Banca Comerciala Romana S.A.

Consolidated and Separate Financial Statements

(The Group and the Parent Bank)

Prepared in Accordance with
International Financial Reporting Standards

31 December 2010

BCR

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

ERNST & YOUNG

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Banca Comerciala Romana SA

1 We have audited the accompanying consolidated financial statements of Banca Comerciala Romana SA and its subsidiaries (the "Bank"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

2 Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determined is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3 Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

Opinion

6 In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Ernst & Young.

Ernst and Young Assurance Services SRL

Bucharest, Romania

15 March 2011

BCR

STATEMENT OF COMPREHENSIVE INCOME

Consolidated and Bank

for the year ended 31 December 2010

RON Thousand	Notes	Group 2010	Group 2009	Bank 2010	Bank 2009
Interest and similar income	4	6,912,947	8,840,364	6,648,067	8,495,260
Interest and similar expenses	5	(3,163,184)	(5,002,060)	(2,994,129)	(4,876,468)
Net interest income		3,749,763	3,838,304	3,653,938	3,618,792
Fee and commission income	6	870,137	924,224	830,418	870,794
Fee and commission expenses	6	(405,763)	(216,248)	(389,566)	(212,175)
Net fee and commission income	6	464,374	707,976	440,852	658,619
Net trading income	7	311,051	423,798	292,566	416,760
Net gain or loss on financial assets designated at fair value through profit or loss		573	38,687	574	38,319
Other operating income	8	76,052	228,486	23,937	348,781
Total operating income		4,601,813	5,237,251	4,411,887	5,081,271
Credit loss expense	9	(1,997,668)	(2,282,380)	(1,727,017)	(2,047,221)
Net operating income		2,604,145	2,954,871	2,684,850	3,034,050
Personnel expenses	10	(873,693)	(921,743)	(770,026)	(843,349)
Depreciation and impairment of property and equipment	20	(150,268)	(134,483)	(122,750)	(124,966)
Amortization of intangible assets	21	(46,465)	(42,756)	(44,861)	(41,053)
Other operating expenses	11	(891,808)	(819,369)	(867,122)	(732,007)
Total operating expenses		(1,962,234)	(1,918,351)	(1,804,759)	(1,741,375)
Profit before tax		641,911	1,036,520	880,091	1,292,675
Income tax expense	12	(174,269)	(170,459)	(148,259)	(181,976)
Profit for the year		467,642	866,061	731,832	1,110,699
Other comprehensive income					
Net gain/(loss) on available-for-sale financial investments		17,401	207,585	17,466	204,167
Exchange differences on translation of foreign operations		7,521	34,521	-	-
Net loss on hedge of net investment		(6,208)	(26,730)	-	-
Actuarial gains on defined benefit plans		21,753	3,295	21,753	4,123
Income tax relating to the components of other comprehensive income		(5,234)	(30,087)	(6,274)	(33,327)
Other comprehensive income for the year, net of tax		35,233	188,584	32,945	174,963
Total comprehensive income for the year, net of tax		502,875	1,054,645	764,777	1,285,662
Profit attributable to:					
Equity holders of the parent		464,977	871,692	731,832	1,110,699
Non-controlling interests		2,665	(5,631)	-	-
Total comprehensive income attributable to:					
Equity holders of the parent		500,192	1,060,225	764,777	1,285,662
Non-controlling interests		2,683	(5,580)	-	-

The financial statements were approved by the Management Board on 15 March 2011 and were signed on its behalf by:

Mr. Dominic Bruynseels
Executive President

BANCA COMERCIALĂ ROMÂNĂ BCR PREȘEDINTE EXECUTIV

Mr. Helmuth Hintringer
Executive Vice President

The accompanying notes form an integral part of these financial statements

BCR

STATEMENT OF FINANCIAL POSITION

Consolidated and Bank

at 31 December 2010

RON Thousand	Notes	Group 2010	Group 2009	Bank 2010	Bank 2009
ASSETS					
Cash and balances with central banks	15	9,545,395	9,896,521	9,468,523	9,819,190
Due from banks	16	1,771,738	1,892,966	1,455,735	1,453,062
Reverse repurchase agreements		-	15,687	-	15,687
Derivative financial instruments	28	43,287	13,222	43,266	13,222
Financial assets held for trading		966,944	401,351	966,944	401,351
Financial assets designated at fair value through profit or loss	17	41,963	165,537	41,963	165,537
Loans and advances to customers, net	18	47,393,687	47,367,248	45,160,818	43,630,890
Financial investments – available-for-sale	19	3,925,371	3,063,235	4,963,595	3,815,868
Financial investments – held-to-maturity	19	5,442,218	2,388,919	4,998,420	2,155,958
Property and equipment	20	1,693,938	1,726,600	751,276	998,729
Goodwill and other intangible assets	21	424,320	389,199	220,638	285,539
Current tax assets		192,961	155,631	189,527	149,168
Deferred tax assets	12	53,612	50,683	-	-
Other assets	22	2,087,622	1,810,519	1,684,482	1,622,385
Assets held for sale	24	29,429	65,457	-	291
TOTAL ASSETS		**73,612,485**	**69,402,775**	**69,945,187**	**64,526,877**
LIABILITIES AND EQUITY					
Due to banks	23	21,823,532	21,123,456	18,902,313	16,418,673
Repurchase agreements		1,886	-	1,886	-
Derivative financial instruments	28	1,788,377	1,848,236	1,788,377	1,848,240
Due to customers	25	37,826,936	35,628,109	37,287,146	35,824,902
Debt issued and other borrowed funds	26	638,177	534,712	638,177	534,712
Current tax liabilities		21,726	1,835	-	-
Deferred tax liabilities	12	498,405	363,001	465,990	329,504
Other liabilities	29	1,688,515	1,200,631	1,547,872	1,123,427
Provisions	30	253,951	195,296	226,471	186,446
Subordinated Liabilities	27	1,967,317	1,906,112	1,967,317	1,906,112
TOTAL LIABILITIES		**66,508,822**	**62,801,388**	**62,825,549**	**58,172,016**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT					
Issued capital	32	2,357,433	2,119,693	2,357,433	2,119,693
Retained earnings	32	3,559,412	3,329,857	3,728,440	3,234,348
Available-for-sale reserve	32	(31,449)	(46,026)	(30,579)	(45,250)
Foreign currency translation reserve	32	141,900	134,402	-	-
Other capital reserve	32	1,049,835	1,036,695	1,064,344	1,046,070
		7,077,131	**6,574,621**	**7,119,638**	**6,354,861**
Non-controlling interests		26,532	26,766	-	-
TOTAL EQUITY		**7,103,663**	**6,601,387**	**7,119,638**	**6,354,861**
TOTAL LIABILITIES AND EQUITY		**73,612,485**	**69,402,775**	**69,945,187**	**64,526,877**

The financial statements were approved by the Management Board on 15 March 2011 and were signed on its behalf by:

Mr. Dominic Bruynseels
Executive President

BANCA COMERCIALA ROMANA BCR PRESEDINTE EXECUTIV

Mr. Helmuth Hintringer
Executive Vice President

The accompanying notes form an integral part of these financial statements

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STATEMENT OF CHANGES IN EQUITY

Consolidated and Bank

for the year ended 31 December 2010

GROUP

RON Thousand	Attributable to equity holders of the parent					
	Issued capital	Retained earnings	Other capital reserves	Total	Non-controlling interests	Total equity
At 31 December 2009	**2,119,693**	**3,329,857**	**1,125,071**	**6,574,621**	**26,766**	**6,601,387**
Net gain on available-for-sale financial investments	-	-	17,628	17,628	(227)	17,401
Exchange differences on translation of foreign operations	-	-	7,314	7,314	207	7,521
Actuarial gain/(loss) on defined benefit plans	-	-	21,753	21,753	-	21,753
Net loss on hedge of net investment	-	-	(6,208)	(6,208)	-	(6,208)
Income tax relating to the components of other comprehensive income	-	-	(5,272)	(5,272)	38	(5,234)
Other comprehensive Income for the year	-	-	35,215	35,215	18	35,233
Profit for the year	-	464,977	-	464,977	2,665	467,642
Total comprehensive Income for the year	-	**464,977**	35,215	500,192	**2,683**	502,875
Share Capital increase by distribution of Retained Earnings	237,740	(237,740)	-	-	-	-
Changes in parent's ownership interest in a subsidiary	-	2,318	-	2,318	(2,917)	(599)
At 31 December 2010	**2,357,433**	**3,559,412**	**1,160,286**	**7,077,131**	**26,532**	**7,103,663**
At 31 December 2008	**2,119,693**	**3,271,237**	**936,538**	**6,327,468**	**27,260**	**6,354,728**
Net gain on available-for-sale financial investments	-	-	207,561	207,561	24	207,585
Exchange differences on translation of foreign operations	-	-	34,488	34,488	33	34,521
Actuarial gain on defined benefit plans	-	-	3,297	3,297	(2)	3,295
Net loss on hedge of net investment	-	-	(26,730)	(26,730)	-	(26,730)
Income tax relating to the components of other comprehensive income	-	-	(30,083)	(30,083)	(4)	(30,087)
Other comprehensive income for the year	-	-	**188,533**	**188,533**	**51**	**188,584**
Profit for the year	-	871,692	-	871,692	(5,631)	866,061
Total comprehensive Income for the year	-	**871,692**	**188,533**	**1,060,225**	**(5,580)**	**1,054,645**
Contribution of non-controlling interests to share capital of subsidiaries	-	-	-	-	5,408	5,408
Distribution of dividends (Note 14)	-	(813,072)	-	(813,072)	(322)	(813,394)
At 31 December 2009	**2,119,693**	**3,329,857**	**1,125,071**	**6,574,621**	**26,766**	**6,601,387**

BANK

RON Thousand	Issued capital	Retained earnings	Other capital reserves	Total
At 31 December 2009	2,119,693	3,234,348	1,000,820	6,354,861
Net gains on available-for-sale financial investments	-	-	17,466	17,466
Actuarial gain / (losses)	-	-	21,753	21,753
Income tax relating to the components of other comprehensive income	-	-	(6,275)	(6,275)
Other comprehensive Income for the year	-	-	**32,944**	**32,944**
Profit for the year	-	731,832	-	731,832
Total comprehensive income for the year	-	**731,832**	**32,944**	**764,776**
Share Capital increase by distribution of Retained Earnings	237,740	(237,740)	-	-
At 31 December 2010	2,357,433	**3,728,440**	**1,033,764**	**7,119,637**
At 31 December 2008	**2,119,693**	**2,936,721**	**825,857**	**5,882,271**
Net gains on available-for-sale financial investments	-	-	204,167	204,167
Actuarial gain / (losses)	-	-	4,123	4,123
Income tax relating to the components of other comprehensive income	-	-	(33,327)	(33,327)
Other comprehensive Income for the year	-	-	**174,963**	**174,963**
Profit for the year	-	1,110,699	-	1,110,699
Total Income and expense for the year	-	**1,110,699**	**174,963**	**1,285,662**
Distribution of dividends (Note 14)	-	(813,072)	-	(813,072)
At 31 December 2009	**2,119,693**	**3,234,348**	**1,000,820**	**6,354,861**

The accompanying notes form an integral part of these financial statements

BCR

STATEMENT OF CASH FLOWS
Consolidated and Bank
for the year ended 31 December 2010

RON Thousand	Notes	Group 2010	Group 2009	Bank 2010	Bank 2009
Profit before tax		641,911	1,036,520	880,091	1,292,675
Adjustments for:					
Change in operating assets	35	(1,644,452)	(3,725,429)	(3,391,587)	(3,180,201)
Change in operating liabilities	35	4,693,623	959,245	4,363,666	394,701
Non-cash items included in profit before tax	35	2,237,727	2,355,508	1,926,429	2,095,842
Net gain from investing activities	35	(23,395)	11,227	(126,951)	(246,143)
Payments made against provisions	35	(20,389)	(31,765)	(13,546)	(31,404)
Income tax paid		(67,399)	(347,349)	(58,408)	(321,353)
Net cash flows from operating activities		5,817,626	257,957	3,579,694	4,117
INVESTING ACTIVITIES					
Purchase of property and equipment		(198,255)	(301,436)	(142,185)	(212,094)
Proceeds from sale of property and equipment		(22,644)	-	240,430	733,484
Purchase of financial investments		(7,947,922)	(6,321,609)	(7,944,686)	(6,255,513)
Proceeds from sale of financial investments		4,094,267	3,140,943	4,010,327	3,130,795
Acquisition of subsidiary net of cash acquired		(12,837)	-	-	-
Dividends received		2,950	2,833	131,706	126,572
Net cash flows used in investing activities		(4,084,441)	(3,479,269)	(3,704,408)	(2,476,756)
FINANCING ACTIVITIES					
Proceeds from subordinated liabilities		119,650	576,112	31,652	576,112
Proceeds from debt issued and other borrowed funds		2,220,365	2,989,368	724,051	1,091,533
Repayment of debt issued and other borrowed funds		(4,530,386)	(3,556,429)	(931,806)	(2,809,365)
Repayment of finance lease liabilities		-	-	-	(503)
Contribution of non-controlling interest to share capital increase of subsidiaries		-	5,408	-	-
Dividends paid to non-controlling interests		-	(322)	-	-
Dividends paid to equity holders of the parent		-	(813,072)	-	(813,072)
Net cash flows used in financing activities		(2,190,371)	(798,935)	(176,103)	(1,955,295)
Net decrease in cash and cash equivalents		(457,186)	(4,020,247)	(300,817)	(4,427,934)
Cash and cash equivalents at 1 January		11,670,864	15,691,111	11,185,433	15,613,367
Cash and cash equivalents at 31 December	35	11,213,678	11,670,864	10,884,616	11,185,433
Operational cash flows from interest					
Interest paid		3,263,580	5,100,917	3,080,016	4,974,121
Interest received		6,776,581	8,201,877	6,628,520	7,978,491

The accompanying notes form an integral part of these financial statements

1. CORPORATE INFORMATION

Banca Comerciala Romana S.A. ('the Bank' or 'BCR') together with its subsidiaries (the 'Group') provides retail, corporate banking and investment banking services mainly in Romania. As a result of the privatization process organized by the government of Romania, Erste Bank der oesterreichischen Sparkassen AG ("Erste Bank") purchased 61.88% of the share capital of the Bank pursuant to a share purchase agreement dated 21 December 2005. In December 2006, Erste Bank purchased further 7.27% from employees of the Bank. The ultimate parent of the Group is Erste Group Bank.

The Group provides day-to-day banking services and other financial services to governmental institutions, corporate and individual clients operating in Romania and abroad. These services include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium and long term facilities, retail loans, finance micro and small enterprises, bank guarantees, letters of credit and through subsidiaries also leasing, insurance, brokerage, financial consultancy services and asset management. In December 2008, the insurance business was sold.

Banca Comerciala Romana S.A. is incorporated and domiciled in Romania. Its registered office is at 5, Elisabeta Boulevard, Bucharest, Romania.

The consolidated financial statements for the year ended 31 December 2010 were authorized for issue in accordance with a resolution of the Management Board on 15 March 2011.

2. ACCOUNTING POLICIES

The accounting policies apply to both the consolidated ("Group") and separate financial statements of the Bank, except for accounting of investments in subsidiaries in the Bank's financial statements.

2.1. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis modified to include the inflation adjustments under International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies" up to 31 December 2003, except for available-for-sale investments, derivative financial instruments and financial assets at fair value through profit or loss, that have been measured at fair value.

