REPORT 2010
on transparency and public disclosure requirements

As per NBR–NSC Regulation no.25/30/2006
amended and added by NBR-NSC Regulation no.21/26/2010
and NBR Regulation no.25/10.12.2010

Banca Comercială Română SA

Incorporated in Romania
Trade Register J40/90/1991
Unique Registration Code 361757
Bank Register RB-PJR-40-008/18.02.1999

www.bcr.ro

BCR

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1. Introduction

The purpose of this Report is to answer to the National Bank of Romania's requirements[1] of ensuring an adequate level of transparency through public disclosure on capital and risk assessment processes in order to strengthen market discipline and stimulate credit institutions to improve their market strategy, risk control and internal management organization.

The data and information provided is necessary for National Bank of Romania's assessing the compliance with the provisions foreseen in the Emergency Ordinance no.99/03.12.2006 on credit institutions and capital adequacy.

The Report also incorporates pertaining information to Financial Statements posted on Banca Comerciala Romana's web-site at the Investor relations Section, as well as complementary information related to the risk management objectives and policies of the bank.

Complementary information will cover the following areas of interest:

- management structure and organizational structure;
- the structure of rewards/wages;
- the nature and the extent of transactions with persons in special relationship with the bank;
- management of internal control system functions;
- strategies and processes to manage each category of risk;
- the structure and organization of the relevant risk management function or other appropriate arrangements;
- the scope and nature of risk reporting and measurement systems;
- the policies for hedging and mitigating risk as well as the strategies and processes for monitoring the continuing effectiveness of hedges and mitigates.

This Report is prepared on a stand alone basis based on the NBR's Regulations no.25/2006, 21/2010 and 25/2010 for disclosing the information regarding the IFRS stand alone financial statements and the information presented in the Statutory ("RAS") financial statements.

There are no differences between accountancy consolidation and prudential perimeters.

Banca Comerciala Romana uses the global consolidation method.

1.1 Management structure and organizational structure of the Banca Comerciala Romana SA

Banca Comerciala Romana SA (BCR) is a joint-stock company administered under a dualist system, located in Bucharest Blvd. Elisabeta no.5, registered with the Trade Registry under no. J40/90/1991, and a member of Erste Group which consists of banks and financial services companies.

The management structure of BCR, both oversight function bodies, such as **Supervisory Board,** and management bodies such as **General Meeting of Shareholders**, and **Management Board** is described in detail on the bank's website Section: Corporate Governance.

Relevant and comprehensive information with regard to the functions and responsibilities of these management structure bodies, along with corporate governance principles and policies, Code of Ethics and the Charter of the bank, are found in this sub-section.

The BCR's territorial network is grouped according to the two main customer segments, the segment of retail customers and the segment of corporate customers.

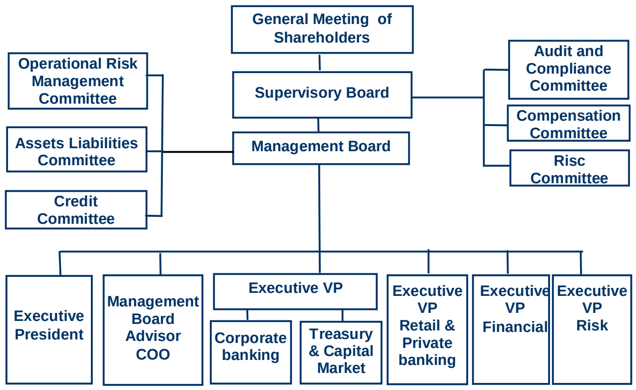
Each segment is divided into eight geographical regions covering the entire country, thus Centre area (counties: Alba, Brasov, Covasna, Harghita, Mures, Sibiu), North-East (Bacau, Botosani, Iasi, Neamt, Suceava, Vaslui), North-West (Bihor, Bistrita-Nasaud, Cluj, Maramures, Salaj, Satu Mare), South-East (Braila, Buzau, Constanta, Galati, Tulcea, Vrancea), South (Arges, Calarasi, Dambovita, Giurgiu, Ialomita, Prahova, Teleorman), South-West (Dolj, Gorj, Mehedinti, Olt, Valcea), West (Arad, Caras-Severin, Hunedoara, Timis) and Bucharest.

The retail segment comprises a total number of 667 territorial units out of which 170 branches and 497 agencies which support individuals, freelancers and micro-enterprises

The corporate segment comprises a number of 48 territorial Corporate Business Centres which support the Small and Medium Enterprises (SME) and two Divisions within BCR's Headquarters which support the large enterprises clients (LC and GLC).

[1] NBR –NSC Regulation no.25/30/2006 updated by NBR-NSC Regulation no.21/26/2010 and NBR Regulation 25/10.12.2010 based on EO 99/2006, transposing the EU Directives 2006/48/EC "***relating to the taking up and pursuit of the business of credit institutions***" and 2006/49/EC" ***on the capital adequacy of investment firms and credit institutions***"

Organisational chart BCR Head Office - 01 June 2011 -



Organization of BCR territorial network - 01 June 2011-

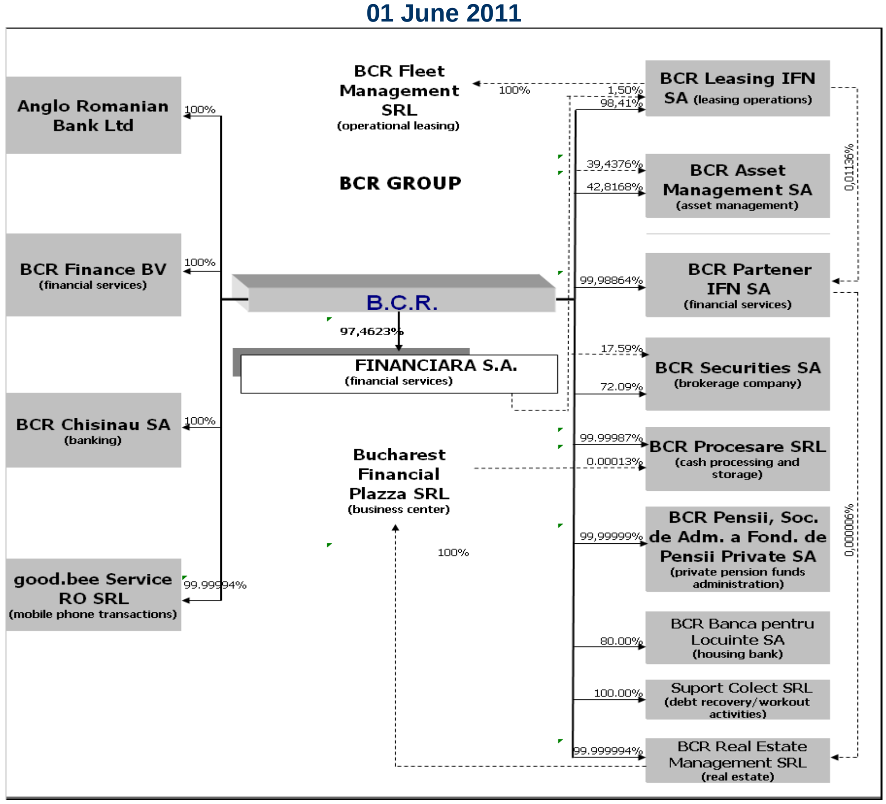
Retail Segment:

Region	No. Agencies	No. Branches
Bucharest	81	37
Centre	65	25
North-East	67	24
North-West	65	20
South-East	65	16
South	53	24
South-West	39	13
West	62	11

Corporate Segment:

Region	No. Corporate Business Centres
Bucharest	6
Centre	7
North-East	6
North-West	7
South-East	6
South	7
South-West	5
West	4

BCR Group structure 01 June 2011



1.2 Remuneration policy and practices, the structure of remuneration and bonus payment

In BCR, the scope of the ***Reward Policy*** is to implement a reward structure that will allow BCR to attract, motivate and retain among its employees the best people who will contribute to achievement of bank's goals and objectives.

