

REPORT 2011

on transparency and public disclosure requirements

*As per NBR–NSC Regulation no.25/30/2006
amended and added by NBR-NSC Regulations no.21/26/2010 and
no.23/15/2011
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

TABLE OF CONTENTS

	<u>Page</u>
1. Introduction	3
1.1 Management structure and organizational structure of the Banca Commerciale Romana SA	3
1.2 Remuneration policy and practices, the structure of remuneration and bonus payment	4
1.3 Organization of the internal control system's functions	6
2. The nature and the extent of the bank's related parties transactions	7
2.1 Transactions with shareholders	7
2.2 Transactions with management	7
2.3 Transactions with companies members of Erste Group	7
2.4 Transactions with subsidiaries	7
3. Capital management	7
3.1 BCR individual original Own Funds	7
3.2 Observing the requirements regarding credit institutions and capital adequacy	8
4. Risk Management	9
4.1 General overview	9
4.2 BCR management of risk policies and objectives	9
4.3 Risk management structure and responsibilities	10
4.4 Type of risks	10
4.5 Risk factors that can be forecasted	10
5. Credit risk	11
5.1 Description of the approaches and methods adopted for determining value adjustments and provisions	11
5.2 "Past due" and "impaired"	11
5.3 The total amount of exposures	12
5.4 The geographical distribution of the exposures	12
5.5 The distribution of exposures by industry	13
5.6 The reconciliation of changes in the value adjustments and provisions for impaired exposures	13
5.7 Credit risk mitigation techniques	14
5.7.1 Market or credit risk concentrations within the credit mitigation operations	14
5.7.2 Total exposure value that is covered by eligible financial collateral	14
5.7.3 Total exposure value that is covered by guarantees or credit derivatives	14
5.8 Policies and processes for collateral valuation and management	14
5.8.1 Description of the main types of collateral taken by BCR	15
6. Liquidity risk – The residual maturity breakdown of exposures	15
7. Market risk	16
7.1 Exposure to interest rate risk on positions not included in the trading book	16
7.2 The system of market risk exposure limits	16
7.3 Exposures in equities not included in the trading book	16
8. Operational risk	18
8.1 The identification, measurement and assessment of operational risks	18
8.2 The quantification of operational risk	18
8.3 The monitoring, controlling and reporting of operational risk	19
ANNEXES	20
LIST OF ABBREVIATIONS	27

1. Introduction

The purpose of this Report is to ensure the compliance with the National Bank of Romania's requirements¹ as regards 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.

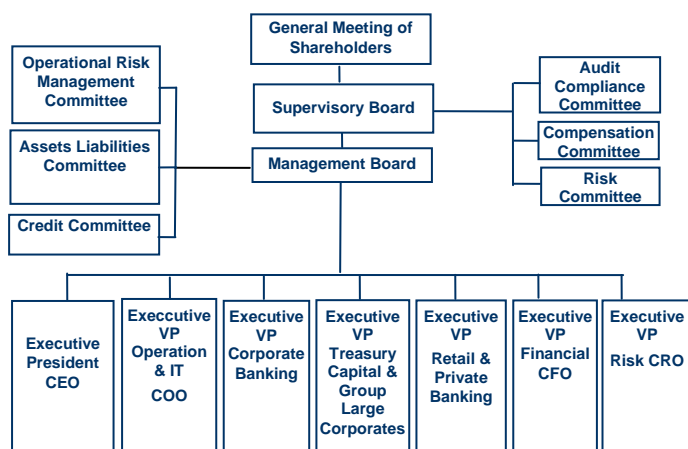
Each segment is divided into eight geographical regions covering the entire country, thus Centre area (counties: Alba, Brasov, Covasna, Harghita, Mures, Sibiu), North-East (Bacau, Botosani, Iasi, Neamt, Suceava, Vaslui), North-West (Bihor, Bistrita-Nasaud, Cluj, Maramures, Salaj, Satu Mare), South-East (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 643 territorial units out of which 170 branches and 473 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 Regulations no.21/26/2010 , no.23/15/2011 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"

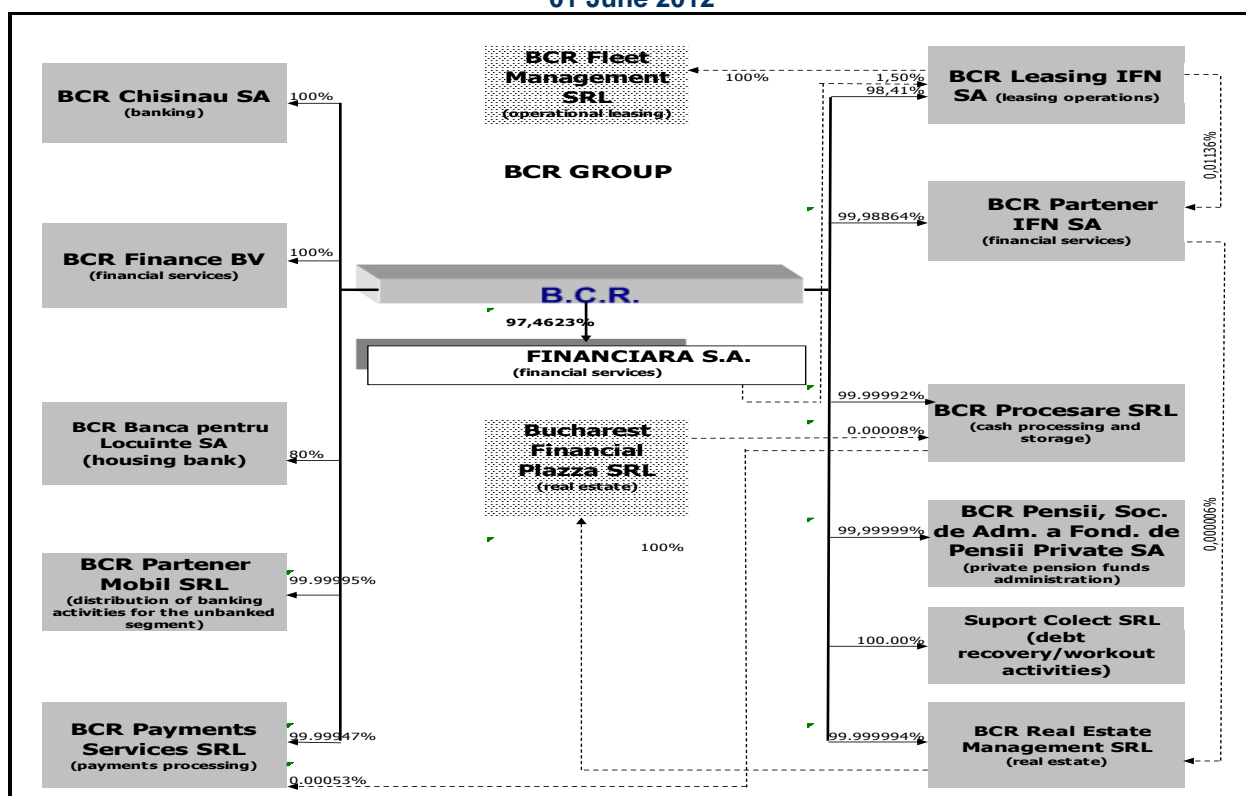
**Organisational chart
BCR Head Office
01 June 2012 -**