The Bank and its subsidiaries which are incorporated in Romania maintain their books of account and prepare their statutory financial statements in accordance with Romanian Accounting Regulations and in the case of the Bank and its subsidiaries "BCR Leasing IFN SA", "BCR Partener IFN" and "BCR Banca pentru Locuinte", also in accordance with Romanian Banking Regulations. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their presentation currencies and in accordance with the regulations of the countries in which they operate. The consolidated financial statements have been prepared from statutory financial statements of the Bank and its subsidiaries and presented in accordance with IFRS with adjustments and certain reclassifications for the purpose of the fair presentation in accordance with IFRS. These adjustments are summarized in Note 33.

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

2. ACCOUNTING POLICIES (continued)

The Bank has the following subsidiaries consolidated in the financial statements of the Group as at 31 December 2010 and 31 December 2009:

Company's name	Country of incorporation	Nature of the business	Shareholding 31-Dec-10	Shareholding 31-Dec-09
Anglo-Romanian Bank Ltd	United Kingdom	Banking	100%	100%
BCR Chisinau SA	Moldova	Banking	100%	100%
Financiara SA	Romania	Financial	97.46%	97.46%
BCR Securities SA	Romania	Brokerage (company under liquidation)	89.23%	89.24%
BCR Leasing IFN SA	Romania	Financial leasing	99.87%	99.35%
BCR Asset Management SA	Romania	Asset Management (company under liquidation)	82.25%	81.25%
Bucharest Financial Plazza SRL*	Romania	Real estate	100,00%	97.46%
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%
BCR Banca pentru Locuinte SA	Romania	Housing loans	80.00%	80.00%
BCR Partener IFN SA	Romania	Consumer loans	99.99%	99.99%
BCR Finance BV	The Netherlands	Financial	100%	100%
Suport Colect SRL	Romania	Workout	100%	100%
BCR Procesare SRL	Romania	Cash processing and storing	100%	100%
BCR Real Estate Management SRL	Romania	Real estate	100%	100%
BCR Fleet Management SRL**	Romania	Operational leasing	99.87%	99.35%
Good-Bee Service SRL	Romania	Mobile phone transactions	99.99%	-

* Company held indirectly by BCR through Financiara as of 31.12.2009 and through BCR Real Estate Management SRL as of 31.12.2010
** Company held indirectly by BCR through BCR Leasing SA

(1) Impact of inflation

Romania was a hyperinflationary economy and was officially declared as ceasing to be hyperinflationary for IFRS reporting purposes as at 1 July 2004. The financial statements of the Group and the Bank have been restated to take into account the effects of inflation until 31 December 2003 in accordance with the provisions of and guidance in IAS 29. In summary IAS 29 requires that financial statements prepared on a historical cost should be restated in terms of measuring unit current at the balance sheet date and that any gain or loss on the net monetary position should be included in the profit or loss and disclosed separately.

(2) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU.

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

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

(3) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank as at and for the year ended 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.
The Bank is accounting the investments in subsidiaries in the separate financial statements as "Financial investments – available-for-sale".

2. ACCOUNTING POLICIES (continued)

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit or loss from the date of acquisition or up to the date of disposal, as appropriate.

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

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Bank and are presented separately in the profit or loss and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the fair value of the share of the net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is recognized directly in the profit or loss in the year of acquisition.

2.2. Significant accounting judgments and estimates

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

(1) Fair value of financial instruments

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

(2) Impairment losses on loans and advances

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

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

The impairment loss on loans and advances is disclosed in more detail in Note 9 and Note 18.

(3) Impairment of available-for-sale equity investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% and 'prolonged' greater than 1 year. In addition, the Group evaluates other factors, such as the share price volatility.

2. ACCOUNTING POLICIES (continued)

(4) Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(5) Benefits granted on the date of retirement

The cost of the defined benefit consisting of a one-off payment of up to six monthly gross salaries on the date of retirement is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. See Note 31 for the assumptions used.

2.3. Summary of significant accounting policies

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

(1) Foreign currency translation

The financial statements are presented in RON, which is the Bank's functional and presentational currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate of exchange ruling at the balance sheet date. All differences are taken to 'Net trading income' in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined..

(ii) Group companies

As at the reporting date, the assets and liabilities of subsidiaries are translated into the Bank's presentation currency (RON) at the rate of exchange ruling at the balance sheet date, and their profits or losses are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the statement of comprehensive income in 'Other operating expenses' or 'Other operating income', respectively.

(2) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date, i.e. the date that the Group or the Bank commits to purchase or sell the asset. Derivatives are recognized on trade date basis.

2. ACCOUNTING POLICIES (continued)

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

(iii) Derivatives recorded at fair value through profit or loss

Derivatives include currency swaps, forward foreign exchange contracts and interest rate swaps. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives held for trading are included in 'Net trading income'.

Interest related to interest rate swaps is recognized as interest income and interest expense over the period of interest rate swap instruments in accordance with contractual terms.

(iv) Financial assets held for trading

Financial assets or financial liabilities held for trading, comprising financial instruments held for trading other than derivatives, are recorded in the statement of financial position at fair value. Changes in fair value are recognized in 'Net trading income'. Interest and dividend income or expense are recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities and short positions in debt securities and securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

(v) Financial assets or financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in 'Interest and similar income' when the right to the payment has been established.

(vi) Held-to-maturity financial investments

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'Interest and similar income' in the statement of comprehensive income. The losses arising from impairment of such investments are recognized in the statement of comprehensive income line 'Impairment losses on financial investments'.

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

2. ACCOUNTING POLICIES (continued)

(vii) Due from banks and loans and advances to customers

'Due from banks' and 'Loans and advances to customers' are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investments – available-for-sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, amounts due from banks and loans and advances to customers are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that should be an integral part of the effective interest rate. The amortization is included in 'Interest and similar income' in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in 'Credit loss expense'.

(viii) Available-for-sale financial investments

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as financial investments at fair value through profit or loss, held-to-maturity or loans and advances. They include equity instruments, investments in mutual funds and money market and other debt instruments.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity in the 'Available-for-sale reserve'. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the statement of comprehensive income in 'Other operating income' or 'Other operating expenses'. Where the Group holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognized in the profit or loss as 'Interest and similar income' when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the profit or loss in 'Impairment losses on financial investments' and removed from the available-for-sale reserve.

(ix) Debt issued and other borrowed funds

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as liabilities under 'Debt issued and other borrowed funds', where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, debt issued and other borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that should be an integral part of the effective interest rate.

(x) Reclassification of financial assets

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

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

2. ACCOUNTING POLICIES (continued)

(3) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired; or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(4) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized on the statement of financial position as a 'Repurchase agreement', reflecting its economic substance as a loan to the Group or the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method. Where the transferee has the right to sell or pledge the asset, the asset is recorded on the statement of financial position as 'Financial assets held for trading pledged as collateral'.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized on the statement of financial position. The corresponding cash paid, including accrued interest, is recognized on the statement of financial position as a 'Reverse repurchase agreements'. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement using the effective interest rate method.

(5) Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralized by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized on the statement of financial position, unless they are sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in 'Net trading income'.

(6) Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

2. ACCOUNTING POLICIES (continued)

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is market related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the statement of financial position date. Where a fair value cannot reliably be estimated, unquoted equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

(7) Impairment of financial assets

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Due from banks and loans and advances to customers

For amounts due from banks and loans and advances to customers carried at amortized cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2. ACCOUNTING POLICIES (continued)

(ii) Held-to-maturity financial investments

For held-to-maturity investments the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit or loss.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amounts formerly charged are credited to the 'Impairment losses on financial investments'.

(iii) Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each statement of financial position date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss – is removed from equity and recognized in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss, the impairment loss is reversed through the profit or loss.

(iv) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(8) Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the profit or loss.

(i) Fair value hedges

The purpose of the hedge is to hedge the risk of the changes in fair value of underlying (which are on statement of financial position items) designated as hedged items, by interest rate swaps designated as hedging instruments.

2. ACCOUNTING POLICIES (continued)

Therefore hedging is covering interest rate risk - changes in the level of benchmark interest rates directly influence the market value (fair value) of hedged item. Entering into hedging relationship should eliminate this volatility.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, using the effective interest rate method, the difference between the carrying value of the hedge item on termination and the face value is amortised over the remaining term of the original hedge. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the profit or loss.

(ii) Hedges of a net investment

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

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

(9) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

(10) Leasing

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' with the corresponding liability to the lessor included in 'Other liabilities.' Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly against income in 'Interest and similar expense'.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

(ii) Group as a lessor

Finance leases, where the Group transfers substantially all the risk and benefits incidental to ownership of the leased item to the lessee, are included in the statement of financial position in 'Loans and advances to customers'. A receivable is recognized over the leasing period of an amount equaling the present value of the lease payments using the implicit rate of interest and including any guaranteed residual value. All income resulting from the receivable is included in 'Interest and similar income' in the statement of comprehensive income.

2. ACCOUNTING POLICIES (continued)

(11) Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Interest and similar income and expense

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Interest related to interest rate swaps is recognized as interest income and interest expense over the period of interest rate swap instruments in accordance with contractual terms.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission and asset management income, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees and brokerage fees.

(iii) Dividend income

Revenue is recognized when the Group's right to receive the payment is established.

(iv) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

(12) Cash and cash equivalents

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

2. ACCOUNTING POLICIES (continued)

(13) Property and equipment

Property and equipment is stated at cost (restated for hyperinflation for assets acquired prior to 31 December 2003 – Note 2.1) excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings — 30 to 50 years (mainly 50 years)
- Office equipment — 3 to 10 years
- Other furniture and equipment — 3 to 15 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' or 'Other operating expenses' in the statement of comprehensive income in the year the asset is derecognized.

(14) Business combinations and Goodwill

Business combinations are accounted for using the purchase method.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

(15) Intangible assets

Intangible assets include the value of computer software and licenses. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the profit or loss in the expense category consistent with the function of the intangible asset.

2. ACCOUNTING POLICIES (continued)

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software and licenses 3-5 years

(16) Impairment of non-financial assets

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

Goodwill
The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

(17) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of comprehensive income in 'Credit loss expense'. The premium received is recognized in the statement of comprehensive income in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

(18) Employee benefits

(i) Short term service benefits

Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are recognized as expense when services are rendered.

(ii) Defined contribution plans

The Bank and the subsidiaries in Romania, in the normal course of business make payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Bank and of the subsidiaries in Romania are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the profit or loss as incurred. The Bank and the subsidiaries in Romania do not have any further obligations.

The Bank and the subsidiaries in Romania do not operate any independent pension scheme and, consequently, have no obligation in respect of pensions and they do not operate any other post retirement benefit plan. They have no obligation to provide further benefits to current or former employees.

2. ACCOUNTING POLICIES (continued)

(iii) Defined benefit plans

Certain foreign incorporated subsidiaries operate defined benefits plans for the non-Romanian employees. The defined benefit liabilities have been calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The calculation is performed by a qualified actuary using the projected unit credit method. The defined benefit obligation has been recognized in the consolidated financial statements of the Group.

(iv) Long-term service benefits

The Bank's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. On the basis of the Collective Labor Agreement, the Bank and one of its Romanian subsidiaries have a contractual obligation to make a one-off payment of up to six (the Bank), respectively three (the subsidiary) gross monthly salaries to retiring employees on the date of retiring. The defined benefit obligations are calculated by a qualified actuary taking into account the estimated salary at the date of retirement and the number of years served by each individual. In accordance with the 2004 Amendment to IAS 19 ("Employee Benefits – Actuarial gains and Losses, Group Plans and Disclosures"), the Bank and its respective subsidiary have opted for actuarial gains and losses to be recognized in full as they arise in equity.

(19) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(20) Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

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

2. ACCOUNTING POLICIES (continued)

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(21) Fiduciary assets

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

(22) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Group's shareholders.

Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

(23) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments.

2. ACCOUNTING POLICIES (continued)

2.4. Changes in accounting policies and disclosures

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2010:

- IFRIC 17 Distributions of Non-cash Assets to Owners
- IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items
- IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
- Improvements to IFRSs (May 2008) All amendments issued are effective as at 31 December 2009, apart from IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively.
- Improvements to IFRSs (April 2009)

The adoption of the standards or interpretations is described below:

IFRIC 17 Distributions of Non-cash Assets to Owners
The interpretation provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The interpretation has no effect on either, the financial position nor performance of the Group.

IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group.

IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)
This amendment clarifies the accounting for group cash-settled share-based payment transactions and how such transactions should be arranged in the individual financial statements of the subsidiary. The Group adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognising subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010. The change in accounting policy was applied prospectively.

Improvements to IFRSs (April 2009)
Amendments resulting from improvements to IFRSs (April 2009) to the following standards which did not have an effect on the accounting policies, financial position or performance of the Group:

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

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

2. ACCOUNTING POLICIES (continued)

IFRS 8 Operating Segment Information
Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

IAS 1 Presentation of Financial Statements
The terms of a liability that could result, at any time, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

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

IAS 17 Leases
The amendment removes the specific guidance on classifying land as a lease so that only the general guidance remains.

IAS 18 Revenue
The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
- has primary responsibility for providing the goods or service
- has inventory risk
- has discretion in establishing prices
- bears the credit risk

IAS 36 Impairment of Assets
The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

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

IAS 39 Financial Instruments: Recognition and Measurement
The amendment clarifies that:
- a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
- the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken (Applicable to all unexpired contracts for annual periods beginning on or after 1 January 2010)
- gains and losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss (Applicable to all unexpired contracts for annual periods beginning on or after 1 January 2010)

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

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

2. ACCOUNTING POLICIES (continued)

2.5. Standards issued but not yet effective

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

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

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

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

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

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 July 2010. Early application is permitted in all cases and this annual improvements project has not yet been endorsed by the EU.

IFRS 3 Business Combinations, effective for annual periods beginning on or after 1 July 2010
This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets. Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after 1 January 2011
This improvement gives clarifications of disclosures required by IFRS 7 and emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 January 2011
This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

2. ACCOUNTING POLICIES (continued)

IAS 27 Consolidated and Separate Financial Statements, effective for annual periods beginning on or after 1 July 2010
This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 The Effect of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.

IAS 34 Interim Financial Reporting, effective for annual periods beginning on or after 1 January 2011
This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements.

IFRIC 13 Customer Loyalty Programmes, effective for annual periods beginning on or after 1 January 2011
This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended)
The amendment is effective for annual periods beginning on or after 1 July 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRSs and US GAAP.

IAS 12 Deferred tax: Recovery of Underlying Assets (Amended)
The amendment is effective for annual periods beginning on or after 1 January 2012. This amendment concerns the determination of deferred tax on investment property measured at fair value and also incorporates SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16. The aim of this amendment is to include a) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and b) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. This amendment has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

3. SEGMENT INFORMATION

The segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For management purposes, the Bank is organized into the following business segments:

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

Corporate banking - Within corporate banking the Group provides corporations (including small-medium enterprises and public institutions) with a range of financial products and services, including lending and deposit taking, providing cash management, foreign commercial business, leasing, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions. Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers and comprises the following:

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

Real Estate companies

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

Corporate finance, Treasury and Balance sheet management - principally providing investment banking services including money market and treasury operations, syndicated loans and structured financing transactions, foreign currency and derivative transactions, financial instruments trading and investment, issuance of bonds; within this segment the Group also includes financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group.

The business segment reporting format is the Group's basis of segment reporting. Transactions between business segments are conducted at arm's length.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise property and equipment, intangible assets, other assets and other liabilities and taxation. The mapping of individual accounts by main line items of income and expenses, respectively assets and liabilities and equity, for purposes of segment reporting is done on an internal management approach, rather than an external financial reporting approach.