This policy is approved by the Supervisory Board of BCR, after its approval by the Compensation Committee. The Compensation Committee is an advisory body that helps the BCR Supervisory Board in fulfilling its obligations/duties in respect to the BCR's global compensation system. The Compensation Committee members are Mr. Andreas Treichl (Chairman), Mr. Manfred Wimmer (vice president) and Mr. Florin Pogonaru (external administrator).

The main BCR objectives of the Reward Policy are the following:

- The Reward Policy applicable in BCR allows and promotes a sound and effective risk management, without encouraging risk-taking that exceeds the bank's risk tolerance level;
- In BCR the total remuneration amount is based on a combination between individual performance, performance of the business unit and bank's performance. Individual performance assessment, is taken into consideration both financial and non-financial criteria;
- The total variable payment does not limit the bank's capacity to strengthen its capital base;
- The guaranteed variable payment is exceptional and occurs only in the first year of employment of the new staff;
- Payments related to the early termination of a contract reflect the performance in time and are designed in a way that does not reward failure;
- The fixed and variable components of the total remuneration are appropriate balanced in order to allow the implementing of a fully flexible variable remuneration policy, including the possibility to pay no variable remuneration;
- The variable remuneration is paid only if it can be sustained according to the overall financial situation of the bank, and if it can be justified by the performance of the bank, of the business unit and of the employee in question.

The reward package of BCR is composed of the following elements:

- *fixed pay* (monthly gross salary);
- *variable pay* (performance bonus);
- *benefits*.

The variable pay is conditioned by the performance; specifically, it is granted annually based on the performance indicators' achievement rate and on the individual competencies' evaluation.

Given the different profile of sales functions in terms of diversity of promoted products and dynamics of sales activities, for front-office staff in retail and corporate territorial network, variable pay component is granted quarterly. For sales staff, quantitative performance criteria are related to sales targets, which are transparent and continuously monitored.

BCR paid as fixed pay and variable pay the following amounts for 2010:

Ths (RON)

Staff category	Fixed pay for 2010 (annual gross salaries)	Variable pay for 2010 (annual performance bonus)
- Retail and Corporate staff from network	269,643	49,279
- Other staff categories	210,745	31,234
Total	**480,388**	**80,513**

Long term incentives are an important part of the reward package as they contribute to linking financial rewards of the individual to the bank's long term performance. In accordance with Group's financial possibilities, Erste Bank Group offers two long term incentive programs: Management Stock Option Plan and Employees Share Ownership Plan. The purchase of options or shares in these programs depends on the financial possibilities of Erste Bank Group.

The pay practices of BCR for personnel whose professional activities have a significant impact on the risk profile of BCR Group are detailed in the **"*Selection and reward policy of the management structure of the BCR Group*"**. The purpose of this Policy is to regulate the selection and remuneration principles applicable to the management structure (supervisory function and management function) of BCR Group (BCR and its subsidiaries).

Apart from the 7 principles above, the following are added:

- The assessment of performance is established in a multi-year framework;
- Performance measurement includes an adjustment for all current and potential type of risks and takes into account the cost of capital and the necessary liquidity;
- The bonus payout is determined based on the annual performance measurement comprising: the individual performance (of the local bank) and the collective performance (group), financial and non-financial criteria evaluated for short and long term. Financial indicators combines complementary approaches: EVA, net profit, NPL coverage, cost/income ratio;

The following items are being considered in terms of performance **bonus payment structure**:

1. The minimum profitability level is defined as a combination of three criteria: all regulatory capital adequacy requirements have to be met, the existence of the capacity to pay dividends on shares and the existence of the capacity to pay dividends on equity participation;

2. There are deferred payment arrangements, bonus malus and clawback to ensure risk adjustments in order to correlate the reward with sustainable performance;

3. The structure of the payout model is: 60% of the bonus payment is granted at once (meaning upfront payment) and 40% of the bonus payment is deferred over 3 years. 50% of the both upfront payments and the deferrals will be granted as non-cash instruments, namely phantom shares, which must be retained for 1 year.

The payout of the deferral (cash and instrument) for each year is subject to reaching the minimum profitability in the respective performance year.

Quantitative information on the remuneration of the management's members and staff whose actions have a significant impact on the risk profile of the credit institution, for the year 2010 are detailed below:

No of beneficiaries	7
Fixed pay (ths Euro)	1,696
Variable pay (ths Euro), out of which	1,228
- paid (ths Euro)	705
- deferred, vesting criteria to be evaluated in the coming years (ths Euro)	523
Deferred remuneration paid during the financial year, paid and adjusted with performance	n/a
Payment related to new hires	n/a
Payments related to the early termination of a contracts	n/a

1.3 Organization of the internal control system's functions

The Management Body (both supervisory and management functions) is responsible for developing and maintaining a proper internal control system to ensure effective and efficient operations, adequate control of risks, prudent conduct of business, reliability of financial and nonfinancial information reported or disclosed both internally and externally, and compliance with laws, regulations and the institution's internal policies and procedures.

Each person within the organization has responsibilies for internal control to a certain extent. All employees produce information used in the internal control system or take other actions needed to effect control. All personnel are also responsible for communicating upward problems in operations, noncompliance with the Code of Ethic, or other policy violations or illegal actions.

BCR internal control system is structured on 3 levels:

I. **First-level** or line controls are designed to ensure that transactions are carried out correctly. Controls are performed by the entities that take risks and they are incorporated in the specific working procedures. The responsibility of this area is delegated to the Business Management.

II. **Second-level** or risk management controls are the responsibility of the Risk Control Function (Risk Controlling Division, Retail Risk Management Division, Corporate Risk Management Division, Security Management and Business Continuity Division, Fraud Risk Division) and Compliance Function

III. **Third-level** controls are performed by Internal Audit Function, which assesses and regularly checks the completeness, functionality and adequacy of the ICS. Internal audit is independent of both first and second-level controls

2. The nature and the extent of the bank's related parties transactions

BCR 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.

Transactions were entered into with related parties during the regular course of business at market rates.

The nature of the related party relationship for those related parties with whom the BCR entered into significant transactions or had significant balances outstanding at 31 December 2010 are detailed below:

2.1 Transactions with shareholders

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

RAS (RON)	**31.12.2009**	**31.12.2010**
ASSETS	**481,640,985**	**218,480,107**
Shares in Financial Investment Companies (SIF's)	72,047,847	27,659,061
Shares/Bonds ERSTE	69,534,953	104,036
Deposits to credit institutions	193,094,381	166,815,209
Other assets	146,963,804	23,901,801
LIABILITIES	**17,916,083,300**	**20,273,203,589**
Loans received	1,975,633,044	1,844,176,000
Deposits and current accounts	14,088,870,419	16,318,570,315
Derivates	1,847,684,864	1,956,886,529
Other liabilities	3,894,973	153,570,745
GUARANTEES GRANTED	1,950,110,044	948,677,046

2.2 Transactions with management

RAS (RON)	**31.12.2009**	**31.12.2010**
ASSETS	**1,867,934**	**1,857,040**
Loans	1,867,934	1,851,688
Other assets	0	5,352
LIABILITIES	**3,452,688**	**6,407,785**
Deposits and current accounts	3,452,688	6,330,399
Other liabilities	0	77,386

2.3 Transactions with companies' members of Erste Group

(RON)	**31.12.2009**	**31.12.2010**
ASSETS	**337,902**	**27,168,232**
•Loans to non-banking customers	0	20,000,000
•Due & current accounts from banks	337,902	243,054
•Other assets	0	6,925,178
LIABILITIES	**46,623,111**	**751,075,299**
•Deposits & current account from banks	4,062,129	475,819,271
•Loans received	42,363,000	42,848,000
•Deposits & current accounts from non-banking customers	0	230,640,936
•Other liabilities	197,982	1,767,092