**Organization of BCR territorial network
- 01 June 2012-**

Retail Segment:			Corporate Segment:	
Region	No. Agencies	No. Branches	Region	No. Corporate Business Centres
Bucharest	81	37	Bucharest	6
Centre	64	25	Centre	7
North-East	61	24	North-East	6
North-West	60	20	North-West	7
South-East	63	16	South-East	6
South	51	24	South	7
South-West	36	13	South-West	5
West	57	11	West	4

**BCR Group structure
01 June 2012**



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 the 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 principles 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 appropriately 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 achievement rate of the performance indicators and on the evaluation of individual competencies.

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 2011:

Staff category	Ths (RON)	
	Fixed pay for 2011 (annual gross salaries)	Variable pay for 2011 (annual performance bonus)
- Retail and Corporate staff from network	262,048	18,210
- Other staff categories	227,353	6,370*
Total	489,401	24,580

*out of which 17.5% represents amounts deferred for the next financial years

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 mentioned 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;

The minimum performance requirements are conditioning every bonus payment both in upfront and deferred components. Minimum performance requirements shall take into account the performance at the local level and the capital adequacy requirements. The minimum local performance requirements are annually set up and approved by the Supervisory Board of BCR.

2. There are deferred payment arrangements, and claw-back mechanism 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 performance requirements in the respective 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 2011 is detailed below:

No of beneficiaries	6
Fixed pay (ths Euro)	1,814
Variable pay (ths Euro), out of which	0
- paid (ths Euro)	0
- deferred, vesting criteria to be evaluated in the coming years (ths Euro)	0
Deferred remuneration paid during the financial year, paid and adjusted with performance	0

Payment related to new hires	0
Payments related to the early termination of a contracts	0

1.3 Organization of the internal control system's functions

The Management Body (both the supervisory and the management functions) is responsible for the development and the maintenance of a proper internal control system ensuring effective and efficient operations, adequate risk control, prudent business conduct, reliable financial and nonfinancial information reported at internal and external level, as well as compliance with the ongoing laws, regulations and the institution's internal policies and procedures.

Every person in the organization has certain internal control responsibilities assigned. All employees provide information used by the internal control system or otherwise take action effecting control. Furthermore, all members of personnel are also responsible for communicating operational problems upwards, as well as infringements of the Ethics Code or ongoing policies and illegal actions.

The BCR internal control system is structured on 3 levels:

I. First-level, or line control, is designed to ensure the correct performing of transactions. Controls are performed by the entities that take risks and they are incorporated in specific work procedures. The responsibility of this area is delegated to Business Management.

II. The second-level, or risk management control, is 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 the Compliance Function.

III. Third-level controls are performed by the Internal Audit Function, which assesses and regularly checks the completeness, functionality and adequacy of the Internal Control System. 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 2011 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, Muntenia SA, SIF Oltenia SA;

RAS (RON)	31.12.2010	31.12.2011
ASSETS	218,480,107	496,675,133
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
LIABILITIES	20,273,203,589	22,350,197,216
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
GUARANTEES GRANTED	948,677,046	772,886,000

2.2 Transactions with management

RAS (RON)	31.12.2010	31.12.2011
ASSETS	1,857,040	1,781,644
Loans	1,851,688	1,781,644
Other assets	5,352	0
LIABILITIES	6,407,785	4,384,543
Deposits and current accounts	6,330,399	4,384,103
Other liabilities	77,386	440

2.3 Transactions with companies members of Erste Group

RAS (RON)	31.12.2010	31.12.2011
ASSETS	27,168,232	50,281,890
•Loans to non-banking customers	20,000,000	40,810,843
•Due & current accounts from banks	243,054	2,551,026
•Other assets	6,925,178	6,920,021
LIABILITIES	751,075,299	255,150,130
•Deposits & current account from banks	475,819,271	219,339,838
•Loans received	42,848,000	0
•Deposits & current accounts from non-banking customers	230,640,936	35,810,292
•Other liabilities	1,767,092	0

2.4 Transactions with subsidiaries

RAS (RON)	31.12.2010	31.12.2011
ASSETS	1,325,488,941	1,512,885,516
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
LIABILITIES	325,275,519	393,113,889
Deposits & correct accounts from banks	46,461,836	50,834,369
Deposits & current account from clients	278,447,078	338,164,428
Other liabilities	366,605	4,115,092

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 amended and added by NBR-NSC Regulation no.13/8/2011, as presented below:

INDICATOR	31.12.2010	31.12.2011
	AMOUNT (RON)	
TIER I CAPITAL	4,237,257,656	4,459,332,081
Eligible capital, out of which:	1,030,209,375	1,553,435,544
- Subscribed and paid-up share capital	1,030,209,375	1,553,435,544
Eligible reserves, out of which:	3,380,533,401	3,080,368,500
- Reserves	3,325,106,231	3,591,187,323
- Net profit for the current year	55,427,170	-510,818,823
Other deductions from the own funds Tier I	-173,485,120	-174,471,963
- Intangible assets	-132,754,792	-128,930,832
- Other specific deductions for Romania related to Tier I capital	-40,730,328	-45,541,131