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

3. SEGMENT INFORMATION (continued)

Group - Business segments 2010

RON Thousand	Retail	Local Corporate	Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Group
Net Interest Income	2,415,724	1,027,157	107,274	253,818	137	19,111	(121,881)	48,423	3,749,763
Risk Provisions for Loans and Advances	(796,387)	(904,657)	(241,630)	(59,553)	-	-	-	3,559	(1,997,668)
Net Commission Income	59,639	152,908	7,513	107,040	-	(918)	(3,526)	141,718	464,374
Net Trading Result	109,466	44,943	1,792	-	-	175,068	(44,490)	24,272	311,051
General Administrative Expenses	(1,453,962)	(240,907)	(12,865)	(58,426)	(2,462)	(30,374)	(9,870)	137,060	(1,671,806)
Other Operating Result	(121,091)	(21,245)	(5,519)	(14,262)	(27)	(292)	(41)	(96,051)	(258,528)
Result from financial assets - Designated at fair value through P&L	-	(533)	-	-	-	14,081	4,759	(17,734)	573
Result from financial assets - Available for sale	84	154	-	-	-	(671)	35,704	8,881	44,152
Profit before tax	214,473	57,820	(143,435)	228,617	(2,352)	176,005	(139,345)	250,128	641,911
Income tax expense	(37,058)	(3,260)	-	(46,044)	-	(35,448)	-	(52,459)	(174,269)
Profit for the year	177,415	54,560	(143,435)	182,573	(2,352)	140,557	(139,345)	197,669	467,642

RON Thousand	Retail	Local Corporate	Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Group
Cash and balances with central banks	17	24,484	-	-	-	12	8,484,986	1,035,896	9,545,395
Loans and advances to credit institutions	125,928	72,253	-	-	-	548	1,428,165	144,844	1,771,738
Loans and advances to customers	23,745,220	20,417,211	3,059,293	4,319,828	-	-	1,628,145	(931,100)	52,238,597
Risk provisions for loans and advances	(2,474,996)	(1,691,700)	(324,621)	(161,885)	-	-	-	(191,708)	(4,844,910)
Trading assets	-	-	-	-	-	966,944	-	-	966,944
Financial assets - Designated at fair value through P&L	-	23,964	-	-	-	-	7,611	10,388	41,963
Financial assets - Available for sale	-	235,466	-	-	-	65,167	3,529,195	95,543	3,925,371
Financial assets - Held to maturity	443,865	133	-	-	-	-	4,998,420	-	5,442,218
Intangible assets	103,649	-	-	-	-	-	-	320,671	424,320
Property and equipment	3,231	324	-	-	-	10	-	1,690,373	1,693,938
Tax assets	2,337	-	-	-	-	-	-	244,236	246,573
Other assets	211,342	104,378	9,038	14,311	-	268	-	1,791,572	2,130,909
Assets held for sale and discontinued operations	-	-	-	-	-	-	-	29,429	29,429
TOTAL ASSETS	22,160,393	19,186,513	2,743,710	4,172,254	-	1,032,949	20,076,522	4,240,144	73,612,485

3. SEGMENT INFORMATION (continued)

Group - Business segments 2010

RON Thousand	Retail	Local Corporate	Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Group
Deposits by banks	1,487,386	150,525	-	-	20,198,920	-	(13,299)	-	21,823,532
Repurchase agreements							1,886		1,886
Customer deposits & Debt securities in issue	28,057,081	4,971,143	120,387	4,613,089	719,419	-	(16,006)	-	38,465,113
Derivatives financial instruments	-	-	-	-	1,907,687	-	(119,310)	-	1,788,377
Other provisions	5,146	99	-	-	-	-	248,706	-	253,951
Tax liabilities	23,763	96	-	-	-	101	496,171	-	520,131
Other liabilities	(115,233)	165,872	2,728	4,319	5,430	-	1,625,399	-	1,688,515
Subordinated liabilities	-	17,142	-	-	1,997,157	-	(46,982)	-	1,967,317
Total Equity	1,530,642	1,394,232	228,322	408,156	51,146	56,738	3,433,233	1,194	7,103,663
TOTAL LIABILITIES	30,988,785	6,699,109	351,437	5,025,564	24,879,759	56,839	5,609,798	1,194	73,612,485

3. SEGMENT INFORMATION (continued)

Group - **Business segments 2009**

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

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

3. SEGMENT INFORMATION (continued)

Group - Business segments 2009

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

3. SEGMENT INFORMATION (continued)

Bank - Business segments 2010

RON Thousand	Local Retail	Local Corporate	Local Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Group
Net Interest Income	2,199,799	981,167	94,382	234,113	137	19,033	(88,578)	213,885	3,653,938
Risk Provisions for Loans and Advances	(698,651)	(765,506)	(234,032)	(47,936)	-	-	-	19,108	(1,727,017)
Net Commission Income	44,991	151,393	7,261	106,676	-	(914)	(2,238)	133,683	440,852
Net Trading Result	111,111	41,297	1,792	-	-	175,067	(54,624)	17,923	292,566
General Administrative Expenses	(1,385,260)	(231,120)	(11,369)	(56,318)	(2,462)	(29,628)	(8,971)	36,416	(1,688,712)
Other Operating Result	(58,896)	(6,889)	(194)	(6,044)	(25)	(57)	(38)	(58,331)	(130,474)
Result from financial assets - Designated at fair value through P&L	-	(533)	-	-	-	14,082	4,759	(17,734)	574
Result from financial assets - Available for sale	84	154	-	-	-	(665)	35,704	3,087	38,364
Profit before tax	213,178	169,963	(142,159)	230,490	(2,350)	176,919	(113,987)	348,037	880,091
Income tax expense	(35,920)	(28,639)	23,954	(38,838)	396	(29,811)	19,207	(58,608)	(148,259)
Profit for the year	**177,258**	**141,324**	**(118,205)**	**191,652**	**(1,954)**	**147,108**	**(94,780)**	**289,429**	**731,832**

RON Thousand	Local Retail	Local Corporate	Local Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Group
Cash and balances with central banks	-	-	-	-	-	-	8,484,986	983,537	9,468,523
Loans and advances to credit institutions	-	-	-	-	-	-	1,411,779	43,956	1,455,735
Loans and advances to customers	21,204,935	19,194,594	2,870,850	4,021,460	-	-	1,628,145	(312,217)	48,607,767
Risk provisions for loans and advances	(1,613,570)	(1,258,624)	(300,078)	(123,026)	-	-	-	(151,651)	(3,446,949)
Trading assets	-	-	-	-	-	966,944	-	-	966,944
Financial assets - Designated at fair value through P&L	-	23,964	-	-	-	-	7,611	10,388	41,963
Financial assets - Available for sale	-	184,879	-	-	-	65,115	3,529,521	1,184,080	4,963,595
Financial assets - Held to maturity	-	-	-	-	-	-	4,998,420	-	4,998,420
Intangible assets	-	-	-	-	-	-	-	220,638	220,638
Property and equipment	-	-	-	-	-	-	-	751,276	751,276
Tax assets	-	-	-	-	-	-	-	189,527	189,527
Other assets	-	-	-	-	-	-	-	1,727,748	1,727,748
Assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	19,591,365	18,144,813	2,570,772	3,898,434	-	1,032,059	20,060,462	4,647,282	69,945,187

3. SEGMENT INFORMATION (continued)

Bank - Business segments 2010

RON Thousand	Retail	Local Corporate	Real Estate	GLC	CFO	Treasury	BSM	Corporate Center	Group
Deposits by banks	-	-	-	-	-	-	18,902,313	-	18,902,313
Repurchase agreements	-	-	-	-	-	-	1,886	-	1,886
Customer deposits & Debt securities in issue	27,552,212	4,900,362	120,387	4,613,089	-	-	719,417	19,856	37,925,323
Derivatives financial instruments	-	-	-	-	-	-	1,788,377	-	1,788,377
Other provisions	-	-	-	-	-	-	-	226,471	226,471
Tax liabilities	-	-	-	-	-	-	-	465,990	465,990
Other liabilities	-	-	-	-	-	-	119,310	1,428,562	1,547,872
Subordinated liabilities	-	-	-	-	-	-	1,967,317	-	1,967,317
Total Equity	1,196,610	1,281,496	209,714	378,692	1,194	55,949	43,187	3,952,796	7,119,638
TOTAL LIABILITIES	28,748,822	6,181,858	330,101	4,991,781	1,194	55,949	23,541,807	6,093,675	69,945,187

3. SEGMENT INFORMATION (continued)

Bank - Business segments 2009

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

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

3. SEGMENT INFORMATION (continued)

Bank - Business segments 2009

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

4. INTEREST AND SIMILAR INCOME

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Due from banks	181,392	443,142	176,102	429,805
Loans and advances to customers	5,171,416	6,475,950	4,816,650	6,096,511
Financial investments – available-for-sale	239,965	190,277	239,332	186,626
Financial investments – held-to-maturity	332,344	134,485	308,915	132,725
Interest from derivatives	960,070	1,509,559	960,070	1,509,559
Dividend income	2,950	2,833	131,706	126,572
Rental income	11,222	11,328	12,172	9,342
Financial assets designated at fair value through profit or loss	7,599	6,345	1,901	3,392
Other	5,989	66,445	1,219	728
	6,912,947	**8,840,364**	**6,648,067**	**8,495,260**

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

5. INTEREST AND SIMILAR EXPENSE

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Due to banks	1,224,171	2,124,380	1,066,677	1,994,612
Due to customers	1,530,006	2,455,323	1,518,447	2,459,500
Debt issued and other borrowed funds	30,999	44,191	30,999	44,191
Interest from derivatives	207,180	166,014	207,180	166,014
Subordinated liabilities	161,662	210,459	161,661	210,459
Other	9,166	1,693	9,165	1,692
	3,163,184	**5,002,060**	**2,994,129**	**4,876,468**

6. NET FEES AND COMMISSION INCOME

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Lending business	160,919	267,311	157,661	256,418
Payment transfers	603,346	557,781	608,115	562,578
Other fees received	105,872	99,132	64,642	51,798
Total fees and commission income	870,137	924,224	**830,418**	870,794
Lending business	268,564	123,653	266,944	123,662
Payment transfers	115,843	88,065	113,799	86,335
Other fees paid	21,356	4,530	8,823	2,178
Total fees and commission expense	**405,763**	**216,248**	**389,566**	**212,175**
Net fees and commission income	**464,374**	**707,976**	440,852	**658,619**

7. NET TRADING INCOME

RON Thousand	Group		Bank	
	2010	2009	2010	2009
Debt securities and equity investments (i)	68,147	172,659	68,147	172,659
Net realized foreign exchange gains from foreign exchange transactions (ii)	213,549	235,368	213,549	233,816
Net effect of translation of foreign currency denominated asset and liabilities	29,355	15,771	10,870	10,285
Net trading income	**311,051**	**423,798**	**292,566**	**416,760**

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

(ii) Net realized foreign exchange gains from foreign exchange transactions include gains and losses mainly from money market instruments and also from currency swaps, spot and forward contracts.

8. OTHER OPERATING INCOME

RON Thousand	Group		Bank	
	2010	2009	2010	2009
Gains/(losses) from sales of available-for-sale financial investments (i)	47,531	(5,163)	41,743	(5,167)
Gains/(losses) from sales of fixed assets (ii)	3,767	-	(46,498)	124,738
Reversal of impairment of financial assets available for sale (iii)	-	150,000	-	150,000
Release and utilization of provisions for litigations (Note 30)	2,694	32,211	2,582	32,211
Other (iv)	22,060	51,438	26,110	46,999
	76,052	**228,486**	**23,937**	**348,781**

(i) Included in "Gains/(losses) from sales of available-for-sale financial investments" are the amounts transferred from equity to the income statement on the derecognizing of available-for-sale investments.

(ii) During 2010 and 2009 BCR Bank sold land and buildings to BCR subsidiaries specialized in real estate management, which are fully consolidated in BCR Group.

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

(iv) Other income includes income from non-banking activities, mainly services related to cash transportation and collection, indemnities paid by insurance companies, services of Electronic Archive registration, and sales of payment documents.

9. CREDIT LOSS EXPENSE

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Loans and advances to customers				
Retail	795,387	1,552,988	698,651	1,351,451
Local Corporate	902,604	324,231	763,453	324,304
Real Estate	240,396	91,196	232,798	91,196
Group large corporate	28,570	22,825	16,953	23,022
Corporate Center	(3,559)	218,271	(19,108)	184,650
	1,963,398	2,209,511	1,692,747	1,974,623
Financial guarantee contracts	34,270	72,869	34,270	72,598
	1,997,668	**2,282,380**	**1,727,017**	**2,047,221**

Financial guarantee expense is allocated to the Large Corporate and Group Large Corporate segments.

10. PERSONNEL EXPENSES

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Wages and salaries	644,227	673,038	561,102	613,041
Social security costs	209,852	216,477	191,252	201,983
Benefit paid on normal age retirement – Defined benefit plan costs (Note 31)				
Interest cost	5,733	5,525	5,733	5,525
Current service cost	7,068	6,813	7,068	6,820
Past Service Cost	2,362	2,820	2,362	2,820
Total defined benefit plan costs	**15,163**	**15,158**	**15,163**	**15,165**
Contribution pension plan	4,451	17,070	2,509	13,160
	873,693	**921,743**	**770,026**	**843,349**

The number of employees of the Bank at 31 December 2010 was 8,020 employees (31 December 2009 was 8,719 employees). The number of the employees of the Group at 31 December 2010 was 9,130 employees (31 December 2009 was 9,339 employees).

11. OTHER OPERATING EXPENSES

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Advertising and marketing	59,053	65,442	48,045	53,570
Administrative	542,327	544,179	703,030	558,360
Payment into deposit insurance fund	63,785	55,952	63,388	55,899
Allocation of impairment of financial assets available-for-sale (i)	3,379	35,838	3,379	35,838
Allocation of impairment of assets held for sale	4,735	-	-	-
Selling losses from properties and movables	72,222	634	-	-
Impairment of goods repossessed from lease contracts	-	76,311	-	-
Other	146,307	41,013	49,280	28,340
	891,808	819,369	**867,122**	732,007

(i) Impairment of available for sale shares and fund units.

Audit fees in 2010 were RON 3,213 thousand (2009: RON 3,879 thousand).