2.4 Transactions with subsidiaries

RAS (RON)	**31.12.2009**	**31.12.2010**
ASSETS	**432,957,543**	**1,325,488,941**
Loans to credit institutions	63,518,915	39,219,652
Loans to non-banking customers	320,922,812	1,282,244,714
Due from other banks	20,405,407	21,747
Other assets	28,110,409	4,002,828
LIABILITIES	**704,194,808**	**325,275,519**
Deposits & correct accounts from banks	16,816,549	46,461,836
Deposits & current account from clients	687,378,259	278,447,078
Other liabilities	0	366,605

3. Capital management

3.1 BCR individual original Own Funds

The amount of Tier I and Tier II capital, having separately mentioned each computed and deductible item, had been determined according to the provisions of NBR-NSC Regulation no.18/23/2006, as presented below:

INDICATOR	**31.12.2009**	**31.12.2010**
	AMOUNT (RON)	
TIER I CAPITAL	**4,081,685,152**	**4,237,257,656**
Eligible capital, out of which:	792,468,750	1,030,209,375
- Subscribed and paid-up share capital	792,468,750	1,030,209,375
Eligible reserves, out of which:	3,410,240,964	3,380,533,401
- Reserves	3,410,240,964	3,325,106,231
- Net profit for the current year	-	55,427,170
Other deductions from the own funds Tier I	-121,024,562	-173,485,120
- Intangible assets	-71,807,963	-132,754,792
- Other specific deductions for Romania related to Tier I capital	-49,216,599	-40,730,328
TIER II CAPITAL	**2,255,206,520**	**2,190,038,163**
Base Tier II capital	349,412,645	231,468,403
- Revaluation reserves	349,412,645	231,468,403
Additional Tier II capital	1,905,793,875	1,958,569,760
- Subordinated loans	1,905,793,875	1,958,569,760

Deductible items from the Tier I and II capital, according to the provisions of Art. 22 of the NBR-NSC Regulation no.18/23/2006, with subsequent amendments and supplements, are shown separately as provided at Art.22 para.(1), from the Regulation therein:

INDICATOR	**31.12.2009**	**31.12.2010**
	AMOUNT (RON)	
Deductible items from Tier I and Tier II capital, out of which:	**-655,526,523**	**-828,022,870**
- Tier I capital	-327,763,262	-414,011,435
- Tier II capital	-327,763,261	-414,011,435
Name of the deductible component items	**AMOUNT (RON)**	
	31.12.2009	**31.12.2010**

-Shares and other holdings in other credit and financial institutions amounting to more than 10% of their share capital	-577,976,512	-766,852,574
-Subordinated claims and instruments which a credit or financial institution holds in respect of holdings amounting to more than 10% of their share capital	-63,518,915	-47,139,200
-Participations which a credit institution holds in insurance undertakings, reinsurance undertakings and insurance holding companies	-14,031,096	-14,031,096

The total amount of eligible own funds, subsequent to the application within the limits provided at Art. 21 and also to the deduction of items provided at Art. 22 of the NBR-NSC Regulation no. 18/23/2006, with subsequent amendments and supplements:

INDICATOR	31.12.2009	31.12.2010
	AMOUNT (RON)	
TOTAL OWN FUNDS	**5,681,365,149**	**5,599,272,949**

3.2 Fulfilling the requirements regarding credit institutions and capital adequacy[2]

As of 2010, BCR has been using the **internal assessment of capital adequacy to risks process (ICAAP),** in compliance with the standards of the Group and with NBR regulations, in order to determine the bank's capital necessity, structure and distribution pattern, so as to cover all the material risks entailed by transactions and banking operations.

The economic capital is the capital amount necessary to cover unexpected losses in a time horizon of one year.

Economic capital is computed as the sum of capital requirements for the risk categories deemed significant at ICAAP level (credit risk, market risk and operational risk) and covers the bank's expected losses only.

Credit risk is computed based on an 8% percentage from RWA, in compliance with the Basel 2 regulations. BCR uses the standardized method in order to assess credit risk. As of Q1 2011, BCR will use the IRB method to determine its capital requirement for Group reporting purposes.

Market risk, BCR determines a capital requirement for market risk based on the VaR methodology (1 year, 99.9%).

Operational risk to compute operational risk, BCR uses the AMA method at bank level and the BIA method for its subsidiaries.

The bank's **risk coverage** potential for ICAAP purposes is defined on five levels, based on the bank's balance sheet structure:

- **Coverage potential I** – is made up of the taxed net profit generated during the ongoing period. These profits represent the main source for the coverage of the losses occurred during the respective period;
- **Coverage potential II –** is mainly made up of capital constitutive parts (capitals and reserves) plus minority interests, from which one deducts the trade fund;
- **Coverage potential III –** is made up of hybrid capitals;
- **Coverage potential IV –** is made up of long-term subordinated debts;
- **Coverage potential V –** is made up of short-term hybrid funds and other subordinated debts only;

Given the volatility of the funds included in Coverage Potential V, this potential will not be considered in the computation of the maximum risk exposure limit of the bank (MREL). Consequently, this limit is made up of coverage potentials I-IV only.

This limit is monitored via a traffic light system with three states:

a) green: the bank's exposure is at a comfortable distance from MREL;

b) yellow: the exposure level at which the bank must take active measures - strengthen its capital or decrease its risk exposure :

c) red: activated when MREL is reached.

BCR currently computes its capital adequacy indicator on a monthly basis (RAS, bank), as well as quarterly, at BCR Group level (IFRS standards), based on NBR-CNVM Regulation no. 14/19/2006.

The capital requirements computed based on the bank's own final financial statuses on 31.12.2010

[2] according to the art.126(1) and art.148 EO 99/2006 and art.2 BNR-CNVM Regulation no.13/18/2006 regarding the minimum capital requirements.

for credit risk, market risk and operational risk were the following:

31.12.2010 (RON)	Bank (RAS)	Group BCR (IFRS)
TOTAL CAPITAL REQUIREMENTS	3,451,839,843	4,116,683,550
Credit risk- standard approach	***2,958,006,349***	***3,536,776,784***
Central administrations or central banks	2,076,356	6,872,935
Regional administrations or local authorities	188,472,250	194,175,658
Administrative bodies and entities with no lucrative purposes	38,154,215	43,626,133
Institutions	35,418,883	44,331,822
Companies	1,031,722,436	1,112,250,438
Retail type	876,861,522	871,374,337
Collateralized with real estate assets	588,406,531	607,163,556
Overdue elements	42,435,849	424,763,994
Other elements	154,458,307	232,217,911
Position, FX and stock risks, in compliance with the standard approach	***18,106,946***	***106,530,266***
Position risk afferent to transacted debt securities	8,947,297	8,947,297
Position risk afferent to capital securities	143,379	143,379
FX risk	9,016,270	97,439,590
Operational risk	***475,726,547***	***473,376,499***
Basic approach		31,430,298
Advanced assessment approach	475,726,547	441,946,201

4. Risk Management

4.1 General overview

Risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits, approval authorities (pouvoirs), separation of responsibilities and other controls.

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

- a system of procedures for transactions authorization;
- a system for setting up risk limits in compliance with the bank's global risk profile, capital adequacy, liquidity, loan portfolio quality etc;
- a system of reporting the risk exposure;
- a system of procedures for unexpected situations/crisis regarding significant risks, including measures necessary to be undertaken by the bank;
- a system of procedures that prevents an inadequate information usage, in order to avoid the bank's reputation damage;
- staff recruitment and salaries criteria;
- staff training programs.

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

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

4.2 BCR management of risk policies and objectives

In order to unfold safe and prudent activities, have adequate capital levels, adequate liquidity, profitability and portfolio quality, BCR has policies, approaches and exposures to each significant risk based on an acceptable ratio (for the bank) between the risks taken and the estimated profit (per portfolio, activities and transactions).

One of the main focuses of retail risk for 2011 is to support a healthy increase of business via: client segmentation (based on ratings and a history of client relations), the implementation of risk based pricing (high risk - high price, low risk – low price), product risk parameters based on probability of default and profitability, standardized and controlled processes, proper fraud management and an adequate portfolio monitoring system (Management Information System – MIS).