TIER II CAPITAL	2,190,038,163	2,126,033,788
Base Tier II capital	231,468,403	172,751,810
- Revaluation reserves	231,468,403	172,751,810
Additional Tier II capital	1,958,569,760	1,953,281,978
- Subordinated loans	1,958,569,760	1,953,281,978

Deductible items from the Tier I and II capital, according to the provisions of Art. 25 of the NBR-NSC Regulation no.18/23/2006, with subsequent amendments and supplements, are shown separately as provided at Art.25 para.(1), from the Regulation therein:

INDICATOR	31.12.2010	31.12.2011
	AMOUNT (RON)	
Deductible items from Tier I and Tier II capital, out of which:	-828,022,870	-717,740,924
- Tier I capital	-414,011,435	-358,870,462
- Tier II capital	-414,011,435	-358,870,462
Name of the deductible component items	AMOUNT (RON)	
	31.12.2010	31.12.2011
-Shares and other holdings in other credit and financial institutions amounting to more than 10% of their share capital	-766,852,574	-673,709,828
-Subordinated claims and instruments which a credit or financial institution holds in respect of holdings amounting to more than 10% of their share capital	-47,139,200	-30,000,000
-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. 24 and also to the deduction of items provided at Art. 25 of the NBR-NSC Regulation no. 18/23/2006, with subsequent amendments and supplements:

INDICATOR	31.12.2010	31.12.2011
	AMOUNT (RON)	
TOTAL OWN FUNDS	5,599,272,949	5,867,624,945

3.2 Observing the requirements regarding credit institutions and capital adequacy²

As of 2010, BCR has been using the **Internal Capital Adequacy Assessment Process (ICAAP)**, in compliance with the standards of the Group and NBR regulations, in order to determine the bank's capital necessity, as well as its structure and distribution pattern, in order 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 one year time horizon.

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

Credit risk is computed based on an 8% RWA percentage, in compliance with the Basel 2 regulations. In order to assess credit risk, BCR uses the standardized method for statutory reports. For ICAAP purposes, as of Q1 2011, BCR uses the IRB method to determine its capital requirement for credit risk.

Market risk - BCR determines a capital requirement for market risk as follows:

- using the VaR methodology (1 year, 99.9%) for the interest rate risk of the banking book (IRRBB) and
- the standardized method for the FX position.

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

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

- **Coverage potential I** – includes the year-to-date net profit, after taxes. These profits are the main coverage source for the losses occurring during the respective period;
- **Coverage potential II** – mainly consists of equity components(capitals and reserves) plus minority interest, minus goodwill from our investments and IRB excess/shortfall.
- **Coverage potential III** – is made up of hybrid capitals;

² As per art.126(1) and art.148 EO 99/2006, as well as art.2 of NBR-CNVM Regulation no.13/18/2006 on the minimum capital requirements

- **Coverage potential IV** – is made up of long-term subordinated debts (maturities of over 2 years);
- **Coverage potential V** – is made up of short-term hybrid funds and other subordinated debts only (maturities under 2 years);

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 stages:

- 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 ratio based on NBR-CNVM Regulation no. 14/19/2006, on a monthly basis (IFRS with prudential filters, bank only), as well as twice a year, at BCR Group level (IFRS standards).

The capital requirements computed based on the bank's final financial statements on 31.12.2011 for credit risk, market risk and operational risk were as follows:

31.12.2011 (RON)	Bank (RAS)	Group BCR (IFRS)
TOTAL CAPITAL REQUIREMENTS	3,625,501,309	4,255,416,450
Credit risk- standard approach	3,035,003,762	3,598,567,639
Central governments or central banks	2,677,314	7,454,839
Regional administrations or local authorities	102,420,064	101,961,846
Administrative bodies and entities with no lucrative purposes	36,666,490	36,666,615
Institutions	20,331,719	23,381,145
Companies	1,249,808,257	1,238,037,252
Retail	774,630,818	737,260,685
Collateralized with real estate assets	639,421,811	668,210,310
Overdue	61,693,712	554,607,190
Other assets	147,353,578	230,987,758
Position, foreign exchange and commodity risks under standardised approach	36,331,210	131,947,582
Position risk afferent to traded debt instruments	9,304,253	9,304,253

Position risk afferent to equity	360,588	360,588
FX risk	26,666,369	122,282,741
Operational risk	554,166,337	524,901,229
Basic approach		34,905,738
Advanced assessment approach	554,166,337	489,995,491

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, which consists of competences / authority limits (pouvoirs) for granting loans and other related credit products;
- ✓ a system for setting up risk limits in compliance with the bank's global risk profile, capital adequacy, liquidity, loan portfolio quality etc;
- ✓ a system of reporting the risk exposure;
- ✓ 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 risk management policies and objectives

In order to unfold safe and prudent activities, ensure adequate capital levels, adequate liquidity, profitability and portfolio quality, BCR has elaborated 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 2012 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 2012, BCR will focus on its basic clients, low-risk industries, improving the collateralization of loans and improving the adjustment of risk prices, in compliance with the new economic environment.

In order to improve its control of the risk position taken in relation to its corporate clients, in 2012 BCR will improve its policy on the annual revision of loans. Annual revisions will be performed for all clients with loans maturing in more than 12 months, regardless of the financing type and not only for clients with investment and mortgage loans.

The techniques used for the mitigation of credit risk, together with the measures and actions taken for 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 management.
- ⇒ **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.
- ⇒ **Operational Risk Committee (ORCO)**

The main responsibilities of the Operational Risk Committee are:

- ✗ Pre-approves the operational risk and compliance policies, procedures and processes;
 - ✗ Set-up the BCR's operational risk appetite given the existing internal and external control standards;
 - ✗ Analyse the major issues and trends that may influence the BCR's operational risk profile;
 - ✗ Informs regularly the Management Board on the BCR's operational risk profile developments;
 - ✗ Follow-up on the action points agreed to mitigate operational or compliance risks (NBR reports, Internal/External audit reviews, Risk Assessments, Compliance Assessments, Fraud reports, Key Risk Indicators or major incidents reported);
 - ✗ Analyse the risks entailed by new products and/or business;
 - ✗ Reviews the main risk reports covering the operational and compliance risk topics;
 - ✗ Enforces the development, maintenance and testing of the Business Continuity Plan.
- ⇒ **Risk functional line.** Risk management activities are consolidated under the Risks Functional Line, which consists of six divisions: Retail Risk Management, Corporate Risk Management, Risk Controlling, Antifraud, IT Security and Business Continuity Management, Compliance.
- ⇒ **Internal Audit.** Risk Management processes throughout the bank is audited annually by the internal audit function that examines both the adequacy of the procedures and the bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit and Compliance Committee.

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 may be forecasted

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

Risk factors mainly stem from the ongoing macroeconomic climate, as well as from the microeconomic climate (industrial branch risks) and the customer's own risks (business risk, financial risk, etc.).

In 2012, economic growth may slow down to approx. 1-1.2%, as compared to 2.5% during the previous year, given that the Eurozone, the main trade partner of Romania, which accounts for approx. 51% of its total exposures, will register a slight recession. Direct foreign investments will still be quite modest and the ongoing agricultural year is estimated to be somewhat poorer than last year. Nonetheless, economic progress may be supported by private consumption and the recent decision of increasing public sector wages with 8%, a low inflation rate, as well as the reimbursement of sums improperly taxed from retirees, which may maintain consumer trust to satisfactory levels.

Thus, the main risk management objectives will focus on an active management of the portfolio, on the improvement of asset quality (keeping NPL under control) and on setting the basis for a good growth of the loan portfolio.

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)

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

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

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 31.12.2011.

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 2011	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	25,592,304		5,729,806	
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)	5,103,918		441,926	
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	12,172,722		1,036,418	
TOTAL	42,868,944		7,208,150	

*) Net exposure = loan - provision

(IFRS)

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

(ths RON)	Bank		Group	
	2010	2011	2010	2011
Total in balance sheet, out of which:	67,800,209	72,107,552	70,223,109	73,407,295
Loans and advances to customers w/o provisions	45,160,818	46,990,434	47,393,687	47,803,525
Loans and advances to customers	48,607,767	51,109,468	52,238,597	53,376,326
Provisions	-3,446,949	-4,119,034	-4,844,910	-5,572,801
Total -Off balance sheet I	6,909,568	9,757,198	7,233,935	9,776,371
Total credit risk exposure	74,709,777	81,864,750	77,457,044	83,183,666

Credit quality per class of financial assets is as follows:

Bank 2011 (ths RON)	TOTAL, out of which	Loans and advances to customers
Low risk	41,736,027	27,521,627
Management attention	22,347,007	21,449,371
Sub-standard	3,182,158	3,182,158
Non-performing	8,885,949	8,883,647
TOTAL	76,151,141	61,036,803

Group 2011 (ths RON)	TOTAL, out of which	Loans and advances to customers
Low risk	42,448,387	27,744,400
Management attention	21,180,929	20,787,032
Sub-standard	3,336,006	3,336,006
Non-performing	11,457,698	11,455,396
TOTAL	78,423,020	63,322,834

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

5.4 The geographical distribution of the exposures

IFRS Bank (ths RON)	Total loans	
	31.12.2011	
GLC	5,258,754	
LC	7,687,952	
RE	3,069,772	
Large Municipalities	4,515,779	
Public sector & ALM	585,189	
SME + Small Municipalities*)	8,839,622	
TOTAL Corporate	29,957,067	

Micros	2,228,509
Individuals	18,923,893
TOTAL Retail	21,152,402
GRAND TOTAL	51,109,468

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

The significant exposure class was represented by Individuals segment: 37.0% out of the total loans followed by SME and Small Municipalities segment: 17.3% out of total loans.

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

IFRS Bank (ths RON)	Retail	SME + Small Municipalities
Geographical area	31.12.2011	
Bucharest	5,015,262	1,432,974
Centre	2,399,076	1,206,699
North East	2,690,053	1,546,170
North West	2,874,901	1,497,033
South	2,238,477	1,232,080
South East	2,427,850	885,346
South West	1,834,809	556,577
West	1,671,975	482,744
Total	21,152,402	8,839,622

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		IFRS -net maximum exposure-	
	(ths RON)			
	2010	2011	2010	2011
Individuals (private household)	18,767,186	18,783,034	6,575,754	6,174,679
Agriculture	1,444,066	1,445,748	124,509	448,091
Production	7,906,364	8,733,976	2,567,990	3,188,718
Trade	3,698,390	3,955,132	791,317	1,347,381
Construction	4,934,705	5,654,217	1,164,977	3,121,603
Hotels and restaurants	415,850	378,202	42,944	41,824
Transport, communication and storage	654,686	755,446	334,297	1,247,158
Real estate transactions	1,720,549	1,837,561	123,117	254,259

Public administration health social services	4,995,949	5,462,907	12,054,070	13,762,387
Others	2,466,699	3,304,565	14,344,081	13,673,586
TOTAL	47,004,444	50,310,788	38,123,056	43,259,686

Detailed structure of credit risk concentrations within the loan portfolio (RAS) can be found in the Note no.6 to Financial Statements as of 31.12.2011 published on the BCR's website at [Investors Section, Sub-section: Financial reports](#).

Regarding IFRS loans exposure by economic sector, in the Note no.39.5.4 to Consolidated and Separate Financial Statements (31.12.2011), 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 2010 and 2011. The Consolidated and Separate Financial Statements are published on the BCR's Website [Investors 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 31.12.2011:

	31.12.2010	31.12.2011
(ths RON)		
- Provision expense for credit risk – principal & interest	7,643,661	7,749,131
- Losses from unrecoverable receivables	1,711,282	1,278,049
- Provisions expense for bonuses	98,269	57,125
- Provisions expenses for litigations	20,053	4,071
- Provisions for lay-offs	4,077	21,014
- Provisions expenses for retirement	-	10,658
- Provisions for cash operational risks	54	1,361
- Expenses for receivables impairment from sundry operation	10,000	59,288
Total	9,487,396	9,180,697

(IFRS)

Allowances for impairment losses:

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

5.7 Credit risk mitigation techniques

5.7.1 Market or credit risk concentrations in credit mitigation operations

BCR registers credit risk concentrations in its risk mitigation operations towards the Romanian state. Thus, on 31.12.2011, the total collaterals received from the Ministry of Public Finances used for credit risk mitigation purposes amounted to 2,317,384,295 RON, 1,868,480,867 RON of which were used for the First House program.

5.7.2 Total exposure value covered by eligible financial collaterals and by other eligible physical collaterals used for credit mitigation purposes:

31.12.2011 (RON)	Bank RAS	Group IFRS
Total exposures covered by physical eligible collaterals	7,926,187,733	6,374,082,723
Financial collaterals, of which on exposure categories:	2,424,337,496	825,206,705
Regional administrations or local authorities	236,217	236,217
Institutions	393,350,000	403,187,817
Companies	1,999,891,792	390,345,560
Retail	30,859,487	31,437,111
Exposures covered by residential real estate	5,501,850,237	5,548,876,018

5.7.3 Total exposure value covered by personal collaterals :

31.12.2011 (RON)	Bank RAS	Group IFRS
Total exposures covered by personal collaterals, of which on exposure categories:	2,442,872,530	2,442,872,530
Regional administrations or local authorities	345,512,785	345,512,785
Administrative bodies and non-profit entities	20,367,665	20,367,665
Companies	208,511,213	208,511,213
Retail	1,868,480,867	1,868,480,867

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 firm buyer and 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 (2011) BCR takes measures to ensure the maturity matching of assets and liabilities.

The structure of assets and liabilities was analysed 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 2011 and 2010.

IFRS

BCR assesses its liquidity by:

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

For every financial year the BCR prepares a strategy for managing liquidity under normal circumstances as well as a contingency funding plan that represents a strategy for managing liquidity in crisis situations (comprising the measures required to successfully overcome a potential crisis).

The Annex 3 presents the evolution of the ratio of liquid assets to customers (banking and non-banking customers) liabilities analysed according to when they are expected to be recovered or settled both for the Group and the BCR for financial years 2011 and 2010.

7. Market risk

The main market risk factor affecting the bank's investments portfolio factor is the interest rate risk. The market risk factors of the TB portfolio are the interest rate risk, share price risk and FX risk.

BCR has a Market Risk Handbook regulating the identification of market risk factors, the determining of market risk exposure limits, the monitoring of compliance with the limits set, as well as the reporting processes (including limit exceeding procedures).

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:

(ths RON)	31-Dec-10	31-Dec-11
Own funds	5,599,273	5,867,625
The potential decline of the economic value:		
- absolute value	217,759	197,152
- % of own funds	3.89%	3.36%

7.2. The system of market risk exposure limits

Structure of the market risk limits system in the TB portfolio:

- PVBP limit for the securities portfolio (FI TB);
- "1 day, 99%" VaR limit for the FI TB portfolio;
- delta limit for shares positions;
- "1 day, 99%" VaR limit for the shares portfolio;
- PVBP limit for the money market portfolio managed by the Financial Markets Division;
- 1 day, 99%" VaR limit for the money market portfolio managed by the Financial Markets Division;
- 1 day, 99%" VaR limit for the portfolio made up of: FI TB plus the MM portfolio

managed by the Financial Markets Division;

- 1 day, 99%" VaR limit for the entire trading book.

S/L (stop loss) limits for the FI TB portfolio and for the shares portfolio:

- annual S/L limit, set as the maximum between 70% of the budget and the VaR limit;
- monthly S/L limit, set as 25% of the annual S/L limit.

BCR has also set market risk exposure limits for the securities portfolio managed by the Balance Sheet Management Division (FI BB):

- PVBP limit for the FI BB portfolio;
- 1 day, 99%" VaR limit for the FI BB portfolio.

All the limits mentioned at pt. 7.2 are monitored on a daily basis and their utilization degree is the object of a daily report.

7.3 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 (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: RON 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.;

- **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.

³ As per the provisions of NBR Regulation No. 18/2010 and NBR Order No.6

As of 31 December 2011 the difference between the purchase price and the reimbursement value related to investment securities is the following:

FX (ths)	At purchase date		
	Purchase value	Nominal value	Difference
RON	4,125,794	4,207,680	-81,886
EUR	1,714,453	1,727,880	-13,427
EUR	1,069,504	1,072,080	-2,576
	6,909,751	7,007,640	-97,889

FX (ths)	31 December 2011				
	Amortized costs	Accrued interest	Nominal value	Difference to be depreciate	FX Adjustment
RON	4,163,073	189,486	4,207,680	-44,607	0
EUR	1,684,568	28,356	1,727,880	-10,109	-33,203
EUR	1,046,553	32,753	1,072,080	-2,182	-23,346
	6,894,194	250,595	7,007,640	-56,898	-56,549

As of 31 December 2011, treasury bills in amount of RON 94,734,273 (31 December 2010: RON 93,988,519) 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.

Placement securities include (values without accrued interest):

- **Municipal bonds** in amount of **RON** 281,186,073 (31 December 2010: RON 209,374,896) 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: RON 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.

⇒ Shares and other variable yield securities

(ths RON)	31.12.2010	31.12.2011
Transaction securities:	1,195	3,005
-Listed	1.195	3.005
Placement securities out of which:	34,579	35,312
-Listed	27,659	28,392
-Unlisted	6,920	6,920
Portfolio activity securities	3,324	13,485

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 placement securities in amount of RON 51,404,754 (Note 28 RAS Financial Statements):

Balance 31.12.2010	Expenses related to impairment adjustments (Note no.28)	Income related to impairment adjustments (Note 28)	Balance 31.12.2011
44,388,787	23,946,712	16,947,781	51,404,754

(IFRS)

⇒ Financial investments available for sale:

(ths RON)	Bank 2011*	Group 2011
-Treasury bills	4,894,420	4,926,365
-Listed equities and bonds	273,483	279,191
-Non-listed investments	1,040,819	38,944
TOTAL	6,208,722	5,244,500

* Does not include RON 50 million additional impairment of participations. Total financial investments AFS in Balance Sheet for Bank 2011: RON ths 6,158,721

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

⇒ Financial investments held to maturity:

(ths RON)	Bank 2011	Group 2011
-Treasury bills	-	100,963
-Listed debt securities	5,409,481	6,151,343
-Unlisted bonds	1,746,127	1,759,516
TOTAL	7,155,608	8,011,822

(ths RON)	Bank 2010	Group 2010
-Treasury bills	-	6,769
-Listed debt securities	4,998,420	5,422,986
-Unlisted bonds	-	12,463
TOTAL	4,998,420	5,442,218

8. Operational risk

Operational risk – approach used for the assessment of 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; 75 %*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 taking all necessary measures to mitigate the losses generated by these risks (operational losses).

The Operational Risk Management Committee (ORCO) was established 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 is 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 the operational risk method (Loss Distribution Approach - LDA) elaborated at Erste Group level.

The model used 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 covering 5 years;
- **External data:** used in addition to internal data, supplementing the latter;
- **Scenario analysis:** used to supplement the data regarding the losses generated by operational risk; they refer to events that have 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-s, incorporated in the LDA model via scenario analyses.

BCR computes the capital requirements for operational risk considering the risk transfer mechanisms (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) and at Erste Group level.

* * *

Annex 1
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
	966,449	495	-	-	966,944
Loans and advances to customers*					
Corporate lending	11,430,329	12,050,278	6,548,549	3,760,294	33,789,450
Small business lending (Micros)	101,222	723,545	665,689	816,486	2,306,942
Consumer lending	6,542,195	826,605	869,349	1,327,039	9,565,188
Residential mortgages	7,784,616	657,694	710,802	614,308	9,767,420
Other	197,904	-	-	-	197,904
	26,056,266	14,258,122	8,794,389	6,518,127	55,626,904
Financial investments – available for sale					
Treasury bills	2,866,408	-	-	-	2,866,408
Listed equities and bonds	913,107	17,269	-	-	930,376
Non-listed investments	796,888	369,923	-	-	1,166,811
	4,576,403	387,192	-	-	4,963,595
Financial investments - held to maturity					
Listed debt securities	4,998,420	-	-	-	4,998,420
	4,998,420	-	-	-	4,998,420
Total	37,259,846	15,481,199	8,794,389	6,518,127	68,053,561

Bank 2011

RON Thousand	Low Risk	Management attention	Sub-standard	Non-performing	Total
Due from banks	851,300	155,057	-	-	1,006,357
Financial assets designated at fair value through profit or loss	7,447	34,507	-	-	41,954
Trading Assets					
Treasury bills	698,693	-	-	-	698,693
Listed bonds	1,887	1,118	-	-	3,005
	700,579	1,118	-	-	701,698
Loans and advances to customers*					
Corporate lending	16,400,430	14,672,031	1,465,946	6,293,054	38,831,461
Small business lending (Micros)	690,375	426,527	195,642	1,024,784	2,337,328
Consumer lending	3,734,294	2,088,265	443,342	788,509	7,054,410
Residential mortgages	6,493,355	4,262,548	1,077,228	777,300	12,610,431
Other	203,173	-	-	-	203,173
	27,521,627	21,449,371	3,182,158	8,883,647	61,036,803
Financial investments – available for sale					
Treasury bills	4,894,420	-	-	-	4,894,420
Listed equities and bonds	124,477	146,704	-	2,302	273,483
Non-listed investments	480,569	560,249	-	-	1,040,819
	5,499,466	706,953	-	2,302	6,208,721
Financial investments - held to maturity					
Listed debt securities	5,409,481	-	-	-	5,409,481
Unlisted bonds	1,746,127	-	-	-	1,746,127
	7,155,608	-	-	-	7,155,608
Total	41,736,028	22,347,007	3,182,158	8,885,949	76,151,141

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

**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
	966,449	495	-	-	966,944
Loans and advances to customers*					
Corporate lending	11,839,927	11,648,469	7,063,344	4,456,972	35,008,712
Small business lending (Micros)	403,541	802,260	1,016,536	1,245,643	3,467,980
Consumer lending	6,633,664	833,830	876,504	1,457,619	9,801,617
Residential mortgages	7,799,817	665,075	711,366	1,878,285	11,054,543
Other	201,463	53	47,844	20	249,380
	26,878,412	13,949,687	9,715,594	9,038,539	59,582,232
Financial investments – available for sale					
Treasury bills	2,959,962	-	-	-	2,959,962
Listed equities and bonds	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

Group 2011

RON Thousand	Low Risk	Management attention	Sub-standard	Non-performing	Total
Due from banks	933,296	166,914	-	-	1,100,210
Financial assets designated at fair value through profit or loss	7,447	34,508	-	-	41,955
Trading Assets					
Treasury bills	698,693	-	-	-	698,693
Listed bonds	1,887	1,118	-	-	3,005
	700,579	1,118	-	-	701,698
Loans and advances to customers*					
Corporate lending	16,212,952	13,922,012	1,576,535	6,942,688	38,654,186
Small business lending (Micros)	1,027,816	498,051	234,314	1,629,098	3,389,280
Consumer lending	5,526,170	3,448,490	648,968	1,167,671	10,791,299
Residential mortgages	4,773,584	2,918,479	876,189	1,715,939	10,284,192
Other	203,877	-	-	-	203,877
	27,744,400	20,787,032	3,336,006	11,455,396	63,322,834
Financial investments – available for sale					
Treasury bills	4,926,365	-	-	-	4,926,365
Listed equities and bonds	124,477	152,413	-	2,302	279,191
Non-listed investments	-	38,944	-	-	38,944
	5,050,842	191,357	-	2,302	5,244,501
Financial investments - held to maturity					
Treasury bills	100,963	-	-	-	100,963
Listed debt securities	6,151,343	-	-	-	6,151,343
Unlisted bonds	1,759,516	-	-	-	1,759,516
	8,011,821	-	-	-	8,011,821
Total	42,448,386	21,180,929	3,336,006	11,457,698	78,423,020

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

(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	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Cash in hand, balances with central banks	9,468,523	10,288,663	0	0	0	0	0	0	0	0	9,468,523	10,288,663
Treasury bills	81,000	1,767,455	3,814,519	2,713,586	0	0	0	0	0	0	3,895,520	4,481,041
Loans and advances to credit institutions	1,434,413	948,269	1,628,145	6,607	22,080	83,578	17,139	9,910	0	0	3,101,778	1,048,363
Loans and advances to customers	9,357,646	6,739,014	4,078,076	6,592,356	8,837,268	11,488,680	19,177,547	18,392,718	0	0	41,450,536	43,212,767
Debt securities	219,374	415,753	301,931	818,668	4,107,453	5,643,287	1,583,791	1,652,797	0	0	6,212,549	8,530,506
Shares and other securities	35,774	38,317	0	0	0	0	0	0	3,324	13,485	39,098	51,802
Investments	0	0	0	0	0	0	0	0	19,349	22,021	19,349	22,021
Shares in affiliated undertakings	0	0	0	0	0	0	0	0	951,294	849,808	951,294	849,808
Intangible assets	0	0	0	0	0	0	0	0	212,743	207,135	212,743	207,135
Tangible fixed assets	0	0	0	0	0	0	0	0	823,081	628,891	823,081	628,891
Other assets	446,521	360,421	2,112	5,407	213,450	284,822	0	0	0	2,810	662,083	653,460
Prepayments and accrued income	722,757	946,571	0	0	0	0	0	0	0	0	722,757	946,571
Total	21,766,009	21,504,463	9,824,783	10,136,624	13,180,251	17,500,367	20,778,477	20,055,425	2,009,792	1,724,150	67,559,312	70,921,030
Amounts due to credit institutions	2,198,924	2,490,084	1,576,408	3,938,517	13,115,819	10,996,293	2,419,354	3,174,293	0	0	19,310,506	20,599,187
Amounts due to customers	33,288,677	33,527,712	3,971,718	4,632,595	330,304	698,128	65,995	73,271	0	0	37,656,694	38,931,707
Debts securities	0	0	0	20,000	171,477	397,872	256,556	373,220	0	0	428,034	791,092
Subordinated debts	0	0	0	0	0	601,268	1,967,317	1,424,318	0	0	1,967,317	2,025,586
Other liabilities	384,459	449,166	2,122	601,850	1,954,671	1,453,071	0	0	0	0	2,341,252	2,504,087
Accruals and deferred income	911,091	928,770	0	0	0	0	0	0	0	0	911,091	928,770
Provisions for risks and charges	98,269	91	4,187	83,793	58,243	58,142	0	46,866	0	0	160,700	188,893
Total	36,881,421	37,395,823	5,554,435	9,276,755	15,630,514	14,204,774	4,709,222	5,091,968	0	0	62,775,593	65,969,322
Liquidity risk	-15,115,413	-15,891,360	+4,270,348	+859,868	-2,450,263	+3,295,593	+16,069,254	+14,963,457	+2,009,792	+1,724,150	+4,783,719	4,951,707

(IFRS)
Annex 3
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
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	1,786,870	-	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
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	17,849,956	7,781,334	25,631,290	62,825,549
Net	6,186,049	(14,954,417)	4,001,041	(4,767,327)	(1,100,572)	12,987,537	11,886,965	7,119,638

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
Due to banks	90,379	1,709,937	1,669,451	3,469,767	16,855,012	3,631,198	20,486,210	23,955,977
Derivative financial instruments	-	-	1,507	1,507	1,786,870	-	1,786,870	1,788,377
Due to customers	6,938,187	19,107,963	6,172,251	32,218,401	3,135,907	3,280,936	6,416,843	38,635,244
Debt issued and other borrowed funds	-	192,856	17,128	209,984	449,568	701,424	1,150,992	1,360,976
Deferred tax liabilities	-	-	-	-	-	465,990	465,990	465,990
Other liabilities	-	1,374,289	108,404	1,482,693	64,134	1,045	65,179	1,547,872
Provisions	226,471	-	-	226,471	-	-	-	226,471
Subordinated liabilities	-	-	-	-	-	3,346,670	3,346,670	3,346,670
Total undiscounted financial liabilities	7,255,037	22,385,045	7,968,741	37,608,823	22,291,491	11,427,263	33,718,754	71,327,577

**Annex 3
(continued)**
Bank 2011

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	10,290,771	-	-	10,290,771	-	-	-	10,290,771
Due from banks	243,319	705,323	-	948,642	57,565	150	57,715	1,006,357
Derivative financial instruments	8,005	3,065	6,993	18,063	39,448	27,525	66,973	85,036
Financial assets held for trading	-	515	698,178	698,693	-	3,005	3,005	701,698
Financial assets designated at fair value through profit or loss	-	-	-	-	-	41,954	41,954	41,954
Loans and advances to customers, net	1,967,462	2,900,780	5,757,946	10,626,188	8,911,134	27,453,112	36,364,246	46,990,434
Financial investments – available-for-sale	-	1,861,067	2,351,484	4,212,551	653,671	1,292,499	1,946,170	6,158,721
Financial investments – held-to-maturity	-	-	543,497	543,497	5,180,914	1,431,197	6,612,111	7,155,608
Property and equipment	-	-	-	-	-	535,398	535,398	535,398
Goodwill and other intangible assets	-	-	-	-	-	243,528	243,528	243,528
Current tax assets	-	177,284	-	177,284	-	-	-	177,284
Other assets	-	497,042	-	497,042	-	-	-	497,042
TOTAL ASSETS	12,509,557	6,145,076	9,358,098	28,012,731	14,842,732	31,028,368	45,871,100	73,883,831
LIABILITIES AND EQUITY								
Due to banks	1,448,186	766,230	3,987,748	6,202,164	10,927,482	3,612,467	14,539,949	20,742,113
Derivative financial instruments	450	8,794	598,001	607,245	1,203,539	44,104	1,247,643	1,854,888
Due to customers	9,608,920	18,689,165	3,794,285	32,092,370	6,790,118	60,274	6,850,392	38,942,762
Debt issued and other borrowed funds	-	-	81,881	81,881	436,401	482,607	919,008	1,000,889
Deferred tax liabilities	-	-	-	-	-	506,256	506,256	506,256
Other liabilities	-	666,891	-	666,891	-	-	-	666,891
Provisions	297,845	-	-	297,845	-	-	-	297,845
Subordinated liabilities	-	-	-	-	600,867	1,423,823	2,024,690	2,024,690
TOTAL LIABILITIES	11,355,401	20,131,080	8,461,915	39,948,396	19,958,407	6,129,531	26,087,938	66,036,334
Net	1,154,156	(13,986,004)	896,183	(11,935,665)	(5,115,675)	24,898,837	19,783,162	7,847,497

Bank 2011

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

**Annex 3
(continued)**
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	1,178,595	489,688	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	13,951,686	7,789,256	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	1,786,870	-	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	17,860,425	7,846,860	25,707,285	66,508,822
Net	6,529,399	(16,579,866)	3,260,213	(6,790,254)	18,958	13,874,959	13,893,917	7,103,663

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
Due to banks	90,211	3,452,071	2,971,892	6,514,174	16,823,577	3,624,425	20,448,002	26,962,176
Derivative financial instruments	-	-	1,507	1,507	1,786,870	-	1,786,870	1,788,377
Due to customers	7,095,902	19,382,795	6,255,546	32,734,243	3,169,258	3,300,695	6,469,953	39,204,196
Debt issued and other borrowed funds	-	192,856	17,128	209,984	452,513	704,102	1,156,615	1,366,599
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	69,947	1,137	71,084	1,688,515
Provisions	253,951	-	-	253,951	-	-	-	253,951
Subordinated liabilities	-	-	-	-	-	3,346,669	3,346,669	3,346,669
Total undiscounted financial liabilities	7,440,064	24,526,924	9,364,302	41,331,290	22,302,165	11,497,159	33,799,324	75,130,614

**Annex 3
(continued)**
GROUP 2011

RON Thousand	Less than 3	Less than 3	Subtotal less than			Subtotal over		Total
	days	months	3 to 12 months	12 months	1 to 5 years	Over 5 years	12 months	
ASSETS								
Cash and balances with central banks	10,324,934	-	-	10,324,934	-	-	-	10,324,934
Due from banks	245,445	797,050	-	1,042,495	57,565	150	57,715	1,100,210
Derivative financial instruments	8,005	3,065	6,993	18,063	39,448	28,976	68,424	86,487
Financial assets held for trading	-	515	698,178	698,693	-	3,005	3,005	701,698
Financial assets designated at fair value through profit or loss	-	-	-	-	-	41,954	41,954	41,954
Loans and advances to customers, net	1,976,153	3,885,716	5,977,602	11,839,471	9,314,041	26,650,013	35,964,054	47,803,525
Financial investments – available-for-sale	-	1,892,895	2,351,601	4,244,496	653,672	346,333	1,000,005	5,244,501
Financial investments – held-to-maturity	-	32,070	801,782	833,852	5,668,969	1,509,000	7,177,969	8,011,821
Property and equipment	-	-	-	-	-	1,584,721	1,584,721	1,584,721
Goodwill and other intangible assets	-	-	-	-	-	439,820	439,820	439,820
Current tax assets	-	177,428	-	177,428	-	-	-	177,428
Deferred tax assets	-	-	-	-	-	46,920	46,920	46,920
Other assets	-	882,582	30,826	913,408	3,338	52,237	55,575	968,983
Assets held for sale	-	-	212,663	212,663	-	-	-	212,663
TOTAL ASSETS	12,554,537	7,671,321	10,079,645	30,305,503	15,737,033	30,703,129	46,440,162	76,745,665
LIABILITIES AND EQUITY								
Due to banks	1,456,109	1,880,660	4,332,657	7,669,426	11,624,503	3,612,465	15,236,968	22,906,394
Derivative financial instruments	450	8,794	598,001	607,245	1,203,539	44,104	1,247,643	1,854,888
Due to customers	9,669,923	18,529,231	3,848,839	32,047,993	7,555,695	60,611	7,616,306	39,664,299
Debt issued and other borrowed funds	-	-	81,881	81,881	568,333	482,607	1,050,940	1,132,821
Current tax liabilities	-	4,071	-	4,071	-	-	-	4,071
Deferred tax liabilities	-	-	-	-	-	534,427	534,427	534,427
Other liabilities	-	765,125	6,162	771,287	708	-	708	771,995
Provisions	305,778	-	-	305,778	-	-	-	305,778
Subordinated liabilities	-	-	-	-	600,867	1,423,823	2,024,690	2,024,690
TOTAL LIABILITIES	11,432,260	21,187,881	8,867,540	41,487,681	21,553,645	6,158,037	27,711,682	69,199,363
Net	1,122,277	(13,516,560)	1,212,105	(11,182,178)	(5,816,612)	24,545,092	18,728,480	7,546,302

Group 2011

RON Thousand	Less than 3	Less than 3	Subtotal less			Subtotal over 12		Total
	days	months	3 to 12 months	than 12 months	1 to 5 years	Over 5 years	months	
Due to banks	1,459,962	1,893,101	4,475,963	7,829,026	13,470,057	4,568,349	18,038,406	25,867,432
Derivative financial instruments	450	8,794	598,001	607,245	1,203,539	44,104	1,247,643	1,854,888
Due to customers	9,689,285	18,621,983	3,945,169	32,256,437	8,463,410	72,747	8,536,157	40,792,594
Debt issued and other borrowed funds	-	-	83,590	83,590	1,325,452	492,730	1,818,182	1,901,772
Current tax liabilities	-	4,071	-	4,071	-	-	-	4,071
Deferred tax liabilities	-	-	-	-	-	534,427	534,427	534,427
Other liabilities	-	765,126	6,162	771,288	708	-	708	771,996
Provisions	305,777	-	-	305,777	-	-	-	305,777
Subordinated liabilities	-	-	-	-	853,640	2,422,114	3,275,754	3,275,754
Total undiscounted financial liabilities	11,455,474	21,293,075	9,108,885	41,857,434	25,316,806	8,134,471	33,451,277	75,308,711

LIST OF ABBREVIATIONS:

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 Limit
ORE:	Operational risk event
RCSA:	Risk and Control Self- Assessment
RE:	Real Estate
SME:	Small and Medium-sized Enterprise
TB:	Trading Book
VaR:	Value at Risk