking into consideration the estimated salary at the moment of retirement and the seniority, for each employee separately.

The setting up of this provision represents a change in accounting policy, applied retrospectively. In this respect, the related adjustments are recorded in equity accounts. Actuarial gains and losses are recognized in equity when they occur.

#### **s) Provisions for litigations**

The Bank sets up provisions for litigations based on the internal procedure which regulates the method of establishing such provisions for covering the potential losses from litigations in which the Bank is defendant, with the claim expressed in monetary terms.

#### **t) Dividends**

Dividends are recognized, only after being approved by the General Meeting of Shareholders

## **Notes to the financial statements (continued)**

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **u) Statutory reserves**

According to the Romanian legislation on banking institutions and operations, the Bank has to appropriate its profit to reserves or dividends based on financial statements prepared in accordance with the Accounting and Reporting Regulations issued by the National Bank of Romania and the Ministry of Public Finances. The amounts transferred in reserve accounts must be used for purposes defined at the moment of appropriation.

In the case of the revaluation reserve, no part of it should be directly or indirectly, distributed, except for the case when the surplus from revaluation is realized. The surplus from revaluation included in the revaluation reserve is considered realized on disposal of the underlying assets.

#### **v) Profit for the year**

Profit or loss is established in a cumulated manner from the beginning of the financial year, as the difference between incomes and expenses.

In compliance with the Order of the National Bank of Romania no. 13/2008, with the subsequent amendments and supplements, profit sharing is booked by destinations, after the approval of the annual financial statements.

The accounting profit left after its distribution to legal reserves is carried forward, at the beginning of the following financial year, in the account „Retained earnings”, from where it is to be distributed by the rest of legal destinations, according to the approval of the General Shareholders' Meeting.

### **3. CASH IN HAND, BALANCES WITH CENTRAL BANKS**

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
Cash	677,450,945	563,700,421
Current accounts with the Central Bank	8,484,985,643	9,418,593,605
Other values	83,988	48,914
Cash in ATMs and ASVs	306,002,921	306,320,356
<b>Total</b>	<b>9,468,523,497</b>	<b>10,288,663,296</b>

The Bank keeps in its current accounts with the National Bank of Romania the minimum mandatory reserve established according to Regulation no. 6/2002 issued by the National Bank of Romania, with its subsequent amendments and supplements. On 31 December 2011, the minimum mandatory reserve level was of 15% (31 December 2010: 15%) for the funds attracted in RON and of 20% for funds attracted in foreign currency (31 December 2010: 25%).



## Notes to the financial statements (continued)

### 4. TREASURY BILLS AND OTHER BILLS ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
T-bills and similar securities, out of which :	3,895,519,740	4,481,040,857
accrued interest	81,000,338	140,633,992
<b>Total</b>	<b>3,895,519,740</b>	<b>4,481,040,857</b>

The balance of treasury bills and similar securities includes as at 31 December 2011 treasury certificates in RON issued by the Ministry of Public Finance, bearing an yield varying between 6.18 % and 6.97 % p.y., with a weighted average rate of 6.68% p.y., being classified as follows:

- trading securities	698,692,802 lei
- placement securities	3,782,348,055 lei

At 31 December 2011, the difference between the purchase price and the market value related to trading securities is as follows:

	<b>Purchase value</b>	<b>Market value</b>	<b>Difference</b>
Treasury bills issued by the Ministry of Finance	681,241,799	698,692,802	17,451,003

### 5. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
Current accounts	57,728,379	78,906,311
Demand deposits with other credit institutions	852,407,080	42,000,000
Term deposits with other credit institutions	501,220,910	793,719,400
Collateral deposits with other credit institutions	6,440	6,440
Collateral deposits with the Central Bank	416,411	19,137,494
Subordinated loans	17,139,200	0
Values to be recovered	17,897,371	14,499,390
Loans granted to credit institutions	1,654,962,234	100,094,250
<b>Total</b>	<b>3,101,778,025</b>	<b>1,048,363,285</b>

Current accounts, demand and term deposits with other banks are at the free disposal of the Bank and are not encumbered by any charges.

## **Notes to the financial statements (continued)**

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### **5. LOANS AND ADVANCES TO CREDIT INSTITUTIONS (continued)**

The amount of collateral deposits with the Central Bank represents blocked amounts for ongoing litigations.

Loans granted to credit institutions in balance as at 31 December 2011 include the following:

- A loan granted to the Ministry of Public Finance, amounting to 9,941,176.48 EUR in equivalent RON 42,942,900 at a varying interest rate - Euribor 1M/3M/6M, to be fully reimbursed in biannual installments starting from 07.11.2011 due to 05.05.2018 (31 December 2010: 379,981,565 EUR in equivalent RON 1,628,145,010 at a fixed interest rate of 5% p.y.). Interest is to be recorded on monthly basis, and is to be payable on each interest period date;
- four revolving loans granted to a financial institution, thereof:
  - 3,500,000 EUR in equivalent RON 15,118,950 to be fully reimbursed on 15.04.2013 at a varying interest rate;
  - 4,000,000 USD in equivalent RON 13,357,200 to be fully reimbursed on 15.04.2013, at a varying interest rate;
  - 2,000,000 EUR in equivalent RON 8,639,400 to be fully reimbursed on 24.03.2014 at a varying interest rate;
  - 6,000,000 USD in equivalent RON 20,035,800 to be fully reimbursed on 24.03.2014 at a varying interest rate

**Notes to the financial statements (continued)****6. LOANS AND ADVANCES TO CUSTOMERS**

The lending activity is focused on companies and individuals domiciled in Romania. Economic sector risk concentration within the loan portfolio is as follows:

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
Individuals	18,767,186,000	18,783,033,906
Agriculture, Fishery and Food Industry		
	1,444,066,000	1,445,747,761
Food and beverage industry	2,627,688,000	2,696,397,995
Trade	3,698,390,000	3,955,130,968
Constructions	4,934,705,000	5,654,217,428
Public institutions	4,995,949,000	5,462,907,284
Transports and storage	654,686,000	755,446,304
Chemical petrochemical and pharmaceutical industry	744,345,000	762,946,074
Financial services and insurances	753,502,000	655,447,409
Non-metallic products industry	705,579,000	842,349,768
Real Estate Transactions	1,720,549,000	1,837,560,804
Wood industry except of furniture industry	683,983,000	687,886,211
Textile industry, leather and footwear	442,076,000	411,604,916
Electrical and thermal power industry	898,449,000	1,170,940,969
Metallurgical industry	399,233,000	460,773,979
Machines and equipment industry	279,192,000	323,533,989
Tourism and public catering	415,850,000	378,202,133
Metallic products industry except machines and equipment industry	442,739,000	586,429,447
Manufacture of rubber and plastic industry	683,080,000	791,112,947
Others	1,713,196,669	2,649,117,583
<b>Portfolio value before provisioning</b>	<b>47,004,443,669</b>	<b>50,310,787,875</b>
Less specific provision for credit risk	-5,704,699,335	-7,208,150,139
<b>Loans and advances to customers</b>	<b>41,299,744,334</b>	<b>43,102,637,736</b>
Subordinated loans granted to non-banking institutions	48,000,000	48,000,000
Values to be recovered	102,791,431	62,129,493
<b>Total</b>	<b>41,450,535,765</b>	<b>43,212,767,229</b>

Loans classified in the category “doubtful” and “loss” amounted to RON 9,729,842,904 (31 December 2010: RON 8,756,030,074).

**Notes to the financial statements (continued)****6. LOANS AND ADVANCES TO CUSTOMERS (continued)**

In 2011 the Bank sold loans both inside and outside BCR Group as follows:

	Income from sale	Nominal value	Related provisions
<b>In - balance sheet loans</b>	<b>156,076,566</b>	<b>1,278,717,814</b>	<b>1,133,213,857</b>
<b>Sales in BCR Group</b>	<b>34,753,504</b>	<b>53,134,609</b>	<b>38,589,590</b>
Loans granted to individuals	29,619,194	43,892,149	31,150,435
Loans granted to companies	5,134,310	9,242,460	0
<b>Sales outside BCR Group</b>	<b>121,323,062</b>	<b>1,225,583,205</b>	<b>1,094,624,267</b>
Loans granted to individuals	120,059,261	1,174,890,029	1,049,791,501
<b>In - balance sheet loans</b>	<b>1,263,801</b>	<b>50,693,176</b>	<b>44,832,766</b>

**7. BONDS AND OTHER FIXED INCOME SECURITIES**

	31 December 2010	31 December 2011
<i>(RON)</i>		
Bonds issued by :	5,996,356,103	8,253,805,534
<i>Public bodies, out of which:</i>	<u>5,996,356,103</u>	<u>8,253,805,534</u>
Listed bonds	4,804,626,460	5,661,531,040
Unlisted bonds	1,191,729,643	2,592,274,494
Accrued interest	<u>216,193,292</u>	<u>276,700,543</u>
<b>Total, out of which:</b>	<b><u>6,212,549,395</u></b>	<b><u>8,530,506,077</u></b>
-placement securities ( including accrued interest)	946,098,419	1,385,717,335
-investment securities (including accrued interest)	5,257,475,473	7,144,788,742
-trading securities	8,975,503	0

**Placement securities** include (values without accrued interest):

- Municipal bonds in amount of RON 281,186,073 lei (31 December 2010: 209,374,896 lei) issued by 12 City Halls in Romania at an interest rate varying between 5.91% and 7.88% p.y. (31 December 2010: 6.418% and 8.3% p.y) the weighted average rate being 6.69% p.y. (31 decembrie 2010: 6.98% p.y.).
- State bonds in amount of RON 170,531,406 with an interest rate varying between 6.5% p.y. and 8.25% p.y. (31 December 2010: 171,188,983 at an interest rate varying between 6.5% and 8.25% p.y.), the weighted average rate being 6.63% p.y. and state bonds in EUR in amount of EUR 211,125,789.40 equivalent in RON 907,706,066 (31 December 2010: EUR 128,377,369 equivalent in RON 550,071,351), with an interest rate varying between 4.5% p.y. and 5.25% p.y. (31 December 2010: 4.5% and 5.25%), the weighted average rate being 4.78 % p.y.

**Investments securities** include state bonds issued by the Ministry of Public Finances thereof (values without accrued interest):

- in amount of RON 4,163,072,864 at an interest rate varying between 5.95% p.y. and 11.25 % p.y. (31 December 2010: 4.208.756.413 at an interest rate varying between 6% and 11.25% p.y.), the weighted average rate being 7.87 % p.y.;

**Notes to the financial statements (continued)****7. BONDS AND OTHER FIXED INCOME SECURITIES (continued)**

- in the internal market, in amount of EUR 397,659,804, equivalent in RON 1,684,568,427 (including exchange difference amounted to RON 33,202,632), (31 December 2010: 148,807,035, equivalent in RON 641,658,292) at an interest rate varying between 4.5% p.y and 4.7% p.y. ( 31 December 2010: 4.5% p.y.), the weighted average rate being 4.58% p.y. ;
- in the external market, in amount of EUR 247,678,991, equivalent in RON 1,046,552,719 (including exchange difference amounted to RON 23,346,221), (31 December 2010: 48,003,572 equivalent in RON 206,223,557), at an interest rate varying between 5% p.y and 5.25% p.y. (31 December 2010:5% p.y.), the weighted average rate being 5.2% p.y.

At 31 December 2011 the difference between the purchase price and the reimbursment value related to investment securities is the following:

Currency	At purchase date			As at 31 December 2011				
	Purchase value	Nominal value	Difference	Amortized cost	Accrued interest	Nominal value	Difference to be depreciated	Foreign exchange related adjustment
LEI	4,125,793,642	4,207,680,000	-81,886,358	4,163,072,864	189,485,429	4,207,680,000	-44,607,136	0
EUR	1,714,452,861	1,727,880,000	-13,427,139	1,684,568,427	28,356,023	1,727,880,000	-10,108,941	-33,202,632
EUR	1,069,504,444	1,072,080,425	-2,575,981	1,046,552,719	32,753,280	1,072,080,425	-2,181,485	-23,346,221
	6,909,750,947	7,007,640,425	-97,889,478	6,894,194,010	250,594,732	7,007,640,425	-56,897,562	-56,548,853

The amounts shown above are at the closing rate, except with the amortised cost which is at the purchase rate.

At 31 December 2011, treasury bills in amount of RON 94,734,273 (31 December 2010: 93,988,519 lei) were used as guarantees placed at the National Bank of Romania for final clearing of multilateral settlement of inter-banking transactions according to the NBR Regulation no. 1/2005, for settlement of transactions carried out through ROCLEAR Bucuresti, the NBR Compensations House, and the transactions via VISA and Mastercard cards.

**8. SHARES AND OTHER VARIABLE YIELD SECURITIES**

	31 December 2010	31 December 2011
(RON)		
Transaction securities out of which:	1,194,827	3,004,899
Listed	1,194,827	3,004,899
Unlisted	0	0
Placement securities out of which:	34,579,062	35,311,927
Listed	27,659,062	28,391,927
Unlisted	6,920,000	6,920,000
Portfolio activity securities	3,324,332	13,485,426
<b>Total</b>	<b>39,098,221</b>	<b>51,802,252</b>

## Notes to the financial statements (continued)

### 8. SHARES AND OTHER VARIABLE YIELD SECURITIES (continued)

At the end of the financial year the Bank recorded provisions for the negative difference between the market value and the purchase value of shares and fund units classified as placements securities in amount of RON 51,404,754 (Note 28) (31 December 2010: 44,388,787 lei).

Balance as at 31 December 2010	Expenses related to impairment adjustments (Note no.28)	Income related to impairment adjustments (Note 28)	Exchange rate differences	Balance as at 31 December 2011
44,388,787	23,946,712	16,947,781	17,036	51,404,754

### 9. INVESTMENTS

The Bank was holding the following interests in affiliated undertakings at 31 December 2011 and respectively 31 December 2010:

Company	Nature of business	Head office	Investment at 31 December 2010 (RON)	%	Investment at 31 December 2011 (RON)	Percentage
Romanian Guarantee Fund for Loans granted to Private Entrepreneurs	Guarantee fund	Romania, Bucuresti, str. Matasari nr. 46, sector 2	1,528,659	9.5151	1,528,659	9.5151
Rural Loan Guarantee Fund IFN-SA	Guarantee fund	Romania, Bucuresti, str. Occidentului nr. 5, sector 1	1,727,327	33.331	4,399,067	33.331
Transfond S.A	Financial brokerage	Romania, B-dul Ficusului nr.1 sector 1	664,541	3.24	664,541	3.24
Brokerage Agency SIS Co	Brokerage Agency	Romania, Bucuresti	20	20	0	0
Credit Bureau	Banking data processing	Romania, Bucuresti, Str. Sfanta Vineri nr.29,et.4 sector 3	998,830	24.2752	998,83	24.2752
Swift	Tele-communications	Belgia Avenue Adele 1-B-1310 La Hulpe	398,383 (155,440 EUR)	less than 1	398,383 (155,440 EUR)	less than 1
Master Card	Card processing	USA 2000 Purchase Street	8 (2,77 USD)	less than 1	8 (2,77 USD)	less than 1
Visa Inc.	Bank transfer payments	USA Orange Street 1209, Delaware,USA-19801, Wilmington	4 (1,3234 USD)	less than 1	4 (1,3234 USD)	less than 1
BCR Asigurari Vienna Insurance Group SA	Insurance-reassurance	Romania, Bucuresti, Str. Grigore Mora Nr 23 sect 1	8,524,092	1.67545	8,524,092	1.67545
BCR Asigurari de Viata Vienna Insurance Group SA	Insurance-reassurance	Romania, Bucuresti Str Rabat Nr 21 sect 1	5,507,004	5.4072	5,507,004	5.4072
Visa Europe limited	Bank transfer payments	Anglia London W2 6WH, 1 Sheldon Square	43 (10 EUR)	less than 1	43 (10 EUR)	less than 1
<b>TOTAL</b>			<b>19,348,911</b>		<b>22,020,631</b>	

## Notes to the financial statements (continued)

### 10. SHARES IN AFFILIATED UNDERTAKINGS

- i) The Bank was holding the following interests in affiliated undertakings at 31 December 2011:

Company	Head office	Nature of business	%	Investment value (RON)
BCR Chisinau	Republica Moldova, Chisinau, 60/2 Puskin Street	Banking	100	19,991,551 (9,904,039.13 USD) 137,823,882 (32,734,225.73 EUR)
BCR Finance BV	Fred Roeskestraat 123, 01076 EE, Amsterdam, the Netherlands	Financial	100	8,468,640 (2,000,000 EUR)
Financiara S.A.	Romania, Bucuresti, Calea Victoriei nr. 15, sector 3	Financial	97.4623	15,942,621
BCR Leasing IFN S.A.	Romania, Bucuresti, Piata Alba Iulia nr. 8, sector 3	Leasing	98.41	196,682,000
BCR Securities S.A.	Romania, Bucuresti, Calea Grivitei nr. 160, sector 1	Brokerage	72.09	1,275,231
BCR Pensii, Societate de administrare a Fondurilor de Pensii Private SA	Romania, Bucuresti, str. Biharia nr. 26, sector 1	Retirement fund administration	99.99999459	202,819,990
BCR Banca pt locuinte SA	Romania, Bucuresti, Europe House, B-dul Lascar Catargiu nr. 47-53, et.3 Sector 1	Banking	80.00	56,000,000
BCR Partner IFN SA	Romania, Bd. Regina Elisabeta nr. 5, cam.131,sect.3	Other lending activities	99.98864	879,900
Suport Colect SRL	Bucuresti, Union Business Center II, str. Stirbei Voda nr. 26, et. 2, sector I	Tracking, recovery and acquisition of retail and corporate receivables from customers	100	6,846,990
BCR Procesare SRL	Bucuresti, str.Lipscani nr. 18-20, sector 3	Cash and other values processing and storage	99.99992	13,308,460
BCR Real Estate Management SRL	Bucuresti, Calea Victoriei nr.15, cam. 57,58 and 59, sector 3	Real estates administration based on agreements or commissions	99.999994	161,178,890

**Notes to the financial statements (continued)****10. SHARES IN AFFILIATED UNDERTAKINGS (continued)**

Company	Head office	Nature of business	%	Investment value (RON)
<b>Good.bee Service RO SRL</b>	Bucuresti, B-dul Timisoara nr. 4-6, et.3, sector 6	Auxiliary activities brokerage related only	99.99994	11,782,350 14,907,900 (3,500,000 EUR)
<b>BCR Payments Services SRL</b>	Sibiu, str.Emil Cioran nr.1	Payments processing	99.99947	1,899,990
<b>Total</b>				<b>849,808,395</b>

As at December, 2011 the bank set up provisions for the impairment of investments in the subsidiaries Suport Colect SRL and BCR Leasing IFN S.A amounted to RON 150,000,000 (RON 100,000,000 in Suport Colect SRL and RON 50,000,000 in BCR Leasing IFN S.A).

ii) The Bank was holding the following interests in affiliated undertakings at 31 December 2010:

Company	Head office	Nature of business	%	Investment value (RON)
<b>Anglo Romanian Bank Ltd</b>	United Kingdom, 3 Finsbury Square, London EC2A 1AE	Banking	100	103,430,440 (66,456,371.69 EUR)
<b>BCR Chisinau</b>	Republica Moldova, Chisinau, str.Tricolorului nr. 32A	Banking	100	19,991,551 (9,904,039.13 USD) 120,526,682 (28,734,225.73 EUR)
<b>BCR Finance BV</b>	Fred Roeskestraat 123,01076 EE, Amsterdam, the Netherlands	Financial	100	8,468,640 (2,000,000 EUR)
<b>Financiara S.A.</b>	Romania, Bucuresti, Calea Victoriei nr. 15, sector 3	Financial	97.4623	15,942,621
<b>BCR Asset Management S.A.</b>	Romania, Bucuresti, Str. Rabat nr. 21, sector 1	Brokerage	42.8168	579,153
<b>BCR Leasing IFN S.A.</b>	Romania, Bucuresti, Piata Alba Iulia nr. 8, sector 3	Leasing	98.41	246,682,000
<b>BCR Securities S.A.</b>	Romania, Bucuresti, Calea Grivitei nr. 160, sector 1	Financial brokerage	72.09	1,275,231
<b>BCR Administrare Fond de Pensii SA</b>	Romania, Bucuresti, str.Biharia nr.26 sector 1	Retirement fund administration	99.99999453	182,799,990



## Notes to the financial statements (continued)

## 10. SHARES IN AFFILIATED UNDERTAKINGS (continued)

Company	Head office	Nature of business	%	Investment value (RON)
<b>BCR Banca pt locuinte</b>	Romania, Bucuresti, Calea Victoriei 15, sect 3	Banking	80.00	56,000,000
<b>BCR Partner IFN SA</b>	Romania, Bd, Regina Elisabeta nr. 5, cam.131, sect.3	Other lending activities	99.98864	879,900
<b>Suport Colect SRI</b>	Bucuresti, b-dul Regina Elisabeta nr. 5, sector 3	Tracking, recovery and acquisition of retail and corporate receivables from customers	100	8,944,990
<b>BCR Procesare SRL</b>	Bucuresti, str. Lipscani nr. 18-20, sector 3	Cash and other values processing and storage	99.99987	7,550,190
<b>BCR Real Estate Management SRL</b>	Bucuresti, Calea Victoriei nr.15, cam. 57,58 and 59, sector 3	Real estates administration based on agreements or commissions	99.999994	161,178,890
<b>Good.bee Service RO SRL</b>	Bucuresti, B-dul Timisoara nr. 4-6, et.3, sector 6	Auxiliary activities brokerage related only	99.99994	2,136,350 14,907,900 (3,500,000 EUR)
<b>Total</b>				<b>951,294,528</b>

Additional information relating to entities in which the Bank holds at 31 December 2011 shares in affiliated undertakings representing a percentage of at least 20% (information are for the last financial year for which the annual financial statements were approved, respectively as at 31.12.2010):

Company name	Percentage	Equity RON	Reserves RON	Net profit RON
	<b>31.12.2010</b>	<b>31.12.2010</b>	<b>31.12.2010</b>	<b>31.12.2010</b>
<b>BCR Chisinau</b>	100	46,486,520	-60,065,055	-54,732,575
<b>Financiara S.A.</b>	97.4623	143,010,000	21,283,935	109,251,000
<b>BCR Leasing IFN S.A.</b>	98.41	64,888,000	64,494,650	-99,901,000
<b>BCR Securities S.A.</b>	72.09	739,000	296,000	-857,000
<b>BCR Pensii societate de Administrare a Fondurilor de Pensii Private SA</b>	99.99999453	111,448,000	-40,356,000	-30,996,000
<b>BCR Banca pentru Locuinte</b>	80	54,569,000	-17,175,000	1,744,000
<b>BCR Finance BV</b>	100	8,289,504	-220,305	-129,591
<b>BCR Partener IFN SA</b>	99.98864	532,000	-32,000	-316,000
<b>BCR Procesare</b>	99.99992	8,215,000	-5,702,470	609,000
<b>Suport Colect SRL</b>	100	-42,802,000	1,814,000	-53,560,000
<b>BCR Real Estate Management SRL</b>	99.999994	170,110,000	819,100	8,112,000
<b>Good.bee Service RO SRL</b>	99.99995	3,116,000	-8,160,000	-4,612,000

## Notes to the financial statements (continued)

### 11. INTANGIBLE ASSETS

(RON)	Other intangible assets	Intangible assets in progress	Total
<b>Cost</b>			
Balance at 1 January 2011	355,656,640	79,988,188	435,644,828
Additions	77,869,378	76,085,506	153,954,884
Disposals	601,941	77,869,378	78,471,319
<b>Balance at 31 December 2011</b>	<b>432,924,077</b>	<b>78,204,316</b>	<b>511,128,393</b>
<b>Accumulated depreciation</b>			
Balance at 1 January 2011	222,901,849	0	222,901,849
Depreciation charge	81,138,077	0	81,138,077
Disposals	46,681	0	46,681
<b>Balance at 31 December 2011</b>	<b>303,993,245</b>	<b>0</b>	<b>303,993,245</b>
<b>Net book value at 31 December 2011</b>	<b>128,930,832</b>	<b>78,204,316</b>	<b>207,135,148</b>
<b>Net book value at 31 December 2010</b>	<b>132,754,791</b>	<b>79,988,188</b>	<b>212,742,979</b>

At 31 December 2011 the cost of fully depreciated intangible assets is of RON 193,466,115.

(RON)	Other intangible assets	Intangible assets in progress	Total
<b>Cost</b>			
Balance at 1 January 2010	243,804,276	129,783,623	373,587,899
Additions	114,750,745	65,072,337	179,823,082
Disposals	2,898,381	114,867,772	117,766,153
<b>Balance at 31 December 2010</b>	<b>355,656,640</b>	<b>79,988,188</b>	<b>435,644,828</b>
<b>Accumulated depreciation</b>			
Balance at 1 January 2010	171,996,313	0	171,996,313
Depreciation charge	52,534,356	0	52,534,356
Disposals	1,628,820	0	1,628,820
<b>Balance at 31 December 2010</b>	<b>222,901,849</b>	<b>0</b>	<b>222,901,849</b>
<b>Net book value at 31 December 2010</b>	<b>132,754,791</b>	<b>79,988,188</b>	<b>212,742,979</b>
<b>Net book value at 31 December 2009</b>	<b>71,807,963</b>	<b>129,783,623</b>	<b>201,591,586</b>

## Notes to the financial statements (continued)

### 12. TANGIBLE FIXED ASSETS

(RON)						Fixed assets in progress (including advances)	Total
	Land and buildings	Furniture, fixtures and fittings	Motor vehicles	Computers and other peripheral devices			
<b>Cost or revalued value</b>							
Balance at 1 January 2011	520,495,034	333,856,616	71,448,195	409,200,550	126,089,167		1,461,089,562
Additions	47,186,968	42,948,051	3,837,535	13,413,547	80,036,465		187,422,566
ARBL takeover	0	217,563	0	147,830	0		365,393
Disposals	159,715,408	27,490,595	28,681,771	51,869,218	107,389,599		375,146,591
Balance at 31 December 2011	407,966,594	349,531,635	46,603,959	370,892,709	98,736,033		1,273,730,930
<b>Accumulated depreciation</b>							
Balance at 1 January 2011	43,234,165	217,051,070	54,937,428	322,785,762	0		638,008,425
Depreciation charge	34,831,602	34,326,740	6,084,517	35,326,840	0		110,569,699
ARBL takeover	0	115,566	0	110,661	0		226,227
Disposals	11,986,306	25,167,756	23,877,220	48,800,708	0		109,831,990
Impairment adjustments	4,633,405	530,381	0	7,086	696,920		5,867,792
Balance at 31 December 2011	70,712,866	226,856,001	37,144,725	309,429,641	696,920		644,840,153
Net book value at 31 December 2011	337,253,728	122,675,634	9,459,234	61,463,068	98,039,113		628,890,777
Net book value at 31 December 2010	477,260,869	116,805,546	16,510,767	86,414,788	126,089,167		823,081,137
(RON)						Fixed assets in progress (including advances)	Total
	Land and buildings	Furniture, fixtures and fittings	Motor vehicles	Computers and other peripheral devices			
<b>Cost or revalued value</b>							
Balance at 1 January 2010	712,065,021	313,994,593	71,173,343	369,525,184	173,387,103		1,640,145,244
Additions	43,602,926	21,346,231	2,195,860	57,358,072	80,222,736		204,725,825
Disposals	235,172,913	1,484,208	1,921,008	17,682,706	127,520,672		383,781,507
Balance at 31 December 2010	520,495,034	333,856,616	71,448,195	409,200,550	126,089,167		1,461,089,562
<b>Accumulated depreciation</b>							
Balance at 1 January 2010	9,974,370	185,614,136	48,798,585	291,492,484	0		535,879,575
Depreciation charge	35,570,855	32,788,349	7,980,808	46,911,560	0		123,251,572
Disposals	2,311,060	1,351,415	1,841,965	15,618,282	0		21,122,722
Balance at 31 December 2010	43,234,165	217,051,070	54,937,428	322,785,762	0		638,008,425
Net book value at 31 December 2010	477,260,869	116,805,546	16,510,767	86,414,788	126,089,167		823,081,137
Net book value at 31 December 2009	702,090,651	128,380,457	22,374,758	78,032,700	173,387,103		1,104,265,669

## Notes to the financial statements (continued)

### 12. TANGIBLE FIXED ASSETS (continued)

The profit from fixed assets disposals (sales and decommissioning) for 2011 amounted to RON 1,234,342 (31 December 2010: profit amounted to RON 1,189,359).

In order to improve the administration of the real estate portfolio of the Bank in 2011 sales of land and buildings were made in the BCR Group, resulting in profit in the amount of RON 3,264,363 thereof:

	Revaluation reserve related to assets sold	Sales revenue (Note 29)	Net carrying value at the sale/decommiss ioning (Note 31)	Differences
<b>1. Land, buildings and equipments that contribute to the proper operation of buildings</b>				
	61,578,321	150,933,951	147,669,588	3,264,363
<b>2. Other sales</b>	0	985,634	1,796,989	-811,355
<b>3. Decommissioning</b>	0	0	1,218,666	-1,218,666
<b>Total</b>	<b>61,578,321</b>	<b>151,919,585</b>	<b>150,685,243</b>	<b>1,234,342</b>

Within disposals of tangible fixed assets, apart from the sales of land and buildings, the following are also included:

- Capital contribution in the subsidiary BCR Procesare amounting to RON 5,108,686;
- Missing items following the annual inventory, representing tangible fixed assets, in amount of RON 2,131,073.

As result of sales of land and buildings and of the revaluation performed, at 31 December 2011, the value of the revaluation reserve changed as follows:

<b>Balance sheet at 1 January 2011</b>	<b>242,137,844</b>
Transfer of revaluation surplus resulted from sales of land and buildings in retained earnings	-61,578,321
<b>Balance sheet at 31 December 2011</b>	<b>180,559,523</b>

At 31 December 2011 the cost or revalued value of fully depreciated tangible fixed assets amounts to RON 388,825,707.

### 13. OTHER ASSETS

	31 December 2010	31 December 2011
(RON)		
Sundry debtors	148,928,987	163,715,894
Provisions for sundry debtors	-4,146,600	-14,463,626
Foreign currency adjustment accounts i)	20,299	87,107
Inventory ii)	17,425,798	2,809,602
Receivables from the state budget and similar iii)	189,721,440	190,611,957
Employees and similar accounts	803,965	404,719
Social security contributions	15,751,228	16,740,843
Derivatives (Note 18)	215,591,458	293,545,637
Stock exchange accounts	77,986,400	8,282

## Notes to the financial statements (continued)

<b>Total</b>	<b>662,082,975</b>	<b>653,460,415</b>
<b>13. OTHER ASSETS (continued)</b>		
i)	The balance of foreign currency adjustment accounts includes the gains from revaluation of foreign currency off-balance sheet commitments related to foreign exchange spot and forward contracts until their recording in the balance-sheet.	
ii)	The balance of inventory includes mainly gold, valuable objects, and precious stones in amount of RON 1,101,001 (31 December 2010: 14,781,208 lei), consumables in amount of RON 122,981 (31 December 2010: 997,475) and petty inventory in amount of RON 1,540,988 (31 December 2010: 448,265).	
iii)	The balance of receivables from the state budget and similar includes mainly income tax to be recovered in amount of RON 189,527,201.	

## 14. PREPAYMENTS AND ACCRUED INCOME

	<b>31 December 2010</b>	<b>31 December 2011</b>
(RON)		
Accrued interest receivable from:	<b>456,312,175</b>	<b>369,300,579</b>
Current accounts and deposits at banks	36,117,960	3,033,465
Loans to customers	1,338,315,633	1,815,838,561
Specific provisions for interest risk	-1,029,758,616	-1,497,911,525
Other receivables*)	111,637,198	48,340,078
Prepayments	<b>57,222,872</b>	<b>67,763,341</b>
Accrued income	<b>209,221,616</b>	<b>509,507,353</b>
<b>Total</b>	<b>722,756,663</b>	<b>946,571,273</b>

Prepayments refer mainly to the following::

- discounts for certificates of deposit not yet amortized at the balance date in amount of RON 221,513 (31 December 2010: RON 292,256);
- discounts related to borrowed funds in amount of RON 5,178,900 (31 December 2010: RON 5,303,720);
- other prepayments to suppliers in amount of RON 8,366,338 (31 December 2010: RON 5,768,757) ;
- accrued expenses representing fees for attracted funds from Erste in amount of RON: 1,648,142 (31 December 2010 : RON 2,057,379 );
- accrued expenses representing commission depreciation by using the linear method amounted to RON: 32,316,149 (31 December 2010: RON 43,583,356 );
- accrued expenses representing the first tranche of the insurance premium related to the bank's patrimony for the year 2012 : RON 19,291,538.

Accrued income represents mainly past due commissions related to current accounts and accrued interest for „ cross currency swap” transactions.

**Notes to the financial statements (continued)**

\*) Other receivables amounted to RON 48,340,078 are provided net of the provision set as at 31 December 2011 amounting to RON 58,577,256.

**15. AMOUNTS OWED TO CREDIT INSTITUTIONS**

	<b>31 December 2010</b>	<b>31 December 2011</b>
(RON)		
Current accounts and sight deposits	93,022,690	469,016,817
Term deposits taken (including collaterals)	16,940,219,635	18,094,234,083
Term loans received from banks and other financing institutions (i)	1,869,985,974	1,856,815,806
Other amounts owed	407,277,556	179,120,277
<b>Total</b>	<b>19,310,505,855</b>	<b>20,599,186,983</b>

i) In 2011, the Bank has concluded loan agreements with various credit institutions, as follows:

	<b>BANK</b>	<b>PURPOSE</b>	<b>BALANCE (RON equivalent)</b>
1	A banking institution from USA	International financing trading transactions	86,394,000
3	A banking institution from Germany	General refinancing needs	64,795,500
5	International financing institutions (IFC, EBRD, EIB)	Improvement of balance sheet structure, by reducing the maturity gap between assets and liabilities in foreign currency, development of banking operations with legal persons and individuals; development of banking activity for mortgage loans; development of banking activity in area of retail and SME's loans; development of bank lending activity in agribusiness sector	1,695,461,523
8	Other loans		10,164,783
	<b>TOTAL</b>		<b>1,856,815,806</b>

Term loans from banks and other financial institutions in balance at 31 December 2011 are denominated in EUR and USD, bear an interest rate ranging between 1.63% - 4.818% p.y. and have final maturities between January 2012 and February 2027.

**Notes to the financial statements (continued)****15. AMOUNTS OWED TO CREDIT INSTITUTIONS (continued)**

Term loans in balance as at 31 December 2010 are as follows:

	BANK	PURPOSE	BALANCE (RON equivalent)
1	A banking institution from Hungary	General refinancing needs	28,565,333
2	A banking institution from Austria	General refinancing needs	42,848,000
3	A banking institution from Germany	General refinancing needs	42,848,000
4	A banking institution from Germany	General refinancing needs	53,560,000
5	International financing institutions (IFC,EBRD,EIB)	Improvement of balance sheet structure, by reducing the maturity gap between assets and liabilities in foreign currency, development of banking operations with legal persons and individuals; development of banking activity for mortgage loans; development of banking activity in area of retail and SME's loans; development of bank lending activity in agribusiness sector	1,469,226,894
6	A banking institution from Germany	General refinancing needs	64,272,000
7	A banking institution from Germany	General refinancing needs	85,696,000
8	Other loans		82,969,747
	<b>TOTAL</b>		<b>1,869,985,974</b>

Term loans from banks and other financial institutions in balance at 31 December 2010 are denominated in EUR and USD, bear an interest rate ranging between 1.202% - 4.09% p.y. and have final maturities between January 2011 and October 2022.

**16. AMOUNTS OWED TO CUSTOMERS**

	31 December 2010	31 December 2011
(RON)		
Current accounts	6,928,203,677	7,650,172,141
Sight deposits	1,249,244,376	1,280,904,660
Term deposits	27,383,239,707	27,629,795,197
Collateral deposits	1,718,487,701	2,139,699,181
Certificates of deposit	210,142,727	188,045,161
Other amounts owed	167,375,375	43,090,843
<b>Total</b>	<b>37,656,693,563</b>	<b>38,931,707,183</b>

**17. DEBT SECURITIES**

	31 December 2010	31 December 2011
(RON)		
Bonds	428,033,682	791,092,288

**Notes to the financial statements (continued)****Total****428,033,682****791,092,288****17. DEBT SECURITIES(continued)**

Since 2009, the Bank implemented the first MTN (Medium Term Notes) program to issue medium-term bonds. Under this program issued bonds have been issued with the following characteristics as at 31.12.2011:

	Issue price	Issue premium		Repayment premium		Net book value
		Nominal value	Redemption value	Nominal value	Redemption value	
1.Senior bonds in RON issued since December 2009, with final maturity varying between 2-10 years, at a fixed interest rate of 10.3% p.y.	498,073,032	2,086,968	1,833,821	0	0	498,326,179
2. Senior bonds in EUR issued since November 2009, with final maturity varying between 5-10 years, with or without interest bearing varying between 4.75-5.1% p.y.	284,580,000 (echiv.EUR 65,879,575)	8,762,187 (echiv.EUR 2,028,425)	7,839,828 (echiv. EUR 1,814,901)	65,184,007 (echiv.EUR 15,089,938)	57,920,257 (echiv. EUR 13,408,391)	292,766,109 (echiv. EUR 67,774,646)
<b>Total</b>	<b>782,653,032</b>	<b>10,849,155</b>	<b>9,673,649</b>	<b>65,184,007</b>	<b>57,920,257</b>	<b>791,092,288</b>

At 31 December 2010 Senior bonds were as follows:

	Issue price	Issue premium		Repayment premium		Net book value
		Nominal value	Redemption value	Nominal value	Redemption value	
1.Senior bonds in RON issued since December 2009, with final maturity varying between 2-10 years, at a fixed interest rate of 10.3% p.y.	255,050,200	1,699,800	1,662,321	0	0	255,087,679
2. Senior bonds in EUR issued since November 2009, with final maturity varying between 5-10 years, with or without interest bearing varying between 4.75-5.1% p.y.	171,025,971 (echiv.EUR 39,914,575)	3,399,667 (echiv.EUR 793,425)	3,168,121 (echiv.EUR 739,386)	26,535,245 (echiv.EUR 6,192,878)	24,846,759 (echiv.EUR 5,798,814)	172,946,003 (echiv.EUR 40,362,678)
<b>Total</b>	<b>426,076,171</b>	<b>5,099,467</b>	<b>4,830,442</b>	<b>26,535,245</b>	<b>24,846,759</b>	<b>428,033,682</b>

The program was listed on the Luxemburg Stock Exchange, but allows bonds to be listed and traded on other international markets as well, and on the Bucharest Stock Exchange too.



**Notes to the financial statements (continued)****18. OTHER LIABILITIES**

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
Sundry creditors	124,460,368	111,635,361
Amounts due to the state budget	26,054,441	30,546,500
Social insurance, social protection	21,006,934	19,859,813
Employees and similar accounts	800,437	285,048
Foreign currency adjustment accounts	332,019	742,419
Settlement accounts related to securities operations	7,969,490	9,146,069
Derivatives operations i)	1,956,886,530	2,055,624,749
Other liabilities	203,741,998	276,247,019
<b>Total</b>	<b>2,341,252,217</b>	<b>2,504,086,978</b>

i) The Bank recorded as at 31 December 2011 and respectively at 31 December 2010 the following fair values of derivative financial instruments:

	<b>31 December 2010</b>			<b>31 December 2011</b>		
	<b>Assets (Note 13)</b>	<b>Liabilities</b>	<b>Notional</b>	<b>Assets (Note 13)</b>	<b>Liabilities</b>	<b>Notional</b>
<b>Hedging instruments</b>	<b>194,757,005</b>	<b>1,907,686,825</b>	<b>11,696,881,945</b>	<b>248,140,019</b>	<b>2,018,725,112</b>	<b>12,885,532,930</b>
Currency swap agreements	185,617,429	1,907,686,825	11,626,881,945	225,848,678	2,018,725,112	12,147,885,111
Interest rate agreements	9,139,576	0	70,000,000	22,291,341	0	737,647,819
<b>Non-hedging instruments</b>	<b>20,834,453</b>	<b>49,199,705</b>	<b>6,703,193,582</b>	<b>45,405,618</b>	<b>36,899,637</b>	<b>7,866,893,454</b>
Forward agreements	492,555	234,024	283,388,385	1,562,023	93,309	449,364,820
Treasury swap agreements	5,348,102	7,427,904	2,900,695,244	1,540,819	487,497	2,717,520,364
Interest rate agreements	8,722,495	20,466,329	1,828,773,245	30,773,772	30,737,630	2,122,384,721
Currency swap agreements	0	14,877,739	376,346,155	6,943,507	2,390,361	185,235,667
Stock index Options	1,169,542	179,552	247,992,762	744,224	480	285,713,597
Other agreements	5,101,759	6,014,157	1,065,997,791	3,841,273	3,190,360	2,106,674,285
<b>TOTAL</b>	<b>215,591,458</b>	<b>1,956,886,530</b>	<b>18,400,075,527</b>	<b>293,545,637</b>	<b>2,055,624,749</b>	<b>20,752,426,384</b>

## Notes to the financial statements (continued)

### 19. ACCRUALS AND DEFERRED INCOME

	31 December 2010	31 December 2011
<i>(RON)</i>		
Accrued interest referring to:	379,282,009	401,795,057
Treasury and inter-banking operations	128,393,676	142,915,280
Customer operations	233,399,851	234,397,252
Securities and other sundry operations	9,592,991	23,175,025
Subordinated loans	7,895,491	1,307,500
Deferred income	439,641,547	416,901,757
Accrued expenses	92,167,386	110,073,527
<b>Total</b>	<b>911,090,942</b>	<b>928,770,341</b>

### 20. PROVISIONS FOR RISKS AND CHARGES

Nature of provision	Balance as at 31 December 2010	Allocation for 2011	Decrease, out of which:		Exchange rate differences	Balance as at 31 December 2011
			Uses	Releases		
<i>(RON)</i>						
Provisions for litigations (Note 23)	58,243,451	4,070,687	3,881,837	3,044,738	946,728	56,334,291
Provisions for cash operational risks	109,505	1,361,357	9,377	0	(59)	1,461,426
Provision for annual bonuses	82,383,232	50,261,921	70,723,615	11,659,617	0	50,261,921
Provisions for expats and MB members bonuses	15,886,126	6,862,929	6,700,875	6,585,958	0	9,462,222
Provisions for lay-offs payments	4,077,444	21,013,974	1,193,584	1,364,331	0	22,533,503
Provisions for retirement benefits	0	65,239,999	2,344,448	14,056,191	0	48,839,360 <sup>*)</sup>
<b>Total</b>	<b>160,699,758</b>	<b>148,810,867</b>	<b>84,853,736</b>	<b>36,710,835</b>	<b>946,669</b>	<b>188,892,723</b>

\*) the account balance related to Provisions for retirement benefits amounted to RON 48,839,360 and presented as follows:

- RON 54,581,677 , amount related to previous years recorded under equity;
- RON 10,658,322 , amount representing the setting up related to 2011;
- RON 2,344,448 , representing payments performed during 2011;
- RON 14,056,191 , amount representing actuarial gain for 2011.

## Notes to the financial statements (continued)

### 20. PROVISIONS FOR RISKS AND CHARGES (continued)

In compliance with the accrual principle, the Bank registered several expenses related to 2011, to be paid in 2012. The related amounts meet the conditions stipulated in the provision definition (debt with uncertain timing or amount), being fiscally non-deductible.

### 21. SUBORDINATED DEBTS

Since 2009 the Bank attracted funds both in RON and EUR in order to issue bonds according to MTN (Medium Term Notes) program as follows

At 31 December 2011 subordinated bonds were as follows:

	Issue price	Issue premium		Repayment Premium		Net book value
		Nominal value	Redemption value	Nominal amount	Redemption value	
1.Subordinated bonds in RON with zero coupon and maturity exceeding 5 years period (maturity on 02.12.2016 );	18,200,000	1,800,000	1,264,998	16,800,000	11,806,648	23,728,354
2.Subordinated bonds in EUR with zero coupon and maturity exceeding 5 years period	138,554,378 (echiv.EUR 32,075,000)	6,155,573 (echiv. EUR 1,425,000)	4,776,176 (echiv. EUR 1,105,673)	61,913,396 (echiv. EUR 14,332,800)	48,353,872 (echiv.EUR 11,193,805)	153,493,299 (echiv. EUR 35,533,323)
<b>Total</b>	<b>156,754,378</b>	<b>7,955,573</b>	<b>6,041,174</b>	<b>78,713,396</b>	<b>60,160,520</b>	<b>177,221,653</b>

At 31 December 2010 subordinated loans were as follows:

	Issue price	Issue premium		Repayment Premium		Net book value
		Nominal value	Redemption value	Nominal amount	Redemption value	
1.Subordinated bonds in RON with zero coupon and maturity exceeding 5 years period (maturity on 02.12.2016 );	18,200,000	1,800,000	1,521,940	16,800,000	14,204,772	21,073,288
2.Subordinated bonds in EUR with zero coupon and maturity exceeding 5 years period	96,193,760 (echiv.EUR 22,450,000)	4,499,040 (echiv.EUR 1,050,000)	3,943,878 (echiv.EUR 920,434)	43,969,761 (echiv.EUR 10,261,800 )	38,651,269 (echiv.EUR 9,020,554)	102,067,414 (echiv.EUR 23,820,812)
<b>Total</b>	<b>114,393,760</b>	<b>6,299,040</b>	<b>5,465,818</b>	<b>60,769,761</b>	<b>52,856,041</b>	<b>123,140,702</b>

The Bank also entered into three subordinated loans as follows:

- RON 550,000,000 at an interest rate of 8.69% ( 31 December 2010: 6.67%) and maturity at 17.04.2018;

**Notes to the financial statements (continued)****21. SUBORDINATED DEBTS (continued)**

- RON 780,000,000 at an interest rate of 9,68% ( 31 December 2010: 7.96%) and maturity at 19.12.2018;
- EUR 120,000,000, RON equivalent 518,364,000 (31 December 2010: RON equivalent 514,176,000) at an interest rate of 5.113% (31 December 2010: 5.171%), with maturity at 30.09.2016;

The three loan agreements do not provide circumstances for early repayment or any other provisions to allow conversion of subordinated debt into equity or other liability.

**22. SUBSCRIBED SHARED CAPITAL**

In 2011 the Bank's share capital increased in three stages, as follows::

- In May by including a portion of RON 55,427,113 from the net profit from 2010, by issuing a number of 554,271,130 new shares at a nominal value of RON 0.1 per share; thus the share capital as at 31.05.2011 amounted to RON 1,085,636,488;
- In November by the subscription of a number of 4,300,758,533 shares at a nominal value of RON 0.1 per share; thus the share capital as at 30.11.2011 amounted to RON 1,515,712,341;
- In December by the subscription of a number of 377,232,025 shares at a nominal value of RON 0.1 per share; thus the share capital as at 31 December 2011 amounted to RON 1,553,435,544.

The three share capital increases were approved by the GMS.

The holders of ordinary shares are entitled to receive dividends periodically and are entitled to one vote per share in the General Meeting of the Bank's shareholders.

At 31 December 2011 and at 31 December 2010, the shareholders of the Bank were as follows:

	2010 No of shares	Value	2011 No of shares	Value
EGB Ceps Holding GmbH	550,020,232	715,026,302	13,845,686,043	1,384,568,604
Societatea de Investitii Financiare „Banat Crisana”	47,548,125	61,812,563	366,373,358	36,637,336
Societatea de Investitii Financiare „Moldova”	47,548,125	61,812,563	0	0
Societatea de Investitii Financiare „Transilvania”	47,548,125	61,812,563	0	0
Societatea de Investitii Financiare „Muntenia”	47,548,125	61,812,563	241,744,625	24,174,463
Societatea de Investitii Financiare „Oltenia”	48,479,429	63,023,257	1,023,534,303	102,353,430
SC Carina Import Export SRL	4,376	5,688	59,948	5,995
SC Actinvest SA	15,773	20,505	216,081	21,608
SC Milord Impex SRL	1,951	2,536	26,727	2,673
SAI Aviva Investors SA, Romania	1,000	1,300	0	0
FDI Certinvest Dinamic	0	0	13,699	1370
Individuals	3,753,489	4,879,535	56,700,654	5,670,065
<b>Total</b>	<b>792,468,750</b>	<b>1,030,209,375</b>	<b>15,534,355,438</b>	<b>1,553,435,544</b>

## **Notes to the financial statements (continued)**

### **23. COMMITMENTS AND CONTINGENT LIABILITIES**

At any time the Bank has outstanding commitments to extend credit. These commitments take the form of unused parts of approved loans, approved debit card limits and overdraft facilities. Outstanding commitments to extend credit have a commitment period that does not exceed the normal underwriting and settlement period of one month to one year.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

The contractual amounts of commitments and contingent liabilities are presented in the following table by category.

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
Guarantees granted to customers	2,467,505,350	4,219,108,360
Confirmations of letters of credit openings	31,186,646	0
Other guarantees and commitments granted to other banks	1,014,865,210	1,104,179,741
<b><i>Contingent liabilities</i></b>	<b><u>3,513,557,206</u></b>	<b><u>5,323,288,101</u></b>
Irrevocable loan commitments	3,422,680,825	4,666,841,473
Documentary loans openings	88,590,680	60,533,095
Other securities to be received	110,110,580	0
<b><i>Commitments</i></b>	<b><u>3,621,382,085</u></b>	<b><u>4,727,374,568</u></b>
<b>Total</b>	<b><u>7,134,939,291</u></b>	<b><u>10,050,662,669</u></b>

#### **Litigations related to the merger with former Bancorex**

According to the Government Emergency Ordinance no. 18/2004, no. 55/2003 and Government Decision no. 832/2004 and 1087/2006, the Ministry of Public Finance has issued letters of guarantee for a number of 92 litigations in which the Bank is involved following the merger with former Bancorex.

At 31 December 2011 the Bank was still involved as defendant in a number of 2 litigations from this category, the total value of the claims made in these cases being of USD 2,700 USD and RON 15,365.

The Bank's management considers these litigations as not having a significant impact on the Bank's financial results and position.

#### **Other litigations**

At 31 December 2011, the Bank was involved as defendant in 5,318 other litigations with a total value of claims of RON 365,825,547 and as plaintiff in 1,039 litigations with a total value of claims being of RON 80,044,778.

Based on the internal procedure related to litigations, the Bank has recorded at 31 December 2011 a provision for litigations of RON 56,334,291 (31 December 2010: 58,243,451 lei) (see Note 20). For the

## **Notes to the financial statements (continued)**

rest of litigations the management estimates it is unlikely incurring significant losses and consequently no provisions were established.

### **24. INTEREST INCOME AND SIMILAR INCOME**

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
Interest arising from:	<b>6,013,821,517</b>	<b>5,649,092,936</b>
Placement and investment securities	521,094,484	742,546,949
Interest related to repurchased agreements	1,268,169	324,629
Loans to customers	5,246,243,151	4,721,244,551
Current accounts and deposits at banks	236,734,464	179,812,125
Subordinated loans granted to customers	8,480,888	5,164,682
Income arising from:	<b>203,626,111</b>	<b>100,937,500</b>
Financing commitments	2,344,793	2,550,315
Guarantee commitments	201,281,318	98,387,185
Interest income related to derivatives	<b>744,492,257</b>	<b>600,850,309</b>
<i>(RON)</i>	<b>27,113,169</b>	<b>34,904,330</b>
<b>Total</b>	<b><u>6,989,053,054</u></b>	<b><u>6,385,785,075</u></b>

### **25. INTEREST EXPENSE AND SIMILAR CHARGES**

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
Interest expense arising from:	2,596,164,419	2,531,063,629
Current accounts and deposits from other banks	1,003,812,694	961,579,928
Loans from other banks and financial customers	55,479,603	64,187,695
Customer operations	1,530,254,010	1,498,570,262
Repurchase agreements	6,618,112	6,725,744
Interest related to issued bonds	19,901,433	41,060,897
Other expenses related to bonds issue/repayment premiums	1,943,419	6,363,624
Expenses with guarantee commitments	281,052,215	143,729,981
Other expenses related to securities operations	14,672	74,953
Interest expenses related to derivatives	132,435,552	197,287,377
Expenses related to subordinated term debts	161,660,728	154,309,953
Expenses related to redemption premiums	6,498,028	9,777,691
<b>Total</b>	<b><u>3,199,670,466</u></b>	<b><u>3,083,668,105</u></b>

## **Notes to the financial statements (continued)**

### **26. COMMISSION INCOME**

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
Commissions arising from:		
Services regarding payment transactions	359,115,674	358,350,971
Lending activity	88,231,115	95,050,461
Accounts opening	202,511,261	208,624,704
Values keeping in safe cases	3,694,648	4,020,457
Other customer operations*	1,775,258	2,995,038
Other banking operations **	143,839,981	171,287,985
<b>Total</b>	<b>799,167,937</b>	<b>840,329,616</b>

\* include mainly commissions earned in connection with customers transactions: information regarding interest rates, incasso commissions, transmission of swift messages, etc.

\*\* include mainly commissions regarding card transactions, intermediary commission for interbanking transactions, income from financial services and commissions for operations with securities in the customer's accounts.

### **27. COMMISSION EXPENSE**

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
Commissions arising from:		
Inter-banking operations	81,424,750	85,353,043
Other financial services	52,873,613	87,269,668
<b>Total</b>	<b>134,298,363</b>	<b>172,622,711</b>

**Notes to the financial statements (continued)****28. NET PROFIT FROM FINANCIAL OPERATIONS**

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
Income from exchange and arbitrage operations	1,369,364,456	1,439,999,173
Income on disposal of financial assets available for sale	45,350,131	373,504
Income from transaction securities	74,293,570	92,219,356
Income from FX derivatives	956,441,597	1,055,088,955
Income from hedge instruments	743,300,437	809,087,423
Income from adjustments for placement securities impairment	21,929,072	16,947,781
Expenses with exchange and arbitrage operations	-981,871,879	-1,183,511,427
Expenses with disposal of trading financial assets	-3,030,531	-319,495
Loss on transaction securities	-19,076,563	-16,900,577
Expenses with adjustments of placement securities depreciation	-22,430,732	-23,946,712
Expenses with FX derivatives	-851,222,038	-986,176,798
Expenses with hedge instruments	-916,797,805	-915,567,115
<b>Net profit from financial operations</b>	<b>416,249,715</b>	<b>287,294,068</b>

**29. OTHER OPERATING INCOME**

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
Gain from disposal of tangible and intangible assets (Note 12)	236,327,475	151,919,585
Income from rents	12,171,975	9,969,398
Income from cash collecting and transport	2,743,735	5,443,185
Income from recording guarantees in the electronic archive	256,448	463,623
Income from the activity of training centers	1,221,247	225,506
Income from pension insurance mediations	28,814,814	31,106,264
Income from precious metals	22,927,264	227,651,919
Income from preliminary expenses 2010/2011	2,749,572	7,625,128
Income from recoveries of: debts from insurance companies, litigation fees, utilities from lenders	3,075,057	13,078,970
Income from fixed assets production	8,358,478	2,810,690
Other income	7,164,375	21,033,817
<b>Total</b>	<b>325,810,440</b>	<b>471,328,085</b>



## **Notes to the financial statements (continued)**

### **30. GENERAL ADMINISTRATIVE EXPENSES**

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
Salaries	623,430,535	626,047,684
Collaborators' remuneration	963,355	585,116
Health insurance and social security charges	162,577,598	160,840,725
Other expenses related to employees	3,039,141	3,024,977
Materials	24,464,154	27,924,913
Promotion and advertising expenses	41,570,223	47,767,504
Third party services	427,944,854	469,834,284
Other administrative expenses (consumables)	3,105,821	1,729,659
<b>Total</b>	<b>1,287,095,681</b>	<b>1,337,754,862</b>

At 31 December 2011, the Bank had 8,084 employees (31 December 2010: 8,020 employees). The average number of employees throughout the year 2011 was 7,723 (2010: 8,063 employees). Salaries of administrators and managers during 2011 amounted to RON 11,947,296 (2010: RON 15,133,302). Audit fees in 2011 were of RON 3,106,728 (2010: RON 3,213,600) and consultancy fees were of RON 24,630,054 (2010: RON 11,758,397).

### **31. OTHER OPERATING EXPENSES**

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
Loss from disposal of tangible and intangible assets (Note 12)	235,138,116	150,685,243
Other taxes, fees and similar	73,819,916	110,594,495
Sundry operating expenses *	389,170,753	574,427,713
<b>Total</b>	<b>698,128,785</b>	<b>835,707,451</b>

\* includes expenditure on rented spaces, amount RON 241,443,916 (31 December 2010: RON 253,389,539) and transactions with precious metals in amount of RON 196,823,922 (31 December 2010: RON 48,847,205).

## Notes to the financial statements (continued)

### 32. ALLOCATION OF PROVISIONS FOR LOANS AND ADVANCES AND PROVISIONS FOR CONTINGENT LIABILITIES AND COMMITMENTS

	31 December 2010	31 December 2011
<i>(RON)</i>		
Provision expense for credit risk – principal & interest	7,643,660,630	7,749,130,866
Losses from unrecoverable receivables	1,711,281,533	1,278,048,881
Provisions expense for bonuses	98,269,358	57,124,850
Provisions expenses for litigations	20,053,457	4,070,687
Provisions for lay-offs	4,077,444	21,013,974
Provisions expenses for retirement	0	10,658,322
Provisions for cash operational risks	53,766	1,361,357
Expenses for receivables impairment from sundry operations	10,000,000	59,288,421
<b>Total</b>	<b>9,487,396,188</b>	<b>9,180,697,358</b>

### 33. RELEASE OF PROVISIONS FOR LOANS AND ADVANCES AND PROVISIONS FOR CONTINGENT LIABILITIES AND COMMITMENTS

	31 December 2010	31 December 2011
<i>(RON)</i>		
Income from release of provision for credit risk – principal & interest	4,220,172,726	4,744,004,983
Income from release of provisions for loans	1,457,312,327	1,133,213,857
Income from release of provision for risks and charges	139,841,407	107,508,380
Income from sales of loans in the balance sheet	559,409,100	148,441,369
Income from adjustments for impairment of receivables from transactions with securities and other operations	0	397,489
<b>Total</b>	<b>6,376,735,560</b>	<b>6,133,566,078</b>

### 34. PROVISIONS FOR TRANSFERRABLE SECURITIES HELD AS FINANCIAL IMMOBILIZATIONS, EQUITY INVESTMENTS AND SHARES IN AFFILIATED UNDERTAKINGS

	31 December 2010	31 December 2011
<i>(lei)</i>		
Losses from shares in affiliated undertakings, participation titles and portfolio securities	3,000	148,087,597
Expenses related to impairment adjustments from shares in affiliated undertakings, participation titles and portfolio securities	0	150,000,000
<b>Total</b>	<b>3,000</b>	<b>298,087,597</b>

## Notes to the financial statements (continued)

### 35. RELEASE OF PROVISIONS FOR TRANSFERRABLE SECURITIES HELD AS FINANCIAL IMMOBILIZATIONS, EQUITY INVESTMENTS AND SHARES IN AFFILIATED UNDERTAKINGS

The amount of RON 187,416,706 represents additional income from:

- the liquidation of BCR Asset Management amounted to RON 1,502,749
- the liquidation of ARBL amounted to RON 185,913,957

### 36. CASH AND CASH EQUIVALENTS

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
Cash in ATMs and ASVs	306,002,921	306,320,356
Cash in hand and other values	677,534,933	563,749,335
Current accounts at banks	57,728,379	78,906,311
Loans on day to day basis granted to credit institutions	4,736,772	0
Current accounts and deposits at Central Bank	8,484,985,643	9,418,593,605
Deposits at banks with maturity up to three months	1,353,627,990	835,719,400
<b>Total</b>	<b>10,884,616,638</b>	<b>11,203,289,007</b>

### 37. RECONCILIATION OF THE ACCOUNTING RESULT FOR THE FINANCIAL YEAR WITH THE FISCAL RESULT

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
Gross profit/loss	<b>73,476,088</b>	<b>-510,818,823</b>
Other expenses similar to income, out of which:	170,683,432	275,274,226
- favourable differences resulted from the evaluation of participation titles and long-term bonds	0	796,049
- revaluation reserve related to buildings and land sold in 2010/2011	113,689,042	18,581,810
- from changing the depreciation method applied to loans (Note 2, letter e)	51,899,168	0
- from adopting the EIR method	0	250,884,039
- revaluation reserve related to fixed assets(buildings) as at 31.12.2006, corresponding to the deducted depreciation	5,095,222	5,012,328
Non-taxable income <span style="float: right;">(-)ii)</span>	300,345,775	427,191,450
Non-deductible expenses <span style="float: right;">(+ )i)</span>	197,193,426	430,457,625
<b>Taxable profit</b>	<b>141,007,171</b>	<b>-232,278,422</b>
Profit tax rate	<b>16%</b>	
<b>Profit tax ( at the nominal rate)</b>	<b>22,561,147</b>	<b>0</b>
Profit tax	22,561,147	0
Sponsorship expenses <span style="float: right;">(-)</span>	4,512,229	0

## Notes to the financial statements (continued)

Tax liability	<u>18,048,918</u>	<u>0</u>
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### 37. RECONCILIATION OF THE ACCOUNTING RESULT FOR THE FINANCIAL YEAR WITH THE FISCAL RESULT (continued)

i) Non-deductible expenses for 2010 and 2011 are as follows:

	<u>31 December 2010</u>	<u>31 December 2011</u>
(RON)		
Sponsorship expenses*	6,411,264	6,049,519
Provisions for bonuses for employees for 2010+expats(Note 20)	98,269,358	57,124,850
Provisions for lay-offs (Note 20)	4,077,444	21,013,974
Provisions for litigations (Note 20)	20,053,457	4,070,687
Provisions for cash operational risks	0	1,361,357
Provisions for employment termination benefits	0	10,658,322
Expenses related to adjustments related to impairment of investments	0	150,000,000
Expenses related to adjustments related to tangible assets impairment	0	5,867,792
Taxes for non-residents' income	98,826	336,313
Expenses from impairment of placement securities	22,430,732	23,946,712
Expenses for receivables impairment from sundry operations	10,000,000	59,288,421
Expenses resulted from overdue charges related to inactive current accounts	4,530,847	37,621,467
Losses from debt assignment	1,100,113	21,070,635
Other non-deductible expenses	30,221,385	32,047,576
<b>TOTAL</b>	<u><b>197,193,426</b></u>	<u><b>430,457,625</b></u>

\*) According to Art. 21 paragraph (4) letter p) from the Fiscal Code of Romania, sponsorship expenses are non-deductible expenses for income tax, however, such expenses are deducted from the income tax payable, within the minimum limit of the income tax 20% and 3<sup>0</sup>/<sub>00</sub> of the turnover.

ii) ) Non-taxable income for 2010 and 2011 are as follows:

	<u>31 December 2010</u>	<u>31 December 2011</u>
(RON)		
Dividends and similar income	133,763,717	289,507,762
Income from release of provisions for bonuses for employees	130,511,472	95,670,065
Income from release of provisions for lay-offs	6,693,574	2,557,915
Income from release of provisions for litigations	2,581,917	6,926,575
Income from release of provisions from the impairment of placement securities	21,929,073	16,947,781
Income from release of provisions for employment termination benefits	0	2,344,448
Income from release of other provisions	4,866,022	13,236,904

## **Notes to the financial statements (continued)**

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<b>TOTAL</b>	<u>300,345,775</u>	<u>427,191,450</u>
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### **38. RETAINED EARNINGS**

Retained earnings from the adoption of accounting Regulations in compliance with the European directives was influenced in 2011 by the following:

- increase in amount of RON 250,884,038 resulting from the implementation of EIR method for the amortization of loan commissions for non-banking customers;
- decrease in amount of RON 136,953,388 thereof the amount of RON 54,581,677 representing the provision for retirement benefits, and, in amount of RON 82,371,711 representing the actuarial gain related to these provisions.

### **39. RISK MANAGEMENT**

The main risks associated with the Bank's activity are financial and operational, resulting from running banking activities both in Romania and with corresponding foreign banks. The most important financial risks to which the bank is exposed are the market risk, credit risk and liquidity risk. The market risk includes the currency risk and interest rate risk.

#### **a) Foreign currency risk**

The main currencies in which the Bank carries out transactions are EUR and USD. The open foreign currency positions represent a source of the foreign currency risk. In order to avoid the losses that may be generated by unfavorable fluctuations of the exchange rate the Bank monitors assets and liabilities by currencies in order to obtain a balanced distribution of currencies, maintaining a currency position of 10% maximum of the own funds for each currency and 20% of the aggregate currency position, limits provided by NBR Norms no. 4/2001 and no.14/2004.

**Notes to the financial statements (continued)****39. RISK MANAGEMENT (continued)****a) Foreign currency risk (continued)**

The assets and liabilities denominated in RON and other currencies as at 31 December 2011 are as follows:

	RON	USD	EUR	Others	Total
<i>(RON)</i>					
Cash in hand, balances with central banks	5,346,261,448	37,723,804	4,857,852,906	46,825,138	10,288,663,296
Treasury bills	4,481,040,857	0	0	0	4,481,040,857
Loans and advances to credit institutions	815,183,451	54,099,299	148,034,637	31,045,898	1,048,363,285
Loans and advances to customers	16,704,499,825	1,290,552,264	25,215,694,227	2,020,913	43,212,767,229
Debt securities	4,815,716,997	0	3,714,789,080	0	8,530,506,077
Shares and other securities	38,432,288	0	13,369,964	0	51,802,252
Equity investments	21,622,193	13	398,425	0	22,020,631
Shares in affiliated undertakings	668,616,422	19,991,551	161,200,422	0	849,808,395
Intangible assets	207,135,148	0	0	0	207,135,148
Fixed assets	628,890,777	0	0	0	628,890,777
Other assets	571,589,851	19,942,538	61,595,314	332,712	653,460,415
Prepayments and accrued income	608,469,680	15,199,756	321,744,659	1,157,178	946,571,273
<b>Total</b>	<b>34,907,458,937</b>	<b>1,437,509,225</b>	<b>34,494,679,634</b>	<b>81,381,839</b>	<b>70,921,029,635</b>
Amounts due to credit institutions	12,447,939,941	23,483,648	8,109,425,841	18,337,553	20,599,186,983
Amounts due to customers	23,220,534,426	1,402,833,431	9,110,802,461	5,197,536,865	38,931,707,183
Debts securities	498,326,180	0	292,766,108	0	791,092,288
Subordinated debts	1,353,728,354	0	671,857,299	0	2,025,585,653
Other liabilities	2,148,359,546	11,354,481	53,067,793	291,305,158	2,504,086,978
Accruals and deferred income	523,485,039	11,278,291	393,790,276	216,735	928,770,341
Provisions for risks and charges	159,420,174	22,099,775	7,372,774	0	188,892,723
<b>Total</b>	<b>40,351,793,660</b>	<b>1,471,049,626</b>	<b>18,639,082,552</b>	<b>5,507,396,311</b>	<b>65,969,322,149</b>
<b>Net currency position</b>	<b>-5,444,334,723</b>	<b>-33,540,401</b>	<b>15,855,597,082</b>	<b>5,426,014,472</b>	<b>4,951,707,486</b>

## Notes to the financial statements (continued)

### 39. RISK MANAGEMENT (continued)

#### a) Foreign currency risk (continued)

Assets and liabilities denominated in RON and other currencies as at 31 December 2010 are as follows:

	RON	USD	EUR	Others	Total
<i>(RON)</i>					
Cash in hand, balances with central banks	4,787,435,677	49,562,418	4,589,269,486	42,255,916	9,468,523,497
Treasury bills	3,239,377,303	0	656,142,437	0	3,895,519,740
Loans and advances to credit institutions	811,077,170	158,430,110	2,043,392,259	88,878,486	3,101,778,025
Loans and advances to customers	16,977,065,460	888,362,368	23,582,606,702	2,501,235	41,450,535,765
Debt securities	4,799,640,334	0	1,412,909,061	0	6,212,549,395
Shares and other securities	39,098,221	0	0	0	39,098,221
Equity investments	18,950,473	13	398,425	0	19,348,911
Shares in affiliated undertakings	683,969,315	19,991,551	247,333,662	0	951,294,528
Intangible assets	212,742,979	0	0	0	212,742,979
Fixed assets	823,081,137	0	0	0	823,081,137
Other assets	625,238,360	19,059,105	17,521,650	263,860	662,082,975
Prepayments and accrued income	454,667,284	11,924,643	255,550,973	613,763	722,756,663
<b>Total</b>	<b>33,472,343,713</b>	<b>1,147,330,208</b>	<b>32,805,124,655</b>	<b>134,513,260</b>	<b>67,559,311,836</b>
Amounts due to credit institutions	12,393,997,176	25,147,452	6,869,943,472	21,417,755	19,310,505,855
Amounts due to customers	24,732,301,797	1,478,237,155	11,330,549,789	115,604,822	37,656,693,563
Debts securities	255,087,679	0	172,946,003	0	428,033,682
Other liabilities	1,351,073,288	0	616,243,414	0	1,967,316,702
Accruals and deferred income	2,256,807,985	10,173,453	73,564,805	705,974	2,341,252,217
Provisions for risks and charges	526,382,769	10,165,716	374,419,649	122,808	911,090,942
Amounts due to credit institutions	131,579,679	21,206,872	7,913,207	0	160,699,758
<b>Total</b>	<b>41,647,230,373</b>	<b>1,544,930,648</b>	<b>19,445,580,339</b>	<b>137,851,359</b>	<b>62,775,592,719</b>
<b>Net currency position</b>	<b>-8,174,886,660</b>	<b>-397,600,440</b>	<b>+13,359,544,316</b>	<b>-3,338,099</b>	<b>4,783,719,117</b>

At the balance sheet date, the Bank has concluded forward foreign exchange transactions including swaps, that are booked off-balance sheet until the settlement date, any difference related to foreign exchange revaluation being booked in the income statements.

#### b) Interest rate risk

The Bank is exposed to interest rate risk principally in the form of exposure to adverse changes in the market interest rates. Changes in market interest rates affect directly the income and expense related to assets and liabilities bearing variable interest, as well as the fair value of those bearing fixed interest rates. For financial assets and liabilities denominated in local currency, the Bank seeks to match the current market rates and to obtain a positive margin. For financial assets and liabilities denominated in foreign currency, the Bank seeks to maintain a net balanced position within the limits established by the National Bank of Romania. For this purpose, most interest bearing assets and liabilities in foreign currency have variable interest rates related to the variations of market interests.

## **Notes to the financial statements (continued)**

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### **39. RISK MANAGEMENT (continued)**

#### **c) Credit risk**

The Bank is exposed to credit risk, i.e. to the risk of recording losses or non-achieving the estimated profit as a result of the counterparty not-meeting the contractual obligations. Also, the credit risk incurs also due to placements with other local and foreign credit institutions. The Bank minimizes this risk by assessing carefully the loans applicants, through their monitoring over the loan term, through establishing exposures limits for credit risk (by main clients / unique debtors / industry), by using the banking risk information available at the Office of Banking Risks and the Credit Bureau.

The Bank monitors also the Selection of correspondent credit institutions with ratings which express a small risk degree, and establishes exposures limits to credit risk by credit institutions and their countries of origin, international factoring companies, insurance – reinsurance companies and by guarantee funds.

The exposures limits to the credit risk are reviewed annually or as many times as necessary, depending upon the financial standing or non-financial elements of analyzed counterparties, on international and local events. Monitoring of exposure limits is performed by the Risk Controlling Division, using software and information systems. Concentration of credit risk related to financial instruments exists by groups of clients or other third parties which present other economic similar characteristics and the loan reimbursement capacity of which is similarly affected by changes in the economic environment.

The main concentration of credit risk derives from individual exposure and by client category in respect of loans granted to clients (see Note 6).

#### **d) Liquidity risk**

The structure of assets and liabilities was analyzed by residual contractual maturity from the balance sheet date till the contractual maturity date.

The Bank takes measures to ensure the maturity matching of assets and liabilities.

Assets and liabilities analyzed over the remaining period from 31 December 2011, to the contractual maturity are as follows:



## Notes to the financial statements (continued)

### 39. RISK MANAGEMENT (continued)

#### d) Liquidity risk (continued)

RON	up to 3 months	3 months to 1 year	1 year to 5 years	over 5 years	undefined maturity	Total
Cash in hand, balances with central banks	10,288,663,296	0	0	0	0	10,288,663,296
Treasury bills	1,767,455,178	2,713,585,679	0	0	0	4,481,040,857
Loans and advances to credit institutions	948,269,034	6,606,600	83,577,751	9,909,900	0	1,048,363,285
Loans and advances to customers	6,739,013,761	6,592,355,648	11,488,680,158	18,392,717,662	0	43,212,767,229
Debt securities	415,752,744	818,668,263	5,643,287,582	1,652,797,488	0	8,530,506,077
Shares and other securities	38,316,825	0	0	0	13,485,427	51,802,252
Investments	0	0	0	0	22,020,631	22,020,631
Shares in affiliated undertakings	0	0	0	0	849,808,395	849,808,395
Intangible assets	0	0	0	0	207,135,148	207,135,148
Tangible fixed assets	0	0	0	0	628,890,777	628,890,777
Other assets	360,421,219	5,407,675	284,821,920	0	2,809,601	653,460,415
Prepayments and accrued income	946,571,273	0	0	0	0	946,571,273
<b>Total</b>	<b>21,504,463,330</b>	<b>10,136,623,865</b>	<b>17,500,367,411</b>	<b>20,055,425,050</b>	<b>1,724,149,979</b>	<b>70,921,029,635</b>
Amounts due to credit institutions	2,490,084,176	3,938,516,882	10,996,293,076	3,174,292,849	0	20,599,186,983
Amounts due to customers	33,527,712,021	4,632,595,320	698,128,426	73,271,416	0	38,931,707,183
Debts securities	0	20,000,000	397,872,299	373,219,989	0	791,092,288
Subordinated debts	0	0	601,267,476	1,424,318,177	0	2,025,585,653
Other liabilities	449,165,647	601,850,046	1,453,071,285	0	0	2,504,086,978
Accruals and deferred income	928,770,341	0	0	0	0	928,770,341
Provisions for risks and charges	91,257	83,793,218	58,142,311	46,865,937	0	188,892,723
<b>Total</b>	<b>37,395,823,442</b>	<b>9,276,755,466</b>	<b>14,204,774,873</b>	<b>5,091,968,368</b>	<b>0</b>	<b>65,969,322,149</b>
<b>Liquidity risk</b>	<b>-15,891,360,112</b>	<b>+859,868,399</b>	<b>+3,295,592,538</b>	<b>+14,963,456,682</b>	<b>+1,724,149,979</b>	<b>4,951,707,486</b>

## Notes to the financial statements (continued)

### 39. RISK MANAGEMENT (continued)

#### d) Liquidity risk (continued)

Assets and liabilities analyzed over the remaining period from 31 December 2010, to the contractual maturity are as follows:

RON	up to 3 months	3 months to 1 year	1 year to 5 years	over 5 years	undefined maturity	Total
Cash in hand, balances with central banks	9,468,523,497	0	0	0	0	9,468,523,497
Treasury bills	81,000,339	3,814,519,401	0	0	0	3,895,519,740
Loans and advances to credit institutions	1,434,413,363	1,628,145,010	22,080,452	17,139,200	0	3,101,778,025
Loans and advances to customers	9,357,645,837	4,078,075,637	8,837,267,705	19,177,546,586	0	41,450,535,765
Debt securities	219,373,792	301,931,324	4,107,453,368	1,583,790,911	0	6,212,549,395
Shares and other securities	35,773,889	0	0	0	3,324,332	39,098,221
Investments	0	0	0	0	19,348,911	19,348,911
Shares in affiliated undertakings	0	0	0	0	951,294,528	951,294,528
Intangible assets	0	0	0	0	212,742,979	212,742,979
Tangible fixed assets	0	0	0	0	823,081,137	823,081,137
Other assets	446,521,363	2,111,712	213,449,900	0	0	662,082,975
Prepayments and accrued income	722,756,663	0	0	0	0	722,756,663
<b>Total</b>	<b>21,766,008,743</b>	<b>9,824,783,084</b>	<b>13,180,251,425</b>	<b>20,778,476,697</b>	<b>2,009,791,887</b>	<b>67,559,311,836</b>
Amounts due to credit institutions	2,198,924,438	1,576,408,516	13,115,818,851	2,419,354,050	0	19,310,505,855
Amounts due to customers	33,288,677,347	3,971,717,574	330,303,624	65,995,018	0	37,656,693,563
Debts securities	0	0	171,477,280	256,556,402	0	428,033,682
Subordinated debts	0	0	0	1,967,316,702	0	1,967,316,702
Other liabilities	384,459,289	2,122,140	1,954,670,788	0	0	2,341,252,217
Accruals and deferred income	911,090,942	0	0	0	0	911,090,942
Provisions for risks and charges	98,269,358	4,186,949	58,243,451	0	0	160,699,758
<b>Total</b>	<b>36,881,421,374</b>	<b>5,554,435,179</b>	<b>15,630,513,994</b>	<b>4,709,222,172</b>		<b>62,775,592,719</b>
<b>Liquidity risk</b>	<b>-15,115,412,631</b>	<b>+4,270,347,905</b>	<b>-2,450,262,569</b>	<b>+16,069,254,525</b>	<b>+2,009,791,887</b>	<b>+4,783,719,117</b>

## **Notes to the financial statements (continued)**

### **40. RELATED PARTIES TRANSACTIONS**

The Bank entered into a number of banking transactions with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rates.

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 its legal form.

The nature of the related party relationship for those related parties with whom the Bank entered into significant transactions or had significant balances outstanding at 31 December 2011 are detailed below. Transactions were entered into with related parties during the regular course of business at market rates.

#### **40.1 Transactions with shareholders**

The Bank entered into a number of banking transactions with shareholders during normal activities. Such transactions were carried out on an arm's length basis.

The following transactions were carried out with the Bank's shareholders : EGB Ceps Holding GmbH, SIF Banat – Crisana SA, SIF Muntenia SA, SIF Oltenia SA,:

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
<b>Assets:</b>		
Shares in Financial Investment Companies (SIF's)	27,659,061	14,724,053
Shares/Bonds ERSTE	104,036	1,886,508
Deposits to credit institutions	166,815,209	100,225,691
Other assets	23,901,801	379,838,881
<b>Liabilities:</b>		
Loans received	1,844,176,000	1,849,671,500
Deposits and current accounts	16,318,570,315	18,095,246,223
Derivates	1,956,886,529	2,058,889,756
Other liabilities	153,570,745	346,389,737
<b>Guarantees granted</b>	948,677,046	772,886,000
<b>Income :</b>		
Interest and dividends	874,328,650	588,895,238
Commissions	42,315,721	21,157,718
Income from precious metals transactions	0	38,172,221
<b>Expense :</b>		
Interest	1,285,742,433	1,268,312,527
Commission	221,989,171	100,250,784
Expenses from precious metals transactions	0	12,853,987
Other trading expense	150,886,820	328,633,660
Others	53,325,017	594,000

## **Notes to the financial statements (continued)**

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### **40. RELATED PARTIES TRANSACTIONS (continued)**

#### **40.2 Transactions with management**

The Bank entered into a number of banking transactions with management in the regular course of business. These transactions were carried out on an arm's length basis.

The following balances, income and expense arised following the transactions with the management:

	<b>31 december 2010</b>	<b>31 december 2011</b>
<i>(RON)</i>		
<b>Assets</b>		
Loans	1,851,688	1,781,644
Other assets	5,352	0
<b>Liabilities</b>		
Deposits and current accounts		
Other debts	6,330,399	4,384,103
	77,386	440
<b>Income</b>		
Interest income	120,938	103,482
Commissions income	2,835	0
<b>Expense</b>		
Interest expense	191,465	215,070

## **Notes to the financial statements (continued)**

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### **40. RELATED PARTIES TRANSACTIONS (continued)**

#### **40.3 Transactions with companies members of Erste Group**

The Bank entered into a number of banking transactions with Erste Group members in the regular course of business. These transactions were carried out on an arm's length basis.

The following balances, income and expense arised following transactions with Erste Bank Group members:

	<b>31 December 2010</b>	<b>31 December 2011</b>
<i>(RON)</i>		
<b>Assets</b>		
Loans to non-banking customers	20,000,000	40,810,843
Deposits	243,054	2,551,026
Other assets	6,925,178	6,920,021
 <b>Liabilities</b>		
Deposits from credit institutions	475,819,271	219,339,838
Loans received	42,848,000	0
Deposits from non-banking customers	230,640,936	35,810,292
Other liabilities	1,767,092	0
 <b>Income</b>		
Interest income	27,830	599,890
Commissions income	14,508,360	19,898,250
 <b>Expense</b>		
Interest expenses	1,012,320	5,281,520
Other expenses	29,118,500	72,196,960

## Notes to the financial statements (continued)

### 40. RELATED PARTIES TRANSACTIONS (continued)

#### 40.4 Transactions with subsidiaries

The Bank holds investments in subsidiaries with which the Bank entered in a number of banking transactions while carrying out regular course of business. These transactions were carried out on an arm's length basis.

The following balances and incomes and expenses resulted from transactions with subsidiaries:

	<u>31 December 2010</u>	<u>31 December 2011</u>
<i>(RON)</i>		
<b>Assets</b>		
Loans to credit institutions	39,219,652	57,564,669
Loans to non-banking customers	1,282,244,714	1,451,631,442
Due from other banks	21,747	602,198
Other assets	4,002,828	3,087,207
<b>Liabilities</b>		
Deposits from banks	46,461,836	50,834,369
Deposits from customers	278,447,078	338,164,428
Other liabilities	366,605	4,115,092
<b>Income</b>		
Interest income	38,958,488	123,684,297
Commissions income	13,228,092	14,225,628
<b>Expense</b>		
Interest expense	11,198,768	16,220,898
Commission expense	8,000	0
Other expenses	227,352,585	232,908,439

Other transactions with subsidiaries are shown also in Note 6.

  
ADMINISTRATOR,  
(MANAGER OF THE CREDIT INSTITUTION)  
DOMINIC BRUYNSEELS



  
MANAGER OF THE FINANCIAL-ACCOUNTING  
COMPARTMENT,  
OVIDIU COCA