In terms of corporate risk, in 2011, BCR will focus on its basic clients, low-risk industries, improving the collateralization degree of loans and improving the adjustment of risk prices, in compliance with the new economic environment.

In order to have a better control upon the risk position undertaken in relation to its corporate clients, in 2011 BCR will improve its policy on the annual revision of loans. Annual revisions will be performed for all clients with loans of more than 12 months, regardless of the financing type and not only for clients benefitting from investment and mortgage loans.

The techniques used for the mitigation of credit risk, together with the measures and actions taken to this purpose, as well as the policies and procedures implemented by the bank must lead to the concluding of legally viable loan protection contracts that are enforceable in all relevant jurisdictions.

4.3 Risk management structure and responsibilities:

- **Supervisory Board** approves and reviews the BCR's risk profile and the bank's strategy in respect of risk.
- **The Risk Committee of the Supervisory Board** is responsible for approval of the implementation of the main lending and risk policies, procedures and internal rules, approval of the delegation of the credit authorities (pouvoirs), as well as approval of the implementation of the Management Board's approvals for granting loans with a value exceeding the credit authorities delegated
- **Management Board** is responsible for the implementation of the risk strategies approved by the Supervisory Board, the maintenance of a proper risk exposure reporting, as well as the maintenance of the risk limits, including for crisis situation.
- **Risk functional line.** Risk management activities are consolidated under the Risks Functional Line, which consists of five divisions: Retail Risk Management Division, Corporate Clients Risk Management Division, Risk Controlling Division, Antifraud Division, Security and Business Continuity Management Division.
- **Internal Audit.** Risk Management processes throughout the bank is audited annually by the internal audit function that examines both the adequacy of the procedures and the bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit and Compliance Committee.

4.4 Type of risks

The bank is exposed to the following type of risks:

-credit risk
-liquidity risk
-market risk
-operational risk

4.5 Risk factors that can be forecasted

The bank is subject to all risks faced by its customers.

Risk factors mainly originate in the macroeconomic climate, but also microeconomic (risks of industry) as well as in customer's own risks (risk of the business, financial risk, etc.).

In 2010, the Romanian macroeconomic climate had experienced the decline of GDP for the second consecutive year, hence the Romanian economy declined by an estimated -2.1% subsequent to the previous contraction of -7.1% in 2009.

Fiscal strict measures (VAT increase, public salaries drop; social benefits cut back; decrease in government subsidies, etc) implemented by the government in the summer of 2010 undergone a short-term negative effect on both household consumption and private companies' investments.

In 2011, the economic crisis will have a slightly lower, yet constant impact upon the quality of the bank's credit portfolio. The effects of the ongoing global financial crisis will manifest themselves throughout 2011, while a slight improvement is foreseen for the second half of the year.

In this regard, the main risk management objectives will focus on an active management of the lending book, on the improvement of the asset quality (keeping NPL under control) and setting the basis for a good growth.

BCR must be ready to face all challenges in order to protect the interests of its shareholders, clients and employees, while supporting the Romanian economic environment.

5. Credit risk

5.1 Description of the approaches and methods adopted for determining value adjustments and provisions

(RAS)

BCR applies, as legal basis for the classification, set up and use of provisions for loans granted to customers, NBR's Regulation no.3/2009 with subsequent amendments, issued by the Governor of NBR.

According to this Regulation, loans are classified in the following categories for provisioning purposes:

- **Standard;**
- **Watch;**
- **Sub-standard;**
- **Doubtful;**
- **Loss,**

by applying the simultaneous criteria: debt service, financial performance, initiation of legal proceedings;

(IFRS)

BCR uses the following financial performance categories of the clients:

- **Low risk** – Clients which have a debt service between 0 and 15 days and financial performance A (based on ratings);

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

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

- **Non-performing loans** (contaminated exposure) - Clients which have a debt service over 90 days.

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract.

BCR addresses impairment assessment in two areas: **individually assessed** allowances and **collectively assessed allowances** as they are described in Note 39.5.7 "Impairment assessment" to "Consolidated and Separate Financial Statements" as of 31.12.2010 individual and consolidated financial statements 31.12.2010.

5.2 “Past due” and “impaired”

Past due are defined according to NBR’s Order no.13/2008; unpaid at maturity loans and their related interests are booked in the “Outstanding Receivables” and “Outstanding interest” accounts.

Impairment of financial assets

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Non-financial assets depreciation

Assessments are done at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired.

If any such indication exists, or when annual impairment testing for an asset is required, we make an estimate of the asset’s recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

5.3 The total amount of exposures

The total amount of exposures after accounting offsets and without taking into account the effects of credit mitigation

(RAS)

Classification of registered credit exposures to borrowers outside of the credit institutions sector and provisioning requirements by category:

(Ths RON)

Bank 2010	Net exposure *)	Specific risk provisioning needs
	principal	principal
1. loans granted to non-banking customers (others than individuals) for which credit risk specific provisions are set up		
	24,242,134	3,944,254
2. loans granted to individuals, for which credit risk specific provisions are set up (others than loans granted to individuals exposed to foreign exchange risk, registered in foreign currency or indexed at a foreign currency rate)		
	5,412,317	847,538
3. loans granted to individuals exposed to foreign exchange risk, registered in foreign currency or indexed at a foreign currency rate, for which credit risk specific provisions are set up		
	11,563,749	912,907
TOTAL	**41,218,200**	**5,704,699**

*) Net exposure = loan - provision

(IFRS)

The maximum credit exposure without taking into account any collateral or credit enhancements is shown in the table below:

(Ths RON)	Bank		Group	
	2009	2010	2009	2010
Total in balance sheet, out which:	**61,808,717**	**67,800,209**	**65,723,201**	**70,223,109**
Loans and advances to customers	43,630,890	45,160,818	47,367,248	47,393,687
Total -Off balance sheet l	**8,444,728**	**6,909,568**	**8,709,371**	**7,233,835**
Total credit risk exposure	**70,253,445**	**74,709,777**	**74,432,572**	**77,457,044**

Where loans and advances to customers are net loans = loans – credit provisions.

Credit quality per class of financial assets is as:

Bank 2010 (Ths RON)	TOTAL, out of which	Loans and advances to customers
Low risk	**37,259,846**	26,056,266
Management attention	**15,481,199**	14,258,122
Sub-standard	**8,794,389**	8,794,389
Non-performing	**6,518,127**	6,518,127
TOTAL	68,053,561	55,626,904

Group 2010 (Ths RON)	TOTAL, out of which	Loans and advances to customers
Low risk	**38,108,025**	26,878,412
Management attention	**14,828,173**	13,949,687
Sub-standard	**9,750,044**	9,715,594
Non-performing	**9,044,224**	9,038,539
TOTAL	71,730,466	59,582,232

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

Other items, such as: financial assets designated at fair value through profit or loss, trading assets and financial investments are described in detail into Annex 1 for both Bank and Group for the year 2009 and 2010.

5.4 The geographical distribution of the exposures

RAS Ths RON	Total loans 31.12.2010
GLC	**4,021,460**
LC	**6,515,684**
RE	**2,870,850**
Large Municipalities	**3,860,689**
Public sector	**217,216**
SME + Small Municipalities*)	**8,601,172**
TOTAL Corporate	**26,087,071**
Micros	**2,150,187**
Individuals	**18,767,186**
TOTAL Retail	**20,917,373**
GRAND TOTAL	**47,004,444**

The significant exposure class was represented by Individual segment: 39.9% out of the total loans followed by SME and Small Municipalities segment: 18.3% out of total loans.

Geographical distribution of the retail portfolio, SME and Small Municipalities:

RAS Ths RON	Retail	SME + Small Municipalities
Geographical area	**31.12.2010**	
Bucharest	4,469,334	1,290,791
Centre	2,443,192	1,161,299
North East	2,803,196	1,531,544
North West	2,955,321	1,499,797
South	2,281,487	1,133,698
South East	2,482,744	888,967
South West	1,875,436	604,077
West	1,606,663	490,999
Total	**20.917.373**	**8,601,172**

Note: GLC, LC, RE and Large Municipalities are centrally managed.

5.5 The distribution of exposures by industry

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

Economic Sector	RAS (ths RON)		IFRS -net maximum exposure- (ths RON)	
	2009	2010	2009	2010
Individuals (private household)	19,849,711	18,767,186	7,947,642	6,575,754
Agriculture	1,610,959	1,444,066	460,668	334,297
Production	7,489,958	7,906,364	2,450,862	2,567,990
Trade	3,869,439	3,698,390	670,389	791,317
Construction	4,142,337	4,934,705	1,106,577	1,164,977
Hotels and restaurants	468,612	415,850	-	42,944
Transport, communication and storage	776,595	654,686	91,350	124,509

Real estate transactions	751,202	1,720,549	20,872	123,117
Public administration, health social services	3,796,972	4,995,949	1,766,006	12,054,070
Others	2,564,106	2,466,698.	20,380,145	14,344,081
TOTAL	**45,319,891**	**47,004,444**	**34,894,511**	**38,123,056**

Detailed structure of credit risk concentrations within the loan portfolio (RAS) can be found in the Note no.6 to Financial Statements as of 31.12.2010 published on the BCR's website at Investor Relations Section, Sub-section: GMS;

Regarding IFRS loans exposure by economic sector, in the Note no.39.5.4 to Consolidated and Separate Financial Statements (31.12.2010), an industry analysis of the financial assets, before and after taking into account collaterals held or other enhancements is presented for both the Bank and the Group for the financial years 2009 and 2010. The Consolidated and Separate Financial Statements are published on the BCR's Website Investor Relations Section, Sub-section: Financial Reports.

5.6 The reconciliation of changes in the value adjustments and provisions for impaired exposures

(RAS)

Allocation of provisions for loans and advances and provisions for contingent liabilities and commitments, without corrections according to the Note no. 32 to Financial Statements as of 31.12.2010:

	31.12.2009	31.12.2010
(ths RON)		
- Provision expense for credit risk – principal & interest	7,535,350	7,643,661
- Losses from unrecoverable receivable (Note 6)	1,946,217	1,711,282
- Provisions expense for bonuses	130,511	98,269
- Provisions for employees participation to group success	2,508	-
- Provisions expenses for litigations	3,179	20,053
- Provisions for lay-offs	6,694	4,077
- Provisions for sundry debtors	1,123	-
- Provisions for cash operational risks	49	54
- Expenses for receivables impairment from sundry operation	-	10,000
Total	**9,625,631**	**9,487,396**

(IFRS)

	Group		Bank	
RON Thousand	2010	2009	2010	2009
At 1 January	**3,777,351**	**2,154,022**	**2,883,177**	**2,111,413**
Charges for the year (Note 9)	1,963,398	2,209,511	1,692,747	1,974,623
Recoveries	12,177	5,442	-	2,710
Amounts written off	(10,130)	(3,325)	-	-
Effect of change in foreign exchange	51,515	52,025	32,700	37,713
Unwinding	(190,181)	(86,696)	(190,181)	(86,697)
Sale of doubtful loans(i)	(759,220)	(553,628)	(971,494)	(1,156,585)
At 31 December	**4,844,910**	**3,777,351**	**3,446,949**	**2,883,177**

5.7 Credit risk mitigation techniques

5.7.1 Market or credit risk concentrations within the credit mitigation operations

BCR registers credit risk concentrations in its risk mitigation operations towards the Romanian state. Thus, on 31.12.2010, the total collaterals received from the Ministry of Public Finances used for credit risk mitigation purposes amounted to 2.565.659.308 RON, 2.147.402.922 RON of which were used for the First House program.

5.7.2 Total exposure value that is covered by eligible financial collateral and any other eligible collateral used for credit mitigation purposes was as follows:

31.12.2010 (RON)	Bank RAS	Group BCR IFRS
Total exposures covered by real eligible collaterals	**5,210,134,511**	**4,022,319,061**
***Financial collaterals**, of which on exposure categories:*	***2,103,892,449***	***873,356,166***
Regional administrations or local authorities	236,217	236,217
Institutions	484,950,000	484,950,000
Companies	1,589,298,720	350,480,042
Retail type	29,407,512	37,689,907
Exposures covered by residential real estate	***3,106,242,062***	***3,148,962,895***

5.7.3 Total exposure value that is covered by guarantees or credit derivates. The status of exposures covered by personal collaterals used for risk mitigation purposes was as follows:

31.12.2010 (RON)	Bank RAS	Group BCR IFRS
Total exposures covered by personal collaterals, *of which on exposure categories:*	***2,736,561,059***	***2,787,680,868***
Regional administrations or local authorities	257,088,000	257,088,000
Administrative bodies and non-profit entities	26,190,657	26,190,657
Companies	305,879,480	356,999,289
Retail type	2,147,402,922	2,147,402,922

BCR currently computes its capital requirement for operational risk without considering any risk transfer mechanism (e.g. insurances) used for operational risk mitigation purposes.

5.8 Policies and processes for collateral valuation and management

In order for an asset to be accepted by the bank as guarantee for a loan it is necessary to determine the market value and the guarantee value beforehand.

This is a mandatory condition based on which the level of coverage of the loan with guarantees can be determined.

The market value is estimated through an evaluation undertaken by a specialized external company.

The evaluation is undertaken, in accordance with the International Standards of Evaluation, and internal procedures, when the loan is granted, during the lifetime of the loan and in case of foreclosure of the respective collaterals.

The evaluator is obligated to make an estimation of the market value, to mention the possible risks in case of foreclosure and to determine the guarantee value of the evaluated asset.

Market value is the amount for which a property (movable or immovable asset) can be exchanged, between a decisive buyer and a firm seller, in a transaction with an objectively determined price, after an appropriate marketing activity, in which the involved parties have acted wittingly, prudent and without constraint.

Evaluation report – the document in which the market value and guarantee value of an asset proposed as collateral is estimated.

Guarantee value – amount of money which could be obtained by the bank in case it would have to capitalize the assets brought as guarantees in accordance with the legal regulations.

The evaluation report for the BCR clients must observe the models elaborated by the bank, sent to the external evaluators when the collaboration agreement was signed.

The evaluation methods used in the evaluation report for BCR clients are:

- comparison method
- income method
- extraction method
- cost method

The market value is estimated by using the abovementioned methods.

For the substantiation of the credit decision a **depreciation margin as set by the bank is applied to the market value** and the guarantee value is obtained.

5.8.1 Description of the main types of collateral taken by BCR:

A.	***Pledges***
A.1.	Movable, tangible assets such as fixed assets (vehicles, equipment, outfits, agricultural equipment, ships, aircrafts, means of transportation, others alike);
A.2.	Movable assets such as stocks (raw materials, materials, finished products and others alike)
A. 3.	Movable assets such as stocks intangible assets (patent rights, license rights, know-how rights, factory and commerce trademarks) -Registered in the books and in SOIT (OSIM) -Not registered in the books
A.4.	Shares and equity interests issued by companies; -Shares listed in the 1st category at BSE (BVB); -Shares and equity interests other than the ones mentioned above
A.5.	Goodwill (universality of movable and immovable assets)
A.6.	a. Assignment of receivables b. Assignment of cash-ins
A.7.	Securities such as stocks issued by the Local Public Administration or companies: -Stocks issued by the Local Public Administration; -Stocks issued by companies;
A.8.	Fund units issued by other entities
A.9	Movable assets, leased or subject to a leasing operation
A.10.	Certificate of deposit for seeds
A.11.	Collateral deposit in BCR, certificates of deposit at BCR to bearer with password and certificates of deposit with discount at BCR
A.12.	Deposits made in other banks
A.13.	Public securities issued by the Ministry of Economy and Finances
A.14.	Incomes from the budget of the local public administration
A.15.	Pledge on the credit balance of the current account/accounts opened in BCR and/or other banks
B	***Personal guarantees***
B.1.	Guarantees issued by the Romanian state or by the

	authorities of the local public administration
B.2.	Bank guarantee letter
B.3.	Company guarantee
B.4.	Surety assumed by natural persons
B.5.	Debt securities (promissory notes, bills of exchange) issued in favour of BCR
B.6.	Debt securities (promissory notes, bills of exchange) issued by third parties and guaranteed in favour of BCR::
B.7.	Guarantees issued by insurance companies accepted by BCR (financial risk of non-payment of the loan instalments)
B.8	Guarantee from a guarantee fund
C	***Pledges on future assets***
C.1.	Future movable assets (equipment, vehicles, including ships and aircrafts under construction) financed through BCR loans
C.2.	(Future) Agricultural crops of cereals and technical plants
D	***Security interests in real***
D.1.	Real estate properties such as open lands on which constructions can be built, plantations or forests can be created
D.2.	Real estate properties – land and constructions

6. Liquidity risk – The residual maturity breakdown of exposures

RAS (2010) BCR takes measures to ensure the maturity matching of assets and liabilities.

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

In Annex 2 is presented the structure of assets and liabilities over the remaining period from the end of the financial year to the contractual maturity, both for 2010 and 2009.

IFRS

BCR assesses its liquidity by:

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

In order to evaluate and control the liquidity risk of the bank's portfolio, the BCR employs the Asset and Liability Management (ALM), focused on suitably determining the appropriate balance sheet structure, by correlating resources and placements in terms of their structure and maturity;

The Annex 3 presents the evolution of the ratio of liquid assets to customers (banking and non-banking customers) liabilities analyzed according to when they are expected to be recovered or settled both for the Group and the BCR for financial years 2009 and 2010.

7. Market risk

7.1 Exposure to interest rate risk on positions not included in the trading book

As of September 2010, BCR has been reporting "Potential changes in the economic value of the bank due to interest rate changes"[3] .

This report refers to potential changes in the economic value of credit institutions due to interest rate changes.

The standard shock inflicted upon the bank's interest amounts to 200 basis points, in both directions, regardless of currency.

Changing the potential economic value of the bank as a result of changing interest rates:

in RON	30-Sep-10	31-Dec-10
Own funds	5,584,163,456	5,599,272,949
The potential decline of the economic value:		
- absolute value	218,022,261	217,758,759
- % of own funds	3.90%	3.89%

7.2 Exposures in equities not included in the trading book

(RAS)

Exposures in equities not included in the trading book include bonds and other fixed income securities and shares and other variable yield securities.

⇨ Bonds and other fixed income securities

Investments securities include state bonds issued by the Ministry of Public Finances thereof:

- **in amount of RON** 4,208,756,413 at an interest rate varying between 6% and 11.25% p.y. (31 December 2009: RON 1,933,884,980 at an interest rate varying between 8% and 11.25% p.y.), a weighted average rate being 7.99% p.y.
- **in the internal market**, **in amount of EUR** 148,807,035, equivalent in RON 641,658,292 (including exchange difference amounted to RON 4,049,910) at an interest rate of 4.5% p.y.;
- **in the external market, in amount of EUR** 48,003,572 equivalent in RON 206,223,557 (including exchange difference amounted to RON 537,850) at an interest rate of 5% p.y.

At 31 December 2010 the difference between the purchase price and the reimbursement value related to investment securities is the following:

[3] According to the provisions of the NBR's Regulation No. 18/2010 and NBR's Order No.6

Bonds' FX	At purchase date		
	Purchase value	Nominal value	Difference
RON	4,165,198,512	4,267,680,000	-102,481,488
EUR	637,449,696	642,720,000	-5,270,304
EUR	205,669,422	206,458,803	-789,381
	5,008,317,630	**5,116,858,803**	**-108,541,173**

Bonds' FX	31 December 2010			
	Amortized costs	Accrued interest	Nominal value	Difference to be depreciate
RON	4,208,756,413	190,048,863	4,267,680,000	-58,923,587
EUR	641,658,292	2,614,843	642,72,.000	-1,061,708
EUR	206,223,557	8,173,505	206,458,803	-235,246
	5,056,638,262	**200,837,211**	**5,116,858,803**	**-60,220,541**

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

At 31 December 2010, treasury bills in amount of RON 93,988,519 (31 December 2009: RON 88,722,164) 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 Bucharest, the NBR Compensations House, and the transactions via VISA and Mastercard cards.

Placement securities include (values without accrued interest):

- Municipal bonds in amount of RON 209,374,896 (31 December 2009: RON 221,486,556) issued by 9 City Halls in Romania at an interest rate varying between 6.418% and 8.3% p.y. (31 December 2009: 10.5% and 11.924% p.y.), the weighted average rate being 6.98% p.y (31 December 2009: 10.83% p.y.).

- State bonds in amount of RON 171,188,983 with an interest rate varying between 6.5% and 8.25% p.y. (31 December 2009: RON 971,653,404 at an interest rate varying between 6% and 11.25% p.y.), the weighted average rate being 6.63% p.y. and state bonds in EUR in amount of EUR 128,377,369 equivalent in RON 550,071,351(31 December 2009: EUR 291,787,369 equivalent in RON 1,233,735,354) with an interest rate varying between 4.5% and 5.25% p.y.(31 December 2009: 4.25% and 5.25%), the weighted average rate being 4.96% p.y.

⇨Shares and other variable yield securities

(RON)	31.12.2009	31.12.2010
Placement securities out of which:	72,766,685	34,579,062
-Listed	30,071,128	27,659,062
-Unlisted	42,695,557	6,920,000
Portfolio activity securities	3,327,332	3,324,332

At the end of the financial year BCR 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 44,388,787 (31 December 2009: RON 43,887,127) (Note 28).

Balance 31.12.2009	Expenses related to impairment adjustments (Note no.28	Income related to impairment adjustments (Note 28)	Balance 31.12.2010
43,887,127	**22,430,732**	**21,929.072**	**44,388,787**

(IFRS)

⇨ Financial investments available for sale:

Ths RON	Bank 2010	Group 2010
- Treasury bills	2,866,408	2,959,962
- Listed equities	930,376	941,224
- Non-listed investments	1,166,811	24,185
TOTAL	**4,963,595**	**3,925,371**

Ths RON	Bank 2009	Group 2009
- Treasury bills	1,455,476	1,463,949
- Listed equities	23,845	30,736
- Non-listed investments	2,336,547	1,568,550
TOTAL	**3,815,868**	**3,063,235**

⇨ Financial investments held to maturity:

Ths RON	Bank 2010	Group 2010
- Treasury bills	-	6,769
- Listed equities	4,998,420	5,422,986
- Non-listed investments	-	12,463
TOTAL	**4,998,420**	**5,442,218**

Ths RON	Bank 2009	Group 2009
- Treasury bills	283,998	283,998
- Listed equities	1,871,960	97
- Non-listed investments	-	2,104,824
TOTAL	**2,155,958**	**2,388,919**

8. Operational risk

Operational risk – approach used for the assessment of the capital requirement / operational risk management at BCR level

At the beginning of October 2010, the Austrian Financial Market Authority (FMA), in collaboration with the National Bank of Romania (NBR), have approved the application of the Advanced Approach in the computation of the capital necessary to cover operational risk (AMA) at BCR level.

In compliance with this approval, BCR computes its capital requirement for operational risk based on the formula below:

Capital requirement = max {AMA; %*BIA}

where BIA = Basic indicator approach

In order to determine its capital requirement based on the advanced approach (AMA), BCR uses the statistic model elaborated at Erste Group level.

The main objective of operational risk management is to ensure an adequate internal framework for the identification, assessment, monitoring of operational risks, as well as for the taking of all necessary measures in order to mitigate the losses generated by these risks (operational losses).

The Operational Risks Management Committee (ORCO) was set up at BCR level in 2011 with the purpose of adequately managing operational risks.

The management of operational risks at BCR level consists of the following steps:

- ✓ The identification, measurement and assessment of operational risks;
- ✓ The quantification of operational risks;
- ✓ The monitoring, controlling and reporting of operational risks;

8.1 The identification, measurement and assessment of operational risks

Operational risk is influenced by a wide range of factors that must be considered when determining the bank's exposure to operational risk. These factors may be grouped on categories (e.g. economic and business environment, business, processes and systems, etc.). In order to consider all these factors, BCR has implemented a selection of qualitative and quantitative instruments:

- **The quantitative analysis** of operational risk, which includes internal and external data collections of ORE-s generating losses;
- For the **qualitative analysis**, the bank has elaborated a methodology for the self-assessment of the internal control system (RCSA). RCSA-s are performed regularly, so that the bank may be able to identify the main operational risk sources and undertake the adequate risk mitigation measures, preventing or mitigating the losses stemming from the emergence of operational risks;
- **The monitoring and regular reporting** of operational risk indicators (KRI), enabling the bank to detect any change in its exposure to operational risk in due time;
- In addition to the collecting of data on ORE that generated losses, the bank analyzes **scenarios** regarding the future occurrence of significant losses.

8.2 The quantification of operational risk

The results of the identification, measurement and assessment of operational risk are consolidated for the computation of the capital requirements covering operational risk.

In order to model operational risk, BCR uses the distribution of losses generated by operational risks method (Loss Distribution Approach - LDA) elaborated at Erste Group level.

The model for the computation of the capital requirement includes the following factors:

- **Internal data:** for the assessment of the parameters of the LDA model, the bank uses a set of historical data of 5 years;
- **External data:** are used in addition to internal data, to supplement the latter's insufficiency;
- **Scenario analysis:** used to supplement the data regarding the losses generated by operational risk and they refer to events that have a major impact and low frequency;
- **Business environment** and control factors: factors reflecting changes in the business environment or the bank's risk profile, monitored via RCSA-s and KRI, incorporated in the LDA model via scenario analyses.

BCR currently computes the capital requirements for operational risk without considering the risk transfer mechanisms (e.g. insurances) used for mitigation purposes.

8.3 The monitoring, controlling and reporting of operational risk

Operational risk reporting is a major component of the risk management framework.

Reporting is essential in the process of acknowledging the losses generated by operational risk and the bank's exposure to this risk type, enabling the institution to perform an adequate management of operational risk.

Regular reporting provides detailed information on operational risk at BCR level, both at local management level (ORCO; Management Board; Risk Committee of the Supervisory Council) as well as at Erste Group level.

*

*   *

Annex 1

Bank 2009

RON Thousand	Low Risk	Management attention	Sub-standard	Non-performing	Total
Due from banks	**1,453,062**	**-**	**-**	**-**	**1,453,062**
Financial assets designated at fair value through profit or loss	**104,841**	**60,696**	**-**	**-**	**165,537**
Trading Assets					
Treasury bills	185,854	-	-	-	185,854
Listed bonds	3,491	-	-	-	3,491
Unlisted bonds	212,006	-	-	-	212,006
	401,351	**-**	**-**	**-**	**401,351**
Loans and advances to customers*					
Corporate lending	12,407,912	10,732,562	6,320,435	1,801,837	31,262,746
Small business lending (SME and micros)	154,490	1,261,221	833,686	694,879	2,944,276
Consumer lending	8,573,380	531,826	418,365	1,644,709	11,168,280
Residential mortgages	7,855,802	535,739	512,656	493,457	9,397,654
Other	197,766		3,759		201,525
	29,189,350	**13,061,348**	**8,088,901**	**4,634,882**	**54,974,481**
Financial investments available for sale					
Treasury bills	1,455,476	-	-	-	1,455,476
Listed equities	19,029	4,816	-	-	23,845
Non-listed investments	1,541,590	792,276	2,681	-	2,336,547
	3,016,095	**797,092**	**2,681**	**-**	**3,815,868**
Financial investments held to maturity					
Treasury bills	283,998	-	-	-	283,998
Listed debt securities	-	-	-	-	-
Non-listed debt securities	1,871,960	-	-	-	1,871,960
	2,155,958	**-**	**-**	**-**	**2,155,958**
Total	**36,320,657**	**13,919,136**	**8,091,582**	**4,634,882**	**62,966,257**

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

Annex 1
(continued)

Bank 2010

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

Annex 1 (continued)

Group 2009

RON Thousand	Low Risk	Management attention	Sub-standard	Non-performing	Total
Due from banks	**1,779,231**	**22,389**	**48,201**	**43,145**	**1,892,966**
Financial assets designated at fair value through profit or loss	**104,840**	**60,697**	**-**	**-**	**165,537**
Trading Assets					
Treasury bills	185,854	-	-	-	185,854
Listed bonds	3,491	-	-	-	3,491
Unlisted bonds	212,006	-	-	-	212,006
	401,351	**-**	**-**	**-**	**401,351**
Loans and advances to customers*					
Corporate lending	14,279,583	11,129,210	6,654,371	2,262,860	34,326,024
Small business lending (Micros)	221,693	1,325,413	1,130,942	875,739	3,553,787
Consumer lending	8,747,430	552,037	427,625	1,740,250	11,467,342
Residential mortgages	7,782,538	539,510	512,544	1,483,289	10,317,881
Other	200,622	227	3,775	-	204,624
	31,231,866	**13,546,397**	**8,729,257**	**6,362,138**	**59,869,658**
Financial investments – available for sale					
Treasury bills	1,463,949	-	-	-	1,463,949
Listed equities	19,029	11,707	-	-	30,736
Non-listed investments	1,541,590	24,279	2,681	-	1,568,550
	3,024,568	**35,986**	**2,681**	**-**	**3,063,235**
Financial investments - held to maturity					
Treasury bills	283,998	-	-	-	283,998
Listed debt securities	-	97	-	-	97
Unlisted bonds	2,092,376	12,448	-	-	2,104,824
	2,376,374	**12,545**	**-**	**-**	**2,388,919**
Total	**38,918,230**	**13,678,014**	**8,780,139**	**6,405,283**	**67,781,666**

Annex 1
(continued)

Group 2010

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

(RAS) Annex 2

Ths RON	Up to 3 months		3 months to 1 an		1 year to 5 years		over 5 years		Undefined maturity		Total	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	**2009**	**2010**
Cash in hand, balances with central banks	9,819,190	9,468,523	-	0	-	0	-	0	-	0	9,819,190	9,468,523
Treasury bills	354,954	81,000	729,880	3,814,519	-	0	-	0	-	0	1,084,834	3,895,520
Loans and advances to credit institutions	1,399,540	1,434,413	3,000	1,628,145	1,288,460	22,080	63,519	17,139	-	0	2,754,519	3,101,778
Loans and advances to customers	7,417,590	9,357,646	3,193,293	4,078,076	5,937,122	8,837,268	24,743,921	19,177,547	-	0	41,291,926	41,450,536
Debt securities	141,773	219,374	1,296,852	301,931	2,805,428	4,107,453	535,161	1,583,791	-	0	4,779,214	6,212,549
Shares and other securities	91,306	35,774	-	0	-	0	-	0	3,327	3,324	94,633	39,098
Investments	-	0	-	0	-	0	-	0	19,395	19,349	19,395	19,349
Shares in affiliated undertakings	-	0	-	0	-	0	-	0	576,760	951,294	576,760	951,294
Intangible assets	-	0	-	0	-	0	-	0	201,592	212,743	201,592	212,743
Tangible fixed assets	-	0	-	0	-	0	-	0	1,104,266	823,081	1,104,266	823,081
Other assets	414,285	446,521	20,616	2,112	41,362	213,450	-	0	-	0	476,262	662,083
Prepayments and accrued income	660,473	722,757	-	0	-	0	-	0	-	0	660,473	722,757
Total	**20,299,110**	**21,766,009**	**5,243,641**	**9,824,783**	**10,072,373**	**13,180,251**	**25,342,601**	**20,778,477**	**1,905,340**	**2,009,792**	**62,863,064**	**67,559,312**
Amounts due to credit institutions	1,946,562	2,198,924	859,752	1,576,408	11,137,705	13,115,819	2,690,300	2,419,354	-	0	16,634,319	19,310,506
Amounts due to customers	32,232,423	33,288,677	3,854,198	3,971,718	138,905	330,304	53,078	65,995	-	0	36,278,604	37,656,694
Debts securities	-	0	-	0	68,074	171,477	70,000	256,556	-	0	138,074	428,034
Subordinated debts	-	0	-	0	-	0	1,906,112	1,967,317	-	0	1,906,112	1,967,317
Other liabilities	1,992,430	384,459	-	2,122	-	1,954,671	-	0	-	0	1,992,430	2,341,252
Accruals and deferred income	1,060,832	911,091	-	0	-	0	-	0	-	0	1,060,832	911,091
Provisions for risks and charges	6,804	98,269	130,511	4,187	-	58,243,	-	0	38,985	0	176,301	160,700
Total	**37,239,052**	**36,881,421**	**4,844,461**	**5,554,435**	**11,344,684**	**15,630,514**	**4,719,490**	**4,709,222**	**38,985**		**58,186,671**	**62,775,593**
Liquidity risk	**-16,939,941**	**-15,115,413**	**399,179**	**+4,270,348**	**-1,272,311**	**-2,450,263**	**20,623,111**	**+16,069,254**	**1,866,354**	**+2,009,792**	**4,676,393**	**+4,783,719**

(IFRS)

Annex 3

Group 2009

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

GROUP 2010

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
ASSETS								
Cash and balances with central banks	9,545,395	-	-	9,545,395	-	-	-	9,545,395
Due from banks	1,800,305	(132,022)	690	1,668,973	54,042	48,723	102,765	1,771,738
Derivative financial instruments	-	-	1,177	1,177	25,709	16,401	42,110	43,287
Financial assets held for trading	-	966,944	-	966,944	-	-	-	966,944
Financial assets designated at fair value through profit or loss	-	41,963	-	41,963	-	-	-	41,963
Loans and advances to customers, net	3,198,267	4,336,077	8,981,074	16,515,418	13,448,726	17,429,543	30,878,269	47,393,687
Financial investments – available-for-sale	-	722,590	2,237,307	2,959,897	701,465	264,009	965,474	3,925,371
Financial investments – held-to-maturity	-	6,902	294,808	301,710	3,565,548	1,574,960	5,140,508	5,442,218
Property and equipment	-	-	-	-	-	1,693,938	1,693,938	1,693,938
Goodwill and other intangible assets	-	-	-	-	-	424,320	424,320	424,320
Current tax assets	-	192,961	-	192,961	-	-	-	192,961
Deferred tax assets	-	-	-	-	-	53,612	53,612	53,612
Other assets	-	1,032,131	755,285	1,787,416	83,893	216,313	300,206	2,087,622
Assets held for sale	29,429	-	-	29,429	-	-	-	29,429
TOTAL ASSETS	**14,573,396**	**7,167,546**	**12,270,341**	**34,011,283**	**17,879,383**	**21,721,819**	**39,601,202**	**73,612,485**
LIABILITIES AND EQUITY								
Due to banks	89,781	3,411,222	2,804,005	6,305,008	13,067,919	2,450,605	15,518,524	21,823,532
Repurchase agreements	-	1,886	-	1,886	-	-	-	1,886
Derivative financial instruments	-	-	1,507	1,507	1,922,975	(136,105)	1,786,870	1,788,377
Due to customers	7,078,555	19,264,766	6,069,613	32,412,934	2,762,986	2,651,016	5,414,002	37,826,936
Debt issued and other borrowed funds	-	192,046	16,774	208,820	172,704	256,653	429,357	638,177
Current tax liabilities	-	-	-	-	-	21,726	21,726	21,726
Deferred tax liabilities	-	-	-	-	-	498,405	498,405	498,405
Other liabilities	-	1,499,202	118,229	1,617,431	69,946	1,138	71,084	1,688,515
Provisions	253,951	-	-	253,951	-	-	-	253,951
Subordinated Liabilities	-	-	-	-	-	1,967,317	1,967,317	1,967,317
TOTAL LIABILITIES	**7,422,287**	**24,369,122**	**9,010,128**	**40,801,537**	**17,996,530**	**7,710,755**	**25,707,285**	**66,508,822**
Net	**7,151,109**	**(17,201,576)**	**3,260,213**	**(6,790,254)**	**(117,147)**	**14,011,064**	**13,893,917**	**7,103,663**

Annex 3 (continued)

Bank 2009

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

Bank 2010

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
ASSETS								
Cash and balances with central banks	9,468,523	-	-	9,468,523	-	-	-	9,468,523
Due from banks	924,048	489,688	-	1,413,736	23,791	18,208	41,999	1,455,735
Derivative financial instruments	-	-	1,156	1,156	25,709	16,401	42,110	43,266
Financial assets held for trading	-	966,944	-	966,944	-	-	-	966,944
Financial assets designated at fair value through profit or loss	-	41,963	-	41,963	-	-	-	41,963
Loans and advances to customers, net	3,047,586	4,131,791	8,557,946	15,737,323	12,815,114	16,608,381	29,423,495	45,160,818
Financial investments – available-for-sale	-	684,589	2,181,819	2,866,408	701,059	1,396,128	2,097,187	4,963,595
Financial investments – held-to-maturity	-	-	292,291	292,291	3,143,500	1,562,629	4,706,129	4,998,420
Property and equipment	-	-	-	-	-	751,276	751,276	751,276
Goodwill and other intangible assets	-	-	-	-	-	220,638	220,638	220,638
Current tax assets	-	189,527	-	189,527	-	-	-	189,527
Deferred tax assets	-	-	-	-	-	-	-	-
Other assets	-	790,612	658,449	1,449,061	40,211	195,210	235,421	1,684,482
TOTAL ASSETS	**13,440,157**	**7,295,114**	**11,691,661**	**32,426,932**	**16,749,384**	**20,768,871**	**37,518,255**	**69,945,187**
LIABILITIES AND EQUITY								
Due to banks	89,948	1,689,703	1,575,141	3,354,792	13,092,337	2,455,184	15,547,521	18,902,313
Repurchase agreements	-	1,886	-	1,886	-	-	-	1,886
Derivative financial instruments	-	-	1,507	1,507	1,922,975	(136,105)	1,786,870	1,788,377
Due to customers	6,937,689	18,991,607	5,988,793	31,918,089	2,733,911	2,635,146	5,369,057	37,287,146
Debt issued and other borrowed funds	-	192,046	16,774	208,820	172,704	256,653	429,357	638,177
Current tax liabilities	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	465,990	465,990	465,990
Other liabilities	-	1,374,289	108,405	1,482,694	64,134	1,044	65,178	1,547,872
Provisions	226,471	-	-	226,471	-	-	-	226,471
Subordinated Liabilities	-	-	-	-	-	1,967,317	1,967,317	1,967,317
TOTAL LIABILITIES	**7,254,108**	**22,249,531**	**7,690,620**	**37,194,259**	**17,986,061**	**7,645,229**	**25,631,290**	**62,825,549**
Net	**6,186,049**	**(14,954,417)**	**4,001,041**	**(4,767,327)**	**(1,236,677)**	**13,123,642**	**11,886,965**	**7,119,638**

ABBREVIATIONS LIST:

ALM:	Asset and Liability Management
AMA:	Advanced Measurement Approach
BIA:	Basic Indicator Approach
EVA:	Economic Value Added
GLC:	Group Large Corporate
ICAAP:	Internal Capital Adequacy Assessment Process
IRB:	Internal Ratings Based
KRI:	Key Risk Indicators
LC:	Large Corporate
LDA:	Loss Distribution Approach
NBR:	National Bank of Romania
NPL:	Non-performing loans
NSC:	National Securities Commission
MREL:	Maximum Risk Exposure Level
RCSA:	Risk and Control Self Assessment
RE:	Real Estate
SME:	Small and Medium-sized Enterprise
VaR:	Value at Risk