12. TAXATION

Consolidated income statement

The components of income tax expense are:

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Current income tax	45,294	28,502	18,049	26,057
Deferred tax relating to origination and reversal of temporary differences	128,975	141,957	130,210	155,919
Income tax expense reported in the income statement	174,269	170,459	148,259	181,976

Reconciliation of the total tax charge

A reconciliation between the tax expense and the accounting profit multiplied by Romania's tax rate for the years ended 31 December 2010 and 2009 is as follows:

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Accounting profit before tax	**641,911**	**1,036,520**	**880,091**	**1,292,675**
At statutory income tax rate of 16% (2009: 16%)	102,874	166,115	140,815	206,828
Effect of different tax rates in other countries	16,062	14,331	-	-
Income not subject to tax	(1,883)	(33,619)	(21,413)	(52,813)
Non deductible expenses	57,216	23,632	28,857	27,961
Income tax expense reported in the income statement	174,269	170,459	148,259	181,976
The effective tax rate	27.15%	16.45%	16.85%	14.08%

12. TAXATION (continued)

Consolidated statement of changes in equity

Deferred tax related to items charged or credited directly to equity during the year is as follows:

GROUP

RON Thousand	2010 Actuarial gains / (losses)	2010 Available-for-sale reserve	2010 Net investment hedge	2010 Total	2009 Actuarial gains / (losses)	2009 Available-for-sale reserve	2009 Net investment hedge	2009 Total
At 1 January	9,546	(8,652)	(3,857)	(2,963)	9,109	(42,159)	-	(33,050)
Net gain of financial investments (available-for-sale)	-	3,051	-	3,051	-	33,507	-	33,507
Net investment hedge	-	-	(1,413)	(1,413)	-	-	(3,857)	(3,857)
Actuarial gains / (losses)	3,634	-	-	3,634	437	-	-	437
At 31 December	13,180	(5,601)	(5,270)	2,309	9,546	(8,652)	(3,857)	(2,963)

BANK

RON Thousand	2010 Available-for-sale reserve	2010 Actuarial gains / (losses)	2010 Total	2009 Available-for-sale reserve	2009 Actuarial gains / (losses)	2009 Total
At 1 January	(8,620)	9,696	1,076	(41,286)	9,035	(32,251)
Net gain of financial investments (available-for-sale)	2,794	-	2,794	32,666	-	32,666
Actuarial gains / (losses)	-	3,480	3,480	-	661	661
At 31 December	(5,826)	13,176	7,350	(8,620)	9,696	1,076

The deferred tax included in the balance sheet and changes recorded in the income tax expense are as follows:

12. TAXATION (continued)

GROUP

RON Thousand	Deferred tax asset 2010	Deferred tax liability 2010	Income statement 2010	Deferred tax asset 2009	Deferred tax liability 2009	Income statement 2009
Loans to customers, credit institutions	-	(482,800)	(149,515)	-	(333,286)	(153,376)
Available-for-sale reserve	-	5,601	-	-	8,652	-
Financial assets designated at fair value through profit or loss	-	306	1,048	-	(742)	(2,500)
Financial investments – available-for-sale	-	(31,775)	2	-	(31,777)	35
Held to maturity portfolio	-	(11,308)	(735)	-	(10,573)	(10,573)
Intangible assets	-	(10,919)	2,930	-	(13,849)	(486)
Property and equipment	19,650	(3,780)	(8,324)	19,913	4,281	20,031
Other assets	-	(7,614)	6,669	-	(14,283)	(19,370)
Tax losses carried forward (including current year)	33,962	10,326	12,772	30,770	745	29,100
Amounts owed to customers, credit institutions	-	(146)	176	-	(322)	838
Debts issued and other borrowed funds	-	-	(1)	-	-	128
Provisions for retirement benefits	-	4,393	(3,780)	-	9,956	1,283
Other provisions	-	11,944	6,157	-	5,870	(4,401)
Other liabilities	-	12,097	3,626	-	8,470	(2,666)
Net investment hedge	-	5,270	-	-	3,857	-
	53,612	**(498,405)**	(128,975)	50,683	(363,001)	(141,957)

BANK

RON Thousand	Deferred tax asset 2010	Deferred tax liability 2010	Income statement 2010	Deferred tax asset 2009	Deferred tax liability 2009	Income statement 2009
Loans to customers, credit institutions	-	(458,754)	(153,194)	-	(305,560)	(121,317)
Available-for-sale reserve	-	5,825	-	-	8,620	-
Financial assets designated at fair value through profit or loss	-	1,091	1,046	-	45	(2,436)
Financial investments – available-for-sale	-	(30,855)	38	-	(30,894)	(128)
Financial investments - held to maturity		(734)	(734)		-	-
Intangible assets	-	(1,228)	12,216	-	(13,444)	115
Property and equipment	-	(4,758)	(10,011)	-	5,254	893
Other assets	-	(6,141)	6,848	-	(12,989)	(17,760)
Amounts owed to customers, credit institutions	-	(147)	122	-	(269)	784
Debts issued and other borrowed funds	-	-	-	-	-	129
Provision for retirement benefits	-	28,315	9,272	-	22,523	3,311
Other liabilities	-	1,396	4,187	-	(2,790)	(19,510)
	-	**(465,990)**	(130,210)	-	(329,504)	(155,919)

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

13. COMPONENTS OF OTHER COMPREHENSIVE INCOME

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Available-for-sale financial investments				
Net gain/(loss) on available-for-sale financial investments	(18,415)	248,637	(18,355)	245,219
Reclassification for gain/(loss) included in income statement	35,816	(41,052)	35,821	(41,052)
Exchange differences on translation of foreign operations	7,521	34,521	-	-
Net loss on hedge of net investment	(6,208)	(26,730)	-	-
Actuarial gains on defined benefit plans	21,753	3,295	21,753	4,123
Income tax relating to the components of other comprehensive income	(5,234)	(30,087)	(6,274)	(33,327)
	35,233	**188,584**	**32,945**	**174,963**

14. DIVIDENDS PAID

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

No dividends were paid in 2010 (2009: RON 813,072 thousand).

15. CASH AND BALANCES WITH CENTRAL BANKS

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Cash on hand (Note 35)	995,116	1,292,004	983,537	1,284,433
Current account with the central banks (Note 35)	8,550,279	8,604,517	8,484,986	8,534,757
	9,545,395	**9,896,521**	**9,468,523**	**9,819,190**

The current accounts held by the Bank with National Bank of Romania are for compliance with the minimum reserve requirements. Mandatory reserve rates were for RON 15% (December 2009 : 15%) and for foreign currencies 25% (December 2009 : 25%).

The mandatory minimum reserve level calculated for 31 December 2010 is EUR 996,740 thousand and RON 4,128,162 thousand (for 31 December 2009 is EUR 1,007,638 thousand and RON 3,477,896 thousand)

16. DUE FROM BANKS

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Nostro account	67,488	207,983	57,728	140,301
Placements with the central banks (i)	416	44,176	416	293
Placements with other banks	1,659,878	1,485,153	1,353,635	1,228,949
Loans and advances to banks	43,956	155,654	43,956	83,519
	1,771,738	**1,892,966**	**1,455,735**	**1,453,062**

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

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets Held for Trading

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Listed equity investments (i)	1,195	3,491	1,195	3,491
Unlisted debt securities (ii)	956,773	397,860	956,773	397,860
Listed bonds	8,976	-	8,976	-
	966,944	401,351	966,944	401,351

Financial assets designated at fair value through profit or loss

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Listed equity investments (i)	10,389	11,041	10,389	11,041
Listed debt securities (iii)	23,963	93,799	23,963	93,799
Unlisted equity investments (iv)	7,611	60,697	7,611	60,697
	41,963	165,537	41,963	165,537

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

18. LOANS AND ADVANCES TO CUSTOMERS

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Public sector (i)	6,756,286	5,605,724	6,606,271	5,449,473
Commercial customers	22,869,571	21,468,209	21,082,960	18,499,546
Private customers	22,612,740	24,070,666	20,918,536	22,565,048
	52,238,597	**51,144,599**	**48,607,767**	**46,514,067**
Less: Allowance for impairment losses	(4,844,910)	(3,777,351)	(3,446,949)	(2,883,177)
	47,393,687	**47,367,248**	**45,160,818**	**43,630,890**

(i) including governmental credit

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

(a) Allowance for impairment losses

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 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**

(i) During 2010 and 2009 BCR Bank sold doubtful loans to workout companies outside BCR Group and also to workout companies which are BCR subsidiaries and are fully consolidated in BCR Group.

(b) Analysis by sector

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Private households	20,188,941	21,024,482	18,666,326	19,805,619
Banking and insurance	611,764	905,793	801,435	866,834
Manufacturing	8,362,643	8,054,292	7,549,222	7,384,486
Construction	5,406,236	4,560,497	4,929,848	4,144,724
Public administration	6,707,028	5,134,502	6,623,741	5,065,550
Trade	4,399,405	4,712,487	3,685,116	3,813,235
Agriculture and forestry	1,546,461	1,738,285	1,443,917	1,631,918
Transport and communication	1,453,667	1,634,982	875,671	948,721
Other service activities	708,999	1,048,584	544,929	820,259
Health and social work	146,887	151,212	103,328	105,181
Real estate and housing	854,105	791,617	1,720,340	755,159
Energy and water supply	937,677	623,300	898,371	592,542
Hotels and restaurants	502,968	569,024	415,363	472,274
Mining	362,007	171,084	330,191	94,478
Other	49,809	24,458	19,969	13,087
	52,238,597	**51,144,599**	**48,607,767**	46,514,067
Less: allowance for impairment losses	(4,844,910)	(3,777,351)	(3,446,949)	(2,883,177)
	47,393,687	**47,367,248**	**45,160,818**	**43,630,890**

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

c) Finance lease receivables

The Group acts as a lessor under finance leases through the subsidiary BCR Leasing SA, mainly on motor vehicles and equipment. The leases are mainly denominated in EUR and typically run for a period of between 1-15 years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease based on fixed and variable (based on EURIBOR) interest rates. The receivables are secured by the underlying assets and by other collateral. Loans and advances to customers include the following finance lease receivables:

RON thousand	2010	2009
Gross investment in finance leases	1,821,308	2,396,373
Unearned finance income	(224,120)	(304,199)
Allowance for impairment	(204,520)	(115,459)
Net investment in finance leases	**1,392,668**	**1,976,715**
Net investment in finance leases, with remaining maturities		
Less than one year	423,685	652,781
Between one and five years	749,582	1,147,058
More than five years	219,401	176,876
Net investment in finance leases	1,392,668	1,976,715

19. FINANCIAL INVESTMENTS

Available-for-sale

	Group		Bank	
RON Thousand	2010	2009	2010	2009
Listed investments				
Debt securities	403,194	-	359,934	-
Equities	20,670	19,029	17,269	19,029
	423,864	**19,029**	**377,203**	**19,029**
Non-listed investments				
Other debt securities	3,469,876	3,008,220	3,419,581	2,999,747
Unlisted equity securities	7,446	11,798	-	4,816
Equities:				
- investments in subsidiaries (i)	-	-	1,141,049	766,514
- other investments	24,185	24,188	25,762	25,762
	3,501,507	**3,044,206**	**4,586,392**	**3,796,839**
Total available for sale investments	**3,925,371**	**3,063,235**	**4,963,595**	**3,815,868**

All unquoted available–for–sale equities are recorded at fair value except for the Bank's investments in subsidiaries and other companies, in amount of RON 1,166,811 thousand, which are recorded at cost since their fair values cannot be reliably estimated (2009: the same). There is no market for this investments and the Bank intends to hold them for the long term.

19. FINANCIAL INVESTMENTS (continued)

(i)Movement in investments in subsidiaries :

Subsidiary	RON Thousand	Description
BCR Chisinau – MDL	59,239	increase in existing capital
BCR Finance BV - EUR	6,754	increase in existing capital
BCR Leasing IFN SA	80,000	increase in existing capital
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	42,800	increase in existing capital
BCR Partener IFN SA	130	increase in existing capital
Suport Colect SRL	7,389	increase in existing capital
BCR Real Estate Management SRL	161,179	increase in existing capital
Good.bee Service RO SRL	17,044	acquisition of new subsidiary
Total	374,535	

Listed equities include investments in Financial Investment Companies ("SIF's") shares quoted on Bucharest Stock Exchange
Listed debt securities include state bonds quoted on Bucharest Stock Exchange and bonds issued by municipalities.
Unlisted debt securities available for sale of Group and Bank include treasury bills denominated in RON and foreign currencies, state bonds issued by the Romanian Government in foreign currencies and municipality bonds.
Unlisted equity securities include investments in unit funds administrated by Erste Asset Management.

Held-to-maturity

	Group		Bank	
RON Thousand	2010	2009	2010	2009
Non-listed debt securities	637,608	-	637,608	-
Listed debt securities	4,804,610	2,388,919	4,360,812	2,155,958
	5,442,218	2,388,919	4,998,420	2,155,958

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

On 31 December 2010, government bonds in amount of RON 89,477 thousand (31 December 2009: RON 88,722 thousand) have been used as collateral to the National Bank of Romania in order to ensure final settlement of interbank multilateral clearing operations according to NBR Rule No. 1/2005, for the settlement of transactions through ROCLEAR Bucharest, NBR's Clearing House, and VISA and MasterCard card transactions.

20. PROPERTY AND EQUIPMENT

RON Thousand	Group				Bank			
	Land and buildings	Computer hardware	Other furniture and equipment	Total	Land and buildings	Computer hardware	Other furniture and equipment	Total
Cost:								
At 1 January 2010	1,687,150	310,346	763,446	2,760,942	797,393	302,971	741,509	1,841,873
Additions	57,860	37,846	83,837	179,543	26,898	34,490	71,172	132,560
Disposals	(125,957)	(9,074)	(19,067)	(154,098)	(348,217)	(5,933)	(16,507)	(370,657)
Reclassification	-	297,639	(297,639)	-	-	299,548	(299,548)	-
Exchange adjustment	(754)	121	(42)	(675)	-	-	-	-
At 31 December 2010	1,618,299	636,878	530,535	2,785,712	476,074	631,076	496,626	1,603,776
Depreciation and impairment:								
At 1 January 2010	309,025	243,772	481,545	1,034,342	135,506	238,955	468,683	843,144
Disposals	(70,712)	(9,038)	(12,780)	(92,530)	(94,583)	(5,932)	(12,879)	(113,394)
Depreciation charge for the year	53,241	66,403	30,624	150,268	29,840	65,689	27,221	122,750
Reclassification	-	166,912	(166,912)	-	-	153,783	(153,783)	-
Exchange adjustment	159	(29)	(436)	(306)	-	-	-	-
At 31 December 2010	291,713	468,020	332,041	1,091,774	70,763	452,495	329,242	852,500
Net book value:								
At 1 January 2010	1,378,125	66,574	281,901	1,726,600	661,887	64,016	272,826	998,729
At 31 December 2010	1,326,586	168,858	198,494	1,693,938	405,311	178,581	167,384	751,276
Cost:								
At 1 January 2009	1,630,689	279,181	724,863	2,634,733	1,520,079	274,145	710,536	2,504,760
Additions	49,537	29,864	55,697	135,098	40,451	29,110	49,590	119,151
Disposals	-	(2,491)	(23,447)	(25,938)	(763,137)	(284)	(18,617)	(782,038)
Reclassification from assets held for sale of ARB fixed assets	6,672	3,732	6,330	16,734	-	-	-	-
Exchange adjustment	252	60	3	315	-	-	-	-
At 31 December 2009	1,687,150	310,346	763,446	2,760,942	797,393	302,971	741,509	1,841,873
Depreciation and impairment:								
At 1 January 2009	257,102	216,184	440,917	914,203	245,202	213,696	432,572	891,470
Disposals	-	(2,491)	(23,447)	(25,938)	(154,391)	(284)	(18,617)	(173,292)
Depreciation charge for the year	49,386	26,785	58,312	134,483	44,695	25,543	54,728	124,966
Reclassification from assets held for sale of ARB fixed assets	2,431	3,314	5,200	10,945	-	-	-	-
Exchange adjustment	106	(20)	563	649	-	-	-	-
At 31 December 2009	309,025	243,772	481,545	1,034,342	135,506	238,955	468,683	843,144
Net book value:								
At 1 January 2009	1,373,587	62,997	283,946	1,720,530	1,274,877	60,449	277,964	1,613,290
At 31 December 2009	1,378,125	66,574	281,901	1,726,600	661,887	64,016	272,826	998,729

The fair value of land and buildings is RON 1,465,351 thousand for the Group and RON 477,261 thousand for the Bank. The fair value of land and buildings has been assessed as at 31 December 2009 by an independent evaluator.

There are no fixed assets pledged as collateral as at 31 December 2010, and 31 December 2009.

The total cost of the Bank's tangible fixed assets fully amortized at the end of 2010 was RON 393,577 thousand.

21. GOODWILL AND OTHER INTANGIBLE ASSETS

RON Thousand	Group				Bank
	Goodwill	Computer software	Customer relationship	Total	Computer software
Cost:					
At 1 January 2010	**36,552**	**481,709**	**72,547**	**590,808**	**476,799**
Additions	9,723	68,435	34,502	112,660	64,850
Disposals	-	(30,575)	(106)	(30,681)	(86,519)
Exchange adjustment	-	367	-	367	-
At 31 December 2010	**46,275**	**519,936**	**106,943**	**673,154**	**455,130**
Amortization:					
At 1 January 2010	**-**	**200,753**	**856**	**201,609**	**191,260**
Disposals	-	(3,476)	(106)	(3,582)	(1,629)
Amortization charge for the year	-	46,465	4,533	50,998	44,861
Exchange adjustment	-	(191)	-	(191)	-
At 31 December 2010	**-**	**243,551**	**5,283**	**248,834**	**234,492**
Net book value:					
At 1 January 2010	**36,552**	**280,956**	**71,691**	389,199	**285,539**
At 31 December 2010	**46,275**	**276,385**	**101,660**	424,320	**220,638**
Cost:					
At 1 January 2009	**36,552**	**392,230**	**-**	**428,782**	**387,052**
Additions	-	93,791	72,547	166,338	92,943
Reclassification from assets held for sale of ARB fixed assets	-	11,306	-	11,306	-
Disposals	-	(15,761)	-	(15,761)	(3,196)
Exchange adjustment	-	143	-	143	-
At 31 December 2009	**36,552**	**481,709**	**72,547**	**590,808**	**476,799**
Amortization:					
At 1 January 2009	**-**	**155,056**	**-**	**155,056**	**153,403**
Disposals	-	(6,864)	-	(6,864)	(3,196)
Reclassification from assets held for sale of ARB fixed assets	-	10,551	-	10,551	-
Amortization charge for the year	-	41,900	856	42,756	41,053
Exchange adjustment	-	110	-	110	-
At 31 December 2009	**-**	200,753	**856**	**201,609**	**191,260**
Net book value:					
At 1 January 2009	36,552	**237,174**	**-**	**273,726**	**233,649**
At 31 December 2009	36,552	280,956	71,691	**389,199**	**285,539**

The intangible assets comprise mainly software and the increase is due to the acquisition of software applications.
No impairment test of goodwill was performed, due to low materiality level.
Customer relationships arise from acquisition of pension contracts by the subsidiary BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA, from another pension fund.
The total cost of the Bank's intangible fixed assets fully amortized at the end of 2010 was RON 160,736 thousand.

22. OTHER ASSETS

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Accrued interest receivable, net of provision for impairment	1,345,624	1,209,258	1,078,087	1,058,540
Prepayments	78,653	35,480	61,233	17,962
Other receivables *	663,345	486,017	545,162	466,119
Fair value hedge / measurement of hedged item	-	79,764	-	79,764
	2,087,622	**1,810,519**	**1,684,482**	**1,622,385**

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

Accrued interest receivable

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Due from banks	2,894	139,810	2,641	34,115
Due from customers, net of provision	1,026,340	755,562	778,248	717,008
Financial instruments – assets	96,685	169,433	96,356	162,964
Other interest bearing assets	219,705	78,355	200,842	78,355
Derivatives	-	66,098	-	66,098
	1,345,624	1,209,258	1,078,087	1,058,540

23. DUE TO BANKS

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Deposits from other banks	17,256,172	14,891,153	16,940,219	14,101,098
Current accounts of other banks	97,081	180,655	93,027	180,655
Borrowings and financing lines	4,470,279	6,051,648	1,869,067	2,136,920
	21,823,532	**21,123,456**	18,902,313	16,418,673

23. DUE TO BANKS (continued)

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

RON thousand	2010	2009
International Finance Corporation, USA (i)	408,340	497,550
European Bank for Reconstruction and Development for mortgage loans (ii)	81,503	171,087
European Bank for Reconstruction and Development – SME (iii)	428,480	422,820
European Bank for Reconstruction and Development – SMM (iv)	71,415	74,857
EBRD- EEFF (v)	82,635	27,553
EBRD- CSF (vi)	61,211	63,423
European Investment Bank - Global Loan (vii)	207,099	211,410
European Investment Bank – Loans for SMEs (viii)	128,544	-
A bank from Germany	-	33,762
A bank from Austria	-	126,834
A bank from Hungary	28,565	65,714
A bank from Germany	85,696	84,654
Other loans	285,579	357,256
Total	**1,869,067**	**2,136,920**

i) International Finance Corporation ("IFC")

The Bank has concluded three financing agreements with IFC.

The first agreement was dated 17 December 2002, its purpose being to improve the structure of Bank's balance sheet by reducing maturity mismatches between foreign currency assets and foreign currency liabilities, and to expand Bank's activities with private sector firms and individuals. Committed amount represented USD 75,000,000 and has been fully drawn by the Bank. The reimbursements were due in biannual installments starting with 15 June 2006 and ending on 15 December 2009. Interest payment was biannual at a variable interest rate of LIBOR 6 months plus a revised margin. Based on the amendment dated December 2005, the outstanding loan payable of USD 67,500,000 was converted into a EUR facility, the loan balance being EUR 15,299,615 at 31 December 2010. This revised facility is payable in semi-annual equal installments starting with 15 December 2006 and ending on 15 December 2012 with interest payments also biannual at a variable interest rate of EURIBOR 6 months plus a revised margin.

The second agreement is dated 5 December 2006, its purpose being to provide the Bank with long-term funds to expand its lending to small and medium enterprises and to strengthen its retail lending. Committed amount represents EUR 75,000,000 which has been fully drawn by the Bank. The balance at 31 December 2010 was EUR 30,000,000. The reimbursements are due in biannual installments starting with 15 June 2008 and ending on 15 December 2012. Interest payment is biannual at a variable interest rate of EURIBOR 6 months plus a revised margin.

The third agreement is dated 30 June 2009, its purpose being to provide the Bank with long-term funds to expand its lending to the clients from agribusiness sector. Committed amount represent EUR 50,000,000 which has been fully drawn by the Bank. The balance at 31 December 2010 was EUR 50,000,000. The reimbursements are due in biannual installments starting with 15 July 2011 and ending on 15 July 2014. Interest payment is biannual at a variable interest rate of EURIBOR 6 months plus a revised margin.

ii) European Bank for Reconstruction and Development ("EBRD") mortgage loans

The Bank has concluded 2 finance agreements with EBRD for mortgage loans.

The first agreement is dated 14 January 2003, its purpose being to grant mortgages for real estate (houses, flats, and the respective land), as the case may be and the like used or to be used by individual sub-borrowers for personal use in Romania or legal entity sub-borrowers for constructing or buying houses, flats or the like in Romania for their employees.

23. DUE TO BANKS (continued)

Committed amount represents EUR 50,000,000 and drawn-downs can be either in EUR or USD. At 25 November 2006 an amendment to this agreement was signed, which among other provisions stipulates that the new repayment period will start on 17 May 2008 in 21 biannual equal installments on 17 May and 17 November. Interest is payable semi-annually at a variable interest rate of LIBOR 6 months plus a revised margin. On the basis of the second amendment signed at 7 February 2007, at 14 February 2007 a conversion of the outstanding loan from USD to EUR has been made. Consequently the balance of the loan after conversion became 41,984,237 EUR and the repayment period started on 17 May 2008. On 30 December 2010 a prepayment in amount of EUR 16,681,584 has been made. The balance was EUR 13,307,156 as of 31 December 2010 (31 December 2009, EUR 33,987,239).

The second agreement is dated 25 November 2005, its purpose also being to grant mortgages for sub-borrowers. Committed amount represents EUR 50,000,000 and drawn-downs can be either in EUR or USD. Bank has drawn only EUR 8,000,000 of the agreement amount and BERD cancelled undrawn balance in amount of EUR 42,000,000.

The loan is repayable in drawn-down in 21 equal bi-annual installments, starting with 17 may 2008, payable on 17 May and 17 November. Interest is payable semi-annually at a variable interest rate of LIBOR 6 months plus a revised margin. At 31 December 2010 the outstanding balance of the loan was of EUR 5,714,285 (31 December 2009, EUR 6,476,190).

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

The agreement dated 30 March 2009 amounting EUR 100,000,000 represents a Credit Line for small and medium-sized enterprises, used for financing investment projects and working capital. The loan was contracted for 5 years and has a grace period of 2 years; the first capital payment will be on 12 September 2011. As of 31 December 2010 the outstanding principal is EUR 100,000,000 (31 December 2009, EUR 100,000,000). The loan re-payment is made in equal biannual installments on 12 March and 12 September. Interest payment is also made in biannual installments.

iv) European Bank for Reconstruction and Development - Small and Medium-sized Municipalities (SMM)

The agreement dated 21 December 2004 represents a Finance Facility for small and medium-sized municipalities, their associations and utility companies held or controlled by them, to improve public services, upgrade infrastructure and meet EU environmental directives. Under this Facility, BCR and the SMM borrowers are the recipients of grants provided by the EU in the limit of EUR 3,000,000, in order to support the SMM borrowers and encourage the long term lending, as follows: for BCR – Maturity Enhancement Fee (EUR 1,000,000), Performance Fee (EUR 275,000) and Technical Co-Operation Support (EUR 300,000); for SMM borrowers – Municipality Financial Incentive (EUR 550,000) and Technical Assistance (EUR 875,000).

The committed amount is EUR 20,000,000. As at 31 December 2010 the outstanding loan principal is EUR 16,666,939 (31 December 2009: EUR 17,704,347). The loan re-payment is made in equal biannual installments on 19 May and 19 November. Interest payment is also made in biannual installments.

v) European Bank for Reconstruction and Development for energy efficiency projects with the support of the European Union

The agreement was concluded on 24 January 2008 and is a facility for financing investment in the industrial sector to reduce energy consumption and improving energy performance. Based on the amended dated March 31, 2010 the amount of the facility was increased up to EUR 30,000,000. Under this facility, both BCR and sub-lenders are beneficiary of financial incentives to encourage long-term loans, as follows: for BCR - performance fee (up to EUR 1,150,000) and free assistance provided by EBRD consultants for the promotion of loans and for bank staff training on compliance with eligibility criteria; sub-lenders - financial incentive (4,500,000 EUR), and free technical assistance to prepare documentation on the investment and to verify implementation. Committed amount is EUR 19,285,714 at 31 December 2010. Loan repayment is made in biannual installments, on June 12 and December 12 starting from 2010. Interest is paid in half-yearly installments.

vi) European Bank for Reconstruction and Development to support the competitiveness of SMEs supported European Union and the Romanian Government, through the Ministry of Development, Public Works and Housing

The agreement was concluded on 15 May 2008 and represents a facility financing to SMEs to meet one or more Priority Directives of the European Union on environmental protection, safety and health at work, quality and safety of products applicable in the relevant industrial sector. Under this facility, both BCR and SMEs are the beneficiaries of financial incentives to encourage long-term loans, as follows: for BCR - Administrative incentive (up to EUR 400,000) and free assistance provided by EBRD consultants for the promotion of loans and for training of

23. DUE TO BANKS (continued)

bank staff on compliance with eligibility criteria; for SME borrowers - financial incentive (4,000,000 EUR), and free technical assistance to prepare documentation on the investment and to verify implementation. Committed amount is EUR 14,285,714 at 31 December 2010. Loan repayment is made in biannual installments, on June 12 and December 12 starting from 2010. Interest payment is also made in biannual installments.

vii) European Investment Bank (EIB) - Global Loan

BCR signed with the EIB on 24 November 2006 the financing for a loan in the overall total of EUR 50 million, for financing investment projects of small or medium size, developed by SMEs in any field (except the restricted / excluded from the EIB) and / or other private or public entities, regardless of their size and structure of social capital in fields of environment, infrastructure, knowledge based economy, rational use of energy, health, education. The loan was contracted with Erste Bank Guarantee.

As of 31 December 2010 the outstanding loan is EUR 48,333,333 (31 December 2009: EUR 50,000,000). The first tranche amounting EUR 10,000,000 will be repaid in biannual installments, on May 23 and November 23. The loan was contracted for 8 years and has a grace period of 2 years; the first capital payment was on 24 May 2010. Interest is paid in half-yearly installments, at the same dates as the principal. The second tranche in value of EUR 25,000,000 has a bullet repayment on 10 February 2017, with a semiannual interest payment. The third tranche in value of EUR 15,000,000 has a bullet repayment on 13 April 2017, with a semiannual interest payment.

viii) European Investment Bank (EIB) – Loan for SMEs

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

As of 31 December 2010 the outstanding loan is EUR 30,000,000 (31 December 2009: EUR 0). The first tranche amounting EUR 30,000,000 will be repaid in biannual installments, on January 12 and July 12. The first tranche was contracted for 12 years with a grace period of 2 years; the first capital payment will be on 12 July 2013. Interest is paid in half-yearly installments, at the same dates as the principal.

The final maturities of loans from banks and other financial institutions other than the facilities provided by EBRD and IFC, vary between January 2011 and February 2027.

In general, the loan agreements concluded with the banks and other financial institutions provide that if the Bank fails to perform any of its obligations under these agreements or any other agreements between the Bank and the other banks and financial institutions and such failure continues for a certain period after the other banks and financial institutions notify the Bank of that failure, these banks and other financial institutions may, under certain circumstances and by notice to the Bank, require the Bank to repay the loans immediately.

No assets of the Bank have been pledged as collateral for the above loans.

24. ASSETS HELD FOR SALE

Assets held for sale of RON 29,429 thousand in 2010 (RON 65,457 thousand in 2009) comprise repossessed cars from the leasing activity.

25. DUE TO CUSTOMERS

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Corporate customers:				
Current accounts	1,767,332	1,587,767	1,739,013	1,475,749
Term deposits	8,132,202	7,551,913	8,177,394	8,112,925
Retail customers:				
Current/saving accounts	5,197,202	6,301,462	5,179,374	6,288,265
Term deposits	22,730,200	20,186,967	22,191,365	19,947,963
	37,826,936	**35,628,109**	**37,287,146**	**35,824,902**

Included in 'Due to customers' were deposits of RON 431,831 thousand in 2010 (2009: RON 392,266 thousand) held as collateral for commitments and letters of guaranties.

26. DEBT ISSUED AND OTHER BORROWED FUNDS

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Bonds issued	428,034	138,074	428,034	138,074
Certificates of deposit	210,143	396,638	210,143	396,638
	638,177	**534,712**	**638,177**	**534,712**

During 2010 the Bank issued new listed medium term notes denominated in RON in amount of RON 185 million and listed medium term notes denominated in EUR in amount of EUR 24.2 million.

27. SUBORDINATED LIABILITIES

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

- EUR 120,000 thousand with the maturity date of 30 September 2016.

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

- RON 550,000 thousand with the maturity date on 17 April 2018;
- RON 780,000 thousand with the maturity date on 18 December 2018.

The loan agreements do not stipulate circumstances in which early disbursement is required and no provisions for converting subordinated debt in equity or other liability.

As of 31 December 2010 the outstanding nominal amount of subordinated bonds issued by BCR was : EUR 23.5 million and RON 20 million.

28. DERIVATIVE FINANCIAL INSTRUMENTS

RON Thousand	2010			2009		
	Assets	Liabilities	Notional	Assets	Liabilities	Notional
Hedging instruments						
Cross currency and interest rate swaps	17,557	1,726,250	11,626,882	-	1,836,482	12,192,231
Interest rate swaps	14,755	26,524	70,000	-	-	-
	32,312	**1,752,774**	**11,696,882**	**-**	**1,836,482**	**12,192,231**
Derivatives-other than hedging instruments						
Foreign currency swaps and forward contracts	4,703	2,788	3,184,084	12,564	-	3,692,029
Interest rate swaps	-	11,744	1,828,773	-	10,871	377,137
Warrants	1,170	180	247,993	514	418	124,564
Options	5,102	6,014	1,065,998	144	382	121,670
Cross currency and interest rate swaps	-	14,877	376,346	-	83	47,076
	10,975	35,603	6,703,194	13,222	11,754	4,362,476
TOTAL	43,287	1,788,377	18,400,076	**13,222**	**1,848,236**	**16,554,707**

Fair value hedges are used by the Bank to protect it against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates. The financial instruments hedged for interest rate risk include bonds issued and deposits. The Bank uses currency swaps to hedge against specifically identified currency risks, and interest rate swaps to hedge interest rate risk.

The fair value of hedged items attributable to the hedged risks amounted to RON 194,757 thousand as liabilities, presented in Note 29 (2009: RON 79,764 thousand as assets).

Included in 'Due to banks' at 31 December 2010 were deposits of EUR 80 million (equivalent to approximately RON 343 million), which have been designated as a hedge of the bank's net investment in its UK subsidiary, and is being used to hedge the Bank's exposure to foreign exchange risk on this investment. Gains or losses on the retranslation of the deposits are transferred to equity to offset any gains or losses on translation of the net investments in the subsidiary. No ineffectiveness from hedges of net investments in foreign operations was recognised in profit or loss during the year (2009: Nil).

29. OTHER LIABILITIES

RON Thousand	Group		Bank	
	2010	2009	2010	2009
Accrued interest payable (i)	391,056	491,452	379,284	465,171
Accounts payable and sundry creditors	1,042,577	643,377	920,169	599,378
Deferred income	60,125	65,802	53,662	58,878
Measurement of hedged item (Fair value hedge)	194,757	-	194,757	-
	1,688,515	1,200,631	1,547,872	1,123,427

29. OTHER LIABILITIES (continued)

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

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Due to banks	157,561	188,228	136,291	162,605
Due to customers	222,591	280,342	232,089	279,684
Debt issued and other borrowed funds	10,904	13,882	10,904	13,882
Derivatives	-	9,000	-	9,000
	391,056	491,452	379,284	465,171

30. PROVISIONS

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Provision for guarantees off-balance sheet	109,701	75,721	109,569	75,323
Provision for retirement benefits (Note 31)	55,660	65,444	54,582	65,444
Provision for litigations	63,287	39,630	58,244	38,986
Provision for restructuring (i)	21,227	7,808	-	-
Provisions for lay-offs	4,076	6,693	4,076	6,693
	253,951	195,296	226,471	186,446

(i) Provision for restructuring London and Bucharest branches of Anglo-Romanian Bank subsidiary (2010).
(i) Provision for restructuring Frankfurt branch of Anglo-Romanian Bank subsidiary (2009).

The movement of provisions during 2010 is as follows:

GROUP

RON Thousand	Provision for restructuring	Provision for litigations	Provisions for lay-offs	Provision for guarantees off balance sheet
At 1 January 2010	7,808	39,630	6,693	75,721
Arising during the year	21,227	24,303	4,076	34,269
Released	(7,808)	-	-	-
Utilised (Note 8)	-	(2,694)	(6,693)	-
Exchange-rate difference		2,048	-	(289)
At 31 December 2010	21,227	63,287	4,076	109,701

30. PROVISIONS (continued)

Bank

RON Thousand	Provision for litigations	Provisions for lay-offs	Provision for guarantees off balance sheet
At 1 January 2010	**38,986**	**6,693**	**75,323**
Arising during the year	20,053	4,076	34,269
Utilised (Note 8)	(2,582)	(6,693)	-
Exchange-rate difference	1,787	-	(23)
At 31 December 2010	**58,244**	**4,076**	**109,569**

31. RETIREMENT BENEFIT COSTS

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

RON Thousand	Group		Bank	
	2010	2009	2010	2009
Opening defined benefit obligation	**65,444**	**60,264**	**65,444**	**59,976**
Interest cost	5,733	5,525	5,733	5,525
Current service cost	7,068	6,813	7,068	6,820
Benefits paid	(3,194)	(3,108)	(3,181)	(2,747)
Actuarial losses on obligations	(21,753)	(4,043)	(21,753)	(4,123)
Past service cost	2,362	2,820	2,362	2,820
Curtailment of benefits/ Transfer of benefits to new subsidiary	-	(2,827)	(1,091)	(2,827)
	55,660	**65,444**	**54,582**	**65,444**

Defined benefit obligation

According to the collective labor agreement, employees of the Bank are entitled to one lump sum payment on the date of normal age retirement, of up to 6 gross monthly salaries (the Bank) and up to 3 gross monthly salaries (the subsidiary), depending on seniority. During 2010 a number of 171 employees of the Bank were transferred to a subsidiary, where they enjoy the same benefit.

This is a defined benefit plan that defines an amount of benefit that an employee is entitled to receive on the date of normal age retirement, dependent on one or more factors such as age, years of service and salary. A full actuarial valuation by a qualified independent actuary is carried out every year.

The plan liability is measured on an actuarial basis using the projected unit credit method adjusted for unrecognized actuarial gains and losses. The defined benefit plan liability is discounted using rates equivalent to the market yields at the balance sheet date of high-quality corporate bonds that are denominated in the currency in which benefits will be paid, and that have a maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the statement of changes in equity.

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

	2010 %	2009 %
Discount rate	6.7%	7.5%
Future salary increases	3%	5%
Mortality rates	ETTL- PAGLER	ETTL- PAGLER
Disability rates	ETTL- PAGLER	ETTL- PAGLER

32. ISSUED CAPITAL AND RESERVES

The statutory share capital of the Bank as at 31 December 2010 is represented by 792,468,750 ordinary shares of RON 1.30 each (31 December 2009: 792,468,750 ordinary shares of RON 1 each). The shareholders of the Bank are as follows:

	2010		2009	
	Number of shares	Percentage holding (%)	Number of shares	Percentage holding (%)
Erste Group Bank Ceps Holding GmbH	550,020,232	69.4059	549,230,910	69.3063
Societatea de Investitii Financiare ("SIF") „Banat Crisana"	47,548,125	6.0000	47,548,125	6.0000
Societatea de Investitii Financiare ("SIF") „Moldova"	47,548,125	6.0000	47,548,125	6.0000
Societatea de Investitii Financiare ("SIF") „Transilvania"	47,548,125	6.0000	47,548,125	6.0000
Societatea de Investitii Financiare ("SIF") „Muntenia"	47,548,125	6.0000	47,548,125	6.0000
Societatea de Investitii Financiare ("SIF") „Oltenia"	48,479,429	6.1175	48,479,429	6.1175
SAI Aviva Investors Romania SA	1,000	0.0001	1,000	0.0001
SC Actinvest SA	15,773	0.0020	15,773	0.0020
SC Carina Import Export SRL	4,376	0.0006	4,376	0.0006
SC Milord Impex SRL	1,951	0.0003	1,951	0.0003
SC Cozamin SRL	-	-	10,647	0.0013
Individuals	3,753,489	0.4736	4,532,164	0.5719
Total	**792,468,750**	**100**	**792,468,750**	**100**

In May 2010 the General Meeting of Shareholders of BCR approved the increase of the Bank's share capital with RON 237,740 thousand from the net profit for the year 2009. The increase of the share capital was made by increase in the nominal value of shares from RON 1 each to RON 1.30 each.

EGHB Ceps Holding GmbH increased its participation to 69.4059% from BCR's issued capital, following additional buying of shares from minority between 1-22 September 2010.

The holders of ordinary shares are entitled to periodically receive dividends as declared and are entitled to one vote per share at the general shareholders' meetings of the Bank.

The reconciliation of the statutory share capital of the Bank to the share capital in the balance sheet is presented below:

RON thousand	2010	2009
Share capital as per Romanian statutory accounts	1,030,209	792,469
IAS 29 hyperinflation adjustment recorded in prior years (i.e. until 31 December 2003)	1,327,224	1,327,224
Share capital in the IFRS balance sheet	**2,357,433**	**2,119,693**

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

32. ISSUED CAPITAL AND RESERVES (continued)

Other Capital Reserves

GROUP 2010

RON Thousand	Available-for-sale reserve	Foreign currency translation reserve	Actuarial gain / (loss)	Management share option plan	Net Investment hedge	Other capital reserve	Total
At 1 January 2010	(46,026)	134,402	50,233	1,395	(22,873)	1,007,940	1,125,071
Fair value change in available-for-sale financial assets	17,628	-	-	-	-	-	17,628
Actuarial gains / (losses)	-	-	21,753	-	-	-	21,753
MSOP	-	-	-	-	-	-	-
Net loss on hedge of net investment	-	-	-	-	(6,208)	-	(6,208)
Tax effect	(3,051)	-	(3,634)	-	1,413	-	(5,272)
Translation reserve	-	7,498	-	-	-	(184)	7,314
At 31 December 2010	(31,449)	141,900	68,352	1,395	(27,668)	1,007,756	1,160,286

Group 2009

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

Bank 2010

RON Thousand	Available-for-sale reserve	Actuarial gain / (loss)	Management share option plan	Other capital reserve	Total
At 1 January 2010	(45,250)	50,919	1,395	993,756	1,000,820
Fair value change in available-for-sale financial assets	17,466	-	-	-	17,466
Actuarial gain / (loss)	-	21,753	-	-	21,753
Tax effect	(2,794)	(3,480)	-	-	(6,274)
At 31 December 2010	(30,578)	69,192	1,395	993,756	1,033,765

Bank 2009

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

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

GROUP 2010

RON Thousand	Net profit	Reserves	Share capital
Bank – statutory	**55,427**	**3,753,510**	**1,030,209**
Subsidiaries - statutory, net of consolidation adjustments	**(116,461)**	**159,891**	**-**
Loans allowance	579,330	2,215,628	-
Loans – effective interest rate	45,796	516,990	-
Fair value through profit and loss	(9,207)	(41,862)	-
Property and equipment	-	(705,844)	-
Equity investments	-	(3,416)	-
Insurance business	-	(21,874)	-
Borrowings - amortized cost	(762)	(29,353)	-
Retirement benefit	(10,890)	(8,792)	-
Reversal of provision for interest	142,558	487,027	-
Reintegration of loans previously written-off	164,647	341,258	-
Share capital restatement for hyperinflation	-	(1,327,224)	1,327,224
Available-for-sale reserve	-	(36,983)	-
Actuarial gains/losses	-	82,372	-
Translation reserve	-	141,900	-
Impairment of assets held for sale	(59,011)	(71,134)	-
Management share option programm	-	1,395	-
Deferred tax	(128,975)	(499,513)	-
Other	1,267	164,447	-
Intragroup elimination dividends	(204,950)	(365,787)	-
Net investment hedge	6,208	(32,938)	-
Total BCR Group	**464,977**	**4,719,698**	**2,357,433**
Minority interest	2,665	26,532	-
Total	**467,642**	**4,746,230**	**2,357,433**

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

GROUP 2009

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

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

Bank 2010

RON Thousand	Net profit	Reserves	Share capital
Statutory	**55,427**	**3,753,510**	**1,030,209**
Loans – allowance for impairment losses	698,277	2,256,382	-
Loans – effective interest rate	45,796	516,990	-
Fair value through profit and loss	(9,914)	(42,849)	-
Property and equipment	(42,945)	(613,623)	-
Equity investments	-	(3,416)	-
Retirement benefit	(10,890)	(8,918)	-
Finance lease liability	-	(1,161)	-
Borrowings - amortized cost	(762)	(29,353)	-
Reversal of provision for interest	142,558	487,027	-
Reintegration of loans previously written-off	1,360	56,891	-
Share capital restatement for hyperinflation	-	(1,327,224)	1,327,224
Available-for-sale reserve	-	38,613	-
Actuarial gains/losses	-	82,372	-
Management share option program	-	1,395	-
Deferred tax	(130,210)	(515,711)	-
Other	(16,865)	111,280	-
Total	**731,832**	**4,762,205**	**2,357,433**

Bank 2009

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

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than forced sale or liquidation. The fair value is best evidenced by a quoted market price, if such exists.

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments.

Financial assets

Loans originated by the Group and leases are measured at amortized cost using the effective interest rates less any impairment reserve. The interest rate of approximately 95% of these assets is variable based on current market rates, and consequently, the carrying amounts of these assets approximate their fair value.

For deposits with banks, amortized cost is estimated to approximate fair value due to their short–term nature, interest rates reflecting current market conditions and no significant transaction costs. The amortized cost of treasury securities was not materially different from their quoted prices.

The remeasured cost net of any reserve for impairment of investments that are not listed at a stock exchange is estimated to approximate their fair value.

Financial liabilities

The amortized cost of customer deposits and borrowings is considered to approximate their respective fair values, since these items have predominantly short re-pricing terms, carry interest rates reflecting current market conditions and are settled without significant transaction costs.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

Group **2010**

RON Thousand	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Hedging instruments				
Cross currency and interest rate swaps	-	17,557	-	17,557
Interest rate swaps	-	14,755	-	14,755
	-	32,312	-	32,312
Derivatives-other than hedging instruments				
Foreign currency swaps and forward contracts	-	4,703	-	4,703
Warrants	-	1,170	-	1,170
Options	-	5,102	-	5,102
	-	10,975	-	10,975
	-	43,287	-	43,287
Financial assets held for trading				
Government debt securities	-	965,749	-	965,749
Quoted securities	1,195	-	-	1,195
	1,195	965,749	-	966,944
Financial assets designated at fair value through profit or loss				
Quoted investments	10,389	-	-	10,389
Debt securities	-	7,611	23,963	31,574
	10,389	7,611	23,963	41,963
Financial investments available-for-sale				
Quoted investments	63,930	-	-	63,930
Government debt securities	-	3,644,931	-	3,644,931
Debt securities	-	-	184,879	184,879
Unquoted investments	-	7,446	-	7,446
	63,930	3,652,377	184,879	3,901,186
	75,514	4,669,025	208,842	4,953,380
Financial liabilities				
Derivative financial instruments				
Hedging instruments				
Cross currency and interest rate swaps	-	1,726,250	-	1,726,250
Interest rate swaps	-	26,524	-	26,524
	-	1,752,774	-	1,752,774
Derivatives-other than hedging instruments				
Foreign currency swaps and forward contracts	-	2,788	-	2,788
Interest rate swaps	-	11,744	-	11,744
Warrants	-	180	-	180
Options	-	6,014	-	6,014
Cross currency swaps (non-hedging)	-	14,877	-	14,877
	-	35,603	-	35,603
	-	1,788,377	-	1,788,377

The RON 24,185 thousand difference between the total fair value of available for sale assets in the table above and the balance sheet amount is due to the equity investments recorded at cost (Note 19).

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Group 2009

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

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

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Bank 2010

RON Thousand	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Hedging instruments				
Cross currency and interest rate swaps	-	17,557	-	17,557
Interest rate swaps	-	14,755	-	14,755
	-	**32,312**	-	**32,312**
Derivatives-other than hedging instruments				
Foreign currency swaps and forward contracts	-	4,682	-	4,682
Warrants	-	1,170	-	1,170
Options	-	5,102	-	5,102
	-	10,954	-	10,954
	-	43,266	-	43,266
Other financial assets held for trading				
Government debt securities	-	965,749	-	965,749
Quoted securities	1,195	-	-	1,195
	1,195	965,749	-	966,944
Financial assets designated at fair value through profit or loss				
Quoted investments	10,389	-	-	10,389
Debt securities	-	7,611	23,963	31,574
	10,389	7,611	**23,963**	**41,963**
Financial investments available-for-sale				
Quoted investments	17,269	-	-	17,269
Government debt securities	-	3,594,636	-	3,594,636
Debt securities	-	-	184,879	184,879
	17,269	**3,594,636**	**184,879**	**3,796,784**
	28,854	**4,611,263**	**208,841**	**4,848,958**
Financial liabilities				
Derivative financial instruments				
Hedging instruments				
Cross currency and interest rate swaps	-	1,726,250	-	1,726,250
Interest rate swaps	-	26,524	-	26,524
	-	**1,752,774**	-	**1,752,774**
Derivatives-other than hedging instruments				
Foreign currency swaps and forward contracts	-	2,788	-	2,788
Interest rate swaps	-	11,744	-	11,744
Warrants	-	180	-	180
Options	-	6,014	-	6,014
Cross currency swaps (non-hedging)	-	14,877	-	14,877
	-	**35,603**	-	35,603
	-	**1,788,377**	-	1,788,377

The RON 1,166,811 thousand difference between the total fair value of available for sale assets in the table above and the balance sheet amount is due to the equity investments recorded at cost (Note 19).

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Bank 2009

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

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

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Movements in level 3 financial instruments measured at fair value

RON Thousand	At 1 January 2010	Total gains/(losses) recorded in profit or loss	Total gains/(losses) recorded in equity	Purchases	At 31 December 2010
Financial assets - AfS	195,757	-	(11,371)	493	184,879
Financial assets - FV	26,050	(2,088)	-	-	23,962
Total level 3 financial assets	**221,807**	**(2,088)**	**(11,371)**	**493**	**208,841**

Cash and cash equivalents

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Cash on hand (Note 15)	995,116	1,292,004	983,537	1,284,433
Current account with the central banks (Note 15)	8,550,279	8,604,517	8,484,986	8,534,757
Due from banks	1,668,283	1,774,343	1,416,093	1,366,243
	11,213,678	**11,670,864**	**10,884,616**	**11,185,433**

Change in operating assets

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Net change in due from banks	(15,168)	64,432	(47,177)	29,750
Net change in reverse repurchase agreements	(15,687)	2,037	(15,687)	2,037
Financial assets held for trading	565,593	178,329	565,593	178,331
Net change in financial assets designated at fair value through profit or loss	(123,574)	(26,058)	(123,574)	(25,908)
Net change in loans and advances to customers	995,327	3,026,878	2,950,626	2,481,187
Net change in other assets	273,989	476,514	62,097	514,804
Net change in assets held for sale	(36,028)	3,297	(291)	-
	1,644,452	**3,725,429**	**3,391,587**	**3,180,201**

Change in operating liabilities

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Net change in due to banks	2,281,445	(1,371,493)	2,751,493	(1,769,833)
Net change in repurchase agreements	1,886	(114,233)	1,886	(114,233)
Net change in derivative financial investments	(89,924)	435,037	(89,907)	435,041
Net change in due to customers	2,012,332	2,386,629	1,275,749	2,240,536
Net change in other liabilities	487,884	(376,695)	424,445	(396,810)
	4,693,623	**959,245**	**4,363,666**	**394,701**

Non-cash items included in profit before tax

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Depreciation of property and equipment (Note 20)	150,268	134,483	122,750	124,966
Amortization of intangible assets (Note 21)	50,998	42,756	44,861	41,053
Impairment losses on loans and advances to customers (Note 9)	1,963,399	2,209,511	1,692,748	1,974,623
Provision for off-balance sheet exposure (Note 9)	34,269	72,869	34,269	72,598
Provision charge/(release) for litigations (Note 30)	24,303	(28,686)	20,053	(28,686)
Provisions for lay-offs (Note 30)	4,076	-	4,076	-
Provisions for restructuring (Note 30)	21,227	7,808	-	-
Provision for defined benefit obligation (Note 31)	15,163	15,158	15,163	15,165
Impairment of available-for-sale investments (Note 11)	3,379	35,838	3,379	35,838
Impairment charge/(release) for Assets held for sale (Notes 8,11)	-	(150,000)	-	(150,000)
Net effect of translation of foreign currency denominated asset and liabilities (Note 7)	(29,355)	(15,771)	(10,870)	(10,285)
Other non-monetary adjustments	-	31,542	-	20,570
	2,237,727	**2,355,508**	**1,926,429**	**2,095,842**

Net gain from investing activities

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Net gain/(loss) from sale of financial investments (Note 8)	47,531	(5,163)	41,743	(5,167)
Net gain/(loss) from sale of property and equipment (Note 8)	(27,086)	(8,897)	(46,498)	124,738
Dividend income (Note 4)	2,950	2,833	131,706	126,572
	23,395	**(11,227)**	**126,951**	**246,143**

Payments made against provisions

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Provision for retirement benefits (Note 31)	3,194	3,108	4,271	2,747
Provision for lay-off and early retirement (Note 30)	6,693	28,311	6,693	28,311
Provision for restructuring	7,808	-	-	-
Provision for litigations (Note 30)	2,694	346	2,582	346
	20,389	31,765	13,546	31,404

36. INTEREST RATE SENSITIVITY

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

Bank 2010

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

Bank 2009

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

37. CONTINGENT LIABILITIES AND COMMITMENTS

RON Thousand	Group		Bank	
	2010	2009	2010	2009
Contingent liabilities	3,681,801	4,277,729	3,492,579	4,126,443
Commitments	3,552,134	4,431,642	3,416,989	4,318,285
	7,233,935	**8,709,371**	**6,909,568**	**8,444,728**

Contingent liabilities
The Group issues letters of credit, guarantees (including standby letters of credit) and commits to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods.

Undrawn loan commitments
Undrawn loan commitments represent contractual commitments to grant loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent until the customers maintain specific standards. The Group monitors the maturity of credit commitments as longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Legal claims
Litigation is a common occurrence in the banking industry due to the nature of the business. The Group has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. The Group has several unresolved legal claims for which the provisions were made in accordance with IAS 37 requirements in amount of RON 58,244 thousand as at 31 December 2010 (31 December 2009: RON 38,986 thousand) for the Bank, and in amount of RON 63,287 thousand (31 December 2009: RON 39,630 thousand) for the Group (Note 30).

38. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2010 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

Transactions with shareholders

The following transactions were carried out with its shareholders, Erste Group Bank CEPS Holding GmbH, SIF Banat-Crisana SA, SIF Moldova SA, SIF Muntenia SA, SIF Oltenia SA, SIF Transilvania SA, at market rates.

	Group		Bank	
RON Thousand	**2010**	**2009**	**2010**	**2009**
Assets				
Due from banks	273,712	255,048	165,786	193,094
Financial assets held for trading	-	69,535	-	69,535
Financial assets designated at fair value through profit or loss	10,390	11,042	10,390	11,042
Investments securities available-for-sale	17,269	19,029	17,269	19,029
Derivative financial instruments	36,389	13,915	36,389	13,874
Other assets	8	145,857	3	145,857
Total assets	**337,768**	**514,426**	**229,837**	**452,431**
Liabilities				
Deposits from customers	91,744	150,303	91,744	150,303
Loans from banks and other financial institutions	19,179,669	18,533,047	16,320,448	13,917,247
Derivative financial instruments	1,753,634	1,854,331	1,753,634	1,854,331
Subordinated liabilites	1,844,176	1,837,384	1,844,176	1,837,384
Other liabilities	433,190	188,688	422,992	163,465
Total liabilities	**23,302,413**	**22,563,753**	**20,432,994**	**17,922,730**
Guarantees granted	**948,677**	**1,950,110**	**948,677**	**1,950,110**
Income				
Interest and dividend income	867,186	1,451,643	867,090	1,451,576
Commission income	42,315	33,508	42,315	33,508
Total income	**909,501**	**1,485,151**	**909,405**	**1,485,084**
Expense				
Interest expense	1,442,884	2,245,855	1,285,742	2,126,127
Commission expense	223,774	90,931	221,990	90,873
Net trading expense	150,887	658,288	150,887	658,288
Other	56,427	41,994	53,325	41,994
Total expense	**1,873,972**	**3,037,068**	**1,711,944**	**2,917,282**

38. RELATED PARTY DISCLOSURES (continued)

Transactions with fellow subsidiaries members of Erste Group:

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Assets				
Due from banks	20,243	338	20,243	338
Total	**20,243**	**338**	**20,243**	**338**
Liabilities				
Deposits from banks	475,049	4,062	475,049	4,062
Loans from banks and other financial institutions	42,620	42,363	42,620	42,363
Due to customers	230,640	-	230,640	-
Other liabilities	1,591	198	1,591	198
Total	**749,900**	**46,623**	**749,900**	**46,623**
Income				
Interest income	28	995	28	995
Commission income	14,508	-	14,508	-
Total income	**14,537**	**995**	14,537	995
Expense				
Interest expense	1,012	2,134	1,012	2,134
Other operating expenses	29,119	30,916	29,119	30,916
Total expense	30,131	33,050	30,131	33,050

Transactions with management

The Group entered into a number of banking transactions with the management in the normal course of business.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. This includes the members of the Supervisory Board, Executive Committee and Asset/Liability Management Committee of the Bank.

These transactions were carried out on commercial terms and conditions and at market rates. The following transactions were carried out with the management:

RON Thousand	Group 2010	Group 2009	Bank 2010	Bank 2009
Assets				
Loans and advances to customers	1,852	1,861	1,852	1,861
Other assets	5	7	5	7
Total	**1,857**	**1,868**	**1,857**	**1,868**
Liabilities				
Deposits from customers	6,196	3,435	6,196	3,435
Other liabilities	76	17	76	17
Total	**6,272**	**3,452**	**6,272**	**3,452**
Income				
Interest and commission income	124	144	124	144
Total Income	**124**	**144**	**124**	**144**
Expense				
Interest and other expenses	191	313	191	313
Total expense	**191**	**313**	**191**	**313**

38. RELATED PARTY DISCLOSURES (continued)

Transactions with subsidiaries

The Bank holds investments in subsidiaries with whom it entered into a number of banking transactions in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rates. The following transactions were carried out with subsidiaries:

	Bank	
RON Thousand	2010	2009
Assets		
Due from banks	39,364	83,774
Loans and advances to customers	1,282,084	320,505
Other assets	4,041	28,679
Total	**1,325,489**	**432,958**
Liabilities		
Deposits from banks	40,780	15,593
Deposits from customers	286,718	687,149
Other liabilities and provisions	20,755	1,453
Total	**348,253**	**704,195**
Income		
Interest income	38,958	21,434
Commission income	13,228	18,539
Other income	-	1,525
Total income	**52,186**	**41,498**
Expense		
Interest expense	11,199	23,860
Commission expense	8	11
Other expenses	227,353	58,995
Total expense	**238,560**	**82,866**

39. RISK MANAGEMENT

39.1 Introduction

Risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits, approval authorities (pouvoirs), separation of responsibilities and other controls. The Bank is exposed to credit risk, liquidity risk and market risk, as well as to operational risk.

Consistency in risk management is ensured through an integrated and methodologically coherent approach to all risks, along with regular monitoring that enables risk management to proactively manage their own portfolios and, when necessary, take timely corrective actions.

39.2 Risk management structure and responsibilities

Supervisory Board

The Supervisory Board approves and reviews the Bank's risk profile and the Bank's strategy in respect of risk management.

The Risk Committee of the Supervisory Board

The Risk Committee of the Supervisory Board is responsible for approval of the implementation of the main lending and risk policies, procedures and internal rules, approval of the delegation of the credit authorities (pouvoirs), as well as approval of the implementation of the Management Board's approvals for granting loans with a value exceeding the credit authorities delegated.

Management Board

The Management Board is responsible for the implementation of the risk strategies approved by the Supervisory Board, the maintenance of a proper risk exposure reporting, as well as the maintenance of the risk limits, including for crisis situation.

Risks Functional Line

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

Internal Audit

Risk Management processes throughout the Bank are audited annually by the internal audit function, that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit and Compliance Committee.

39.3 Risk Management activities

In order to manage the risks that could affect its activity and financial performance, the Bank undertakes the necessary steps to identify the risk sources, to asses and monitor the Bank's exposures, to set up risk limits for different counterparties such as countries, sovereigns, banks, financial institutions affiliated to the banking groups, corporate customers/groups of clients (including risk limits for banking groups of affiliated customers), market risk limits, liquidity limits, etc.

The significant risks are identified and assessed for the whole Bank at all organizational levels, for all the Bank transactions and activities.

39. RISK MANAGEMENT (continued)

39.3 Risk Management activities (continued)

For the identification and assessment of the significant risks, internal factors are taken into account, such as the complexity of the organizational structure, the types of activities, the staff quality and staff migration, as well as the external factors such as economic environment, the legislative changes, the competition in the banking sector and technological progress.

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

- **a system of procedures for transactions authorization**, which consists of competences / authority limits (pouvoirs) for granting loans and other related credit products;

- **a system for setting up risk limits** in compliance with the Bank's global risk profile, capital adequacy, liquidity, loan portfolio quality etc;

- **a system of reporting the risk exposure** and the other issues / aspects related to risks;

- **a system of procedures for unexpected situations/crisis** regarding significant risks, including measures necessary to be undertaken by the Bank;

- **a system of procedures that prevents an inadequate information usage**, in order to avoid the Bank's reputation damage, the disclosure of secret and confidential information and the usage of information for the staff's personal benefits;

- **staff recruitment** and salaries criteria, which presume high standards in respect of qualification, expertise and integrity;

- **staff training programs.**

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

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

39.4 Integration into the Erste Group standards

In 2010 BCR has continued to implement the necessary measures for its alignment to the standards of the Erste Group and the principles of the Basel II Agreement, based on projects unfolded in collaboration with Erste Group:

- ICAAP implemented as per Erste Group standards i.e.:
  - Tools for analysing, monitoring & forecasting capital adequacy
  - New risk management policies, covering Risk-bearing Capacity Calculation, Risk Materiality Assessment, Stress Testing, credit, concentration and operational risks etc.
  - Integration into the EGB data pool, centralized RWA calculation based on IRB
- Implementation of new Basel II compliant rating tools for private individuals and corporate clients, municipalities and SL (Specialized Lending) and calculation of risk parameters (PD, LGD, CCF);
- Implementing and reporting the new standards for liquidity risk management: Survival Period Analysis, Traffic Light System, Relative Cumulative Liquidity Gap, Balance Sheet Ratios and Funding Concentration Measures.

The implementation of these standards presupposed the consolidation of the management of corporate and retail credit risks, market risks, operational risks, country and banking risks, as well as the assessment of collaterals and workout , antifraud etc. under the Risk & Financial Functional Line.

Under these terms, risk management specialists are clearly delimited from an organizational point of view from the personnel with responsibilities in the business development field. This clear-cut delimitation from the Front Office area represents the fundament for the implementation of the group principle concerning the two votes necessary for the approval of exposures towards the clients (1st vote is granted by the Front Office personnel, whereas the 2nd vote is granted by the risk management personnel); the pouvoirs system is implemented for these purposes.

39. RISK MANAGEMENT (continued)

The main objectives of these risk management group standards are two: supporting business lines to reach their projected business targets by ensuring the taking of quick and efficient crediting decisions and protecting the Bank against banking risks using advanced risk management methods and principles.

39.5 Credit risks

Credit risk is the risk of financial loss arising from the failure of a debtor or trading counterparty to fully honor its financial or contractual obligation to the Bank.
Credit risk is inherent in the following forms: lending facilities, contingent liabilities: commitment liabilities and financial markets transactions.

Country risk is the risk that the Bank can suffer, in any given country, due to nationalization, expropriation of assets, government repudiation of indebtedness etc. and settlement risk - is the risk that the settlement or clearance of transactions will fail.

In respect of credit risk, risk limits are set up for different segments of customers: banks, countries, sovereigns, financial institutions affiliated to banking groups, factoring companies, corporate clients/groups. The Bank set up approval competences (pouvoirs) for each type of customers/groups of customers (corporate, retail, banks etc.), which is the maximum limit for the approval of loans and other credit type products.

The Bank grants loans to the corporate customers that can generate appropriate cash-flows, with a good reputation in the business environment, that have a proper credit rating and to the retail customers which have stable incomes and are trustworthy as regards the fulfillment of the contract obligations towards the Bank.

In the loans approval process the Bank is mainly interested in the first credit repayment source, the customer's capacity to generate cash-flows (for corporate customers) and to gain stable incomes (for retail customers).

In order to asses the performances and financial status of its customers, the Bank uses scoring systems, ratings, methods of analyzing the financial performances (SABINE for corporate and micros, KRIMI for retail, CARLA for banks and financial institutions affiliated to the banking groups).

In order to avoid the concentration of credit risk on a small number of clients, the bank monitors the dispersion of credit risk towards client categories, branches, geographical regions, activity sectors and banking products.

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

		Group		Bank	
RON Thousand	Notes	2010	2009	2010	2009
Assets					
Cash and balances with central bank (excluding cash on hand)		8,550,279	8,604,517	8,484,986	8,534,757
Due from banks		1,771,738	1,892,966	1,455,735	1,453,062
Reverse repurchase agreements		-	15,687	-	15,687
Derivative financial instruments		43,287	13,222	43,266	13,222
Financial assets held for trading		966,944	401,351	966,944	401,351
Financial assets designated at fair value through profit or loss		41,963	165,537	41,963	165,537
Loans and advances to customers /*		47,393,687	47,367,248	45,160,818	43,630,890
Financial investments – available-for-sale		3,925,371	3,063,235	4,963,595	3,815,868
Financial investments – held-to-maturity		5,442,218	2,388,919	4,998,420	2,155,958
Other assets		2,087.622	1,810,519	1,684,482	1,622,385
Total		70,223,109	65,723,201	67,800,209	61,808,717
Contingent liabilities		3,681,801	4,277,729	3,492,579	4,126,443
Commitments		3,552,134	4,431,642	3,416,989	4,318,285
Total		7,233,935	8,709,371	6,909,568	8,444,728
Total credit risk exposure		77,457,044	74,432,572	74,709,777	70,253,445

/* net loans = loans – credit provisions

39. RISK MANAGEMENT (continued)

39.5.2. Risk concentration of the maximum exposure to credit risk

The maximum credit exposure to a client as of 31 December 2010 was RON 843,160 thousand (2009: RON 807,747 thousand).

39.5.3. Risk concentration of the maximum credit exposure by geographical regions

Financial assets, before taking into account any collateral held or other credit enhancements are distributed by the following geographical regions (*):

RON Thousand	Group		Bank	
	2010	2009	2010	2009
Europe	77,195,873	74,049,645	74,656,159	69,934,970
United Kingdom and Ireland	218,856	158,902	48,015	134,186
Netherlands	21,485	29,077	153	29,073
North America	7,421	106,360	4,076	106,067
South America	-	-	-	-
Asia	12,926	65,100	891	25,661
Africa	-	2,347	-	2,347
Australia and Oceania	483	21,141	483	21,141
TOTAL	**77,457,044**	**74,432,572**	**74,709,777**	**70,253,445**

where:
Europe: Austria, Croatia, Czech Rep., Denmark, Greece, Hungary, Moldova, Poland, Romania, Slovenia, Sweden Switzerland, Spain, Portugal, Belgium, Norway, France, Germany, Italy, Ukraine

North America: USA, Canada
Asia: Azerbaidjan, South Korea, Saudi Arabia, Turkey, Russian Federation, Kazakhstan, India
South America: Brasil, Chile
Africa: Morocco, Egypt, Tunisia

*) there are no trading activities in 2010, only banking activities.

39. RISK MANAGEMENT (continued)

39.5.4 Credit exposure by economic sectors

An industry analysis of the financial assets, before and after taking into account collaterals held or other credit enhancements, is as follows:

Group

RON Thousand	2010		2009	
	Gross maximum exposure*	Net maximum exposure	Gross maximum exposure*	Net maximum exposure
Private households	19,016,030	6,213,316	19,833,287	7,962,839
Banking and Insurance	11,204,986	10,629,913	17,840,409	17,200,583
Manufacturing	9,224,812	2,750,537	9,438,499	2,711,361
Construction	6,286,954	1,244,703	6,171,594	1,233,722
Public administration	17,711,334	12,600,708	6,509,133	1,897,702
Trade	4,595,988	858,174	5,074,550	872,287
Transport and communication	1,459,559	148,415	1,690,098	150,219
Agriculture and forestry	1,624,800	316,651	1,805,484	453,550
Other service activities	834,639	145,666	1,159,834	527,006
Health and social work	159,631	18,454	148,309	15,661
Real estate and other business activities	813,945	71,116	857,574	20,709
Energy and water supply	1,243,835	743,355	885,154	488,998
Hotels and restaurants	530,872	40,707	551,320	-
Mining	666,060	577,279	269,454	169,367
Other	2,083,599	2,074,370	2,197,873	2,186,932
TOTAL	77,457,044	38,433,364	74,432,572	35,890,936

Bank

RON Thousand	2010		2009	
	Gross maximum exposure*	Net maximum exposure	Gross maximum exposure*	Net maximum exposure
Private households	17,932,365	6,575,754	18,857,498	7,947,642
Banking and insurance	11,789,926	11,046,443	17,146,963	16,589,457
Manufacturing	8,656,523	2,567,990	8,924,708	2,450,862
Construction	5,877,739	1,164,977	5,764,710	1,106,577
Public administration	17,145,956	12,036,623	6,374,112	1,764,597
Trade	4,083,163	791,317	4,319,713	670,389
Agriculture and forestry	1,563,022	334,297	1,729,345	460,668
Transport and communication	952,347	124,509	1,062,801	91,350
Other service activities	1,083,078	549,788	966,825	527,723
Health and social work	119,940	17,447	103,638	1,409
Real estate and other business activities	1,743,874	123,117	821,986	20,872
Energy and water supply	1,200,482	717,950	831,533	453,454
Hotels and restaurants	457,384	42,944	462,375	-
Mining	558,292	491,852	98,350	28,309
Other	1,545,686	1,538,048	2,788,888	2,781,202
TOTAL	74,709,777	38,123,056	70,253,445	34,894,511

*Exposure including any contingent liabilities, undrawn credit and loans commitments, promissory notes and guarantees/liabilities out of assets pledged as collateral security, less provisions.

39. RISK MANAGEMENT (continued)

39.5.4. Credit exposure by economic sectors (Continued)

Collateral and other credit enhancements

Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral accepted by the Bank are as follows:

- for commercial lending: charges over real estate properties, inventory and trade receivables;
- for retail lending: mortgages over residential properties,
- for real estate lending: mortgage on land and existing constructions and real movable collateral on shares or social parts (in case of loans for the real estate projects unrolled by the specialized companies within real estate projects/especial founded for the unrolling for these projects);

The Bank monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement.

39.5.5 Credit quality per class of financial assets

The classification of the portfolio in order to assess the quality is as follows:

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

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

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

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

39. RISK MANAGEMENT (continued)

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

Group 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**

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

39. RISK MANAGEMENT (continued)

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

Group 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

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

39. RISK MANAGEMENT (continued)

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

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of assets:

Bank 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

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

39. RISK MANAGEMENT (continued)

39.5.5 Credit quality per class of financial assets (Continued)

Bank 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.

39. RISK MANAGEMENT (continued)

39.5.6. Loan Portfolio on time bands

The exposure from loans, RON and foreign currency, on maturity bands, RON equivalent, as at 31 December 2010

Bank

RON Thousand	TOTAL		Exposure contaminated with the debt service					
	LOANS		1 - 30 days		31- 90 days		NPL (more than 90 days)	NPL* / Total loans
	Amount	%	Amount	% In Total loans	Amount	% In Total loans	Amount	%
I. Corporate clients,								
- GLC*	4,039,460	14.6	-		2,498		151,406	3.7
- LC*	6,527,505	23.5	779,076		353,483		629,047	9.6
- Public Sector	217,215	0.8	-		-		-	-
- SME*	8,096,706	29.2	456,556		667,969		2,136,329	26.4
- Municipalities	4,364,987	15.7	14,969		3,218		14,604	0 3
- Real estate	2,870,850	10.3	104,495		-		550,039	19.2
- ALM*	1,628,145	5.9	-		-		-	-
I.Total Corporate loans,	**27,744,868**	**100.0**	**1,355,096**	**4.9**	**1,027,168**	**3.7**	**3,481,425**	**12.5**
II. Retail clients								
- Individuals	18,666,298	89.5	1,570,682		813,293		1,940,962	10.4
- Micro	2,196,601	10.5	147,691		134,603		815,739	37.1
II.Total Retail loans,	**20,862,899**	**100.0**	**1,718,373**	**8.2**	**947,896**	**4.5**	2,756,701	**13.2**
Total loans (I+II)	**48,607,767**	100.0	3,073,469	**6.3**	1,975,064	**4.1**	6,238,126	**12.8**

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

Bank

RON Thousand	TOTAL		Exposure contaminated with the debt service					
	LOANS		1 - 30 days		31- 90 days		NPL* (more than 90 days)	NPL* / Total loans
	Amount	%	Amount	% in Total loans	Amount	% in Total loans	Amount	%
I. Corporate clients								
GLC*	3,461,559	14.5	-		-		78,245	2.3
LC*	6,428,183	26.8	286,942		245,437		155,119	3
SME*	8,460,984	35.3	519,438		843,397		1,258,466	14.9
Municipalities	3,496,290	14.6	16,074		14,300		2,769	0.1
Real estate financing	2,102,003	8.8	21,843		40,318		242,325	11.5
II. Retail loans	23,949,019	**100**	844,297	**3.5**	1,143,452	**4.8**	1,736,924	**7.3**
Individuals	19,841,804	87.9	1,659,566		868,212		2,143,006	10.8
Micro	2,723,244	12.1	219,626		130,188		687,822	25.6
	22,565,048	**100**	1,879,192	**8.3**	998,400	**4.4**	2,830,828	**12.5**
Total loans (I+II)	46,514,067	**100**	2,723,489	5.9	2,141,852	**4.6**	4,567,752	**9.8**

*) GLC – Group Large Corporate clients; LC – Large Corporate clients; SME – Small and Medium Enterprises; NPL – Non-performing loans.

39. RISK MANAGEMENT (continued)

39.5.7 Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances
The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances
Allowances are assessed collectively for losses on loans and advances that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

Financial guarantees and letters of credit are assessed and provision made in a similar manner as for loans.

39. RISK MANAGEMENT (continued)

39.6. Liquidity risk

39.6.1 Liquidity risk management

Liquidity risk arises from the potential inability to meet all payments obligations when they come due. The Bank manages the liquidity risk with the purpose of maintaining an adequate liquidity, so as to cover at all times its financial commitments on all time bands, as well as to maximize the net interest income.

The Bank pays careful attention to liquidity risk management by setting fundamental objectives such as ensuring the necessary funds to cover, at any time, all financial obligations assumed by the Bank, and setting an appropriate balance sheet structure, for minimizing any potentially negative effects. In this respect, the Bank concentrates its efforts on identifying the liquidity risk sources, evaluating its risk exposures and setting appropriate limits to mitigate the possible consequences of liquidity risk.

The Bank assesses its liquidity by:

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

In order to evaluate and control the liquidity risk of the Bank's portfolio, the Bank employs the following instruments:

- Asset and Liability Management (ALM), focused on suitably determining the appropriate balance sheet structure, by correlating resources and placements in terms of their structure and maturity;
- Computing and monitoring the liquidity ratios by maturity ranges, based on the future cash-flows analysis, in terms of on- and off-balance sheet assets and liabilities;
- Establishing minimum limits for the liquidity ratios;
- GAP analysis (aggregated and separated, for RON and foreign currencies);
- Monthly computation of certain liquidity ratios.

For every financial year the Bank prepares:

- A strategy for managing liquidity under normal circumstances encompassing the main objectives of the Bank, with the purpose to maintain an adequate portfolio liquidity, by re-evaluating it in line with the business environment requirements;
- A contingency funding plan that is a strategy for managing liquidity in crisis situations, comprising the measures required to successfully overcome a potential crisis.

The table below presents the proper evolution of the ratio of liquid assets to customers (banking and non-banking customers) liabilities:

	2010	2009
	(%)	(%)
December	33.60	30.02
Average	30.88	29.58
Max	34.14	32.08
Min	27.57	27.74

39. RISK MANAGEMENT (continued)

39.6.2 Liquidity analysis of assets and liabilities

The tables below show an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

GROUP 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**

39. RISK MANAGEMENT (continued)

39.6.2 Liquidity analysis of assets and liabilities (continued)

GROUP 2009

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

39. RISK MANAGEMENT (continued)

39.6.2 Liquidity analysis of assets and liabilities (continued)

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

39. RISK MANAGEMENT (continued)

39.6.2 Liquidity analysis of assets and liabilities (continued)

Bank 2009

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

39. RISK MANAGEMENT (continued)

39.6.3 Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the maturity profile of the financial liabilities at 31 December 2010 and at 31 December 2009 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were given immediately. However, the Group and the Bank expect that many customers will not request repayment on the earliest date the Group or the Bank could be required to pay and the tables do not reflect the expected cash-flows indicated by the Group's and the Bank's deposit retention history.

GROUP 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	1,922,975	(136,105)	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	22,438,270	11,361,054	33,799,324	75,130,614

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**

39. RISK MANAGEMENT (continued)

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

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	1,922,975	(136,105)	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
Current tax liabilities	-	-	-	-	-	-	-	-
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**	**22,427,596**	**11,291,158**	**33,718,754**	**71,327,577**

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**

39. RISK MANAGEMENT (continued)

39.6.4 Analysis of contingent liabilities and commitments by remaining contractual maturities

The tables below show the contractual expiry by maturity of the contingent liabilities and commitments.

Group 2010

RON Thousand	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Contingent liabilities	559,336	799,559	1,358,895	1,675,539	647,367	2,322,906	3,681,801
Commitments	428,816	764,023	1,192,839	1,436,755	922,540	2,359,295	3,552,134
Total	**988,152**	**1,563,582**	**2,551,734**	**3,112,294**	1,569,907	4,682,201	7,233,935

Group 2009

RON Thousand	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Contingent liabilities	936,899	496,410	1,433,309	1,691,082	1,153,338	2,844,420	4,277,729
Commitments	1,942,876	485,955	2,428,831	695,234	1,307,577	2,002,811	4,431,642
Total	**2,879,775**	**982,365**	**3,862,140**	**2,386,316**	**2,460,915**	**4,847,231**	**8,709,371**

BANK 2010

RON Thousand	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Contingent liabilities	530,590	758,467	1,289,057	1,589,425	614,097	2,203,522	3,492,579
Commitments	412,507	734,963	1,147,470	1,382,068	887,451	2,269,519	3,416,989
Total	943,097	1,493,430	2,436,527	2,971,493	1,501,548	4,473,041	6,909,568

Bank 2009

RON Thousand	Less than 3 months	3 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Contingent liabilities	903,765	478,854	1,382,619	1,631,275	1,112,549	2,743,824	4,126,443
Commitments	1,893,179	473,525	2,366,704	677,451	1,274,130	1,951,581	4,318,285
Total	**2,796,944**	**952,379**	**3,749,323**	**2,308,726**	**2,386,679**	**4,695,405**	**8,444,728**

39. RISK MANAGEMENT (continued)

39.7 Market Risk

Market risk is the risk of loss that could arise from adverse changes in the market prices and rates, equity prices, foreign exchange rates and commodity prices, the correlations between them and their levels of volatility.

In terms of market risk, BCR focuses on:

- setting an appropriate structure of its assets and liabilities, enabling it to avoid significant negative impact on the Bank's activity and financial performance, should the interest rates, foreign exchange rates and market prices change;
- identifying the causes behind the market risk, assessing its exposure to such risks and taking necessary steps to mitigate them.

The evolution of the foreign currency ("FX") positions, as percentage of own funds, computed according to the regulations issued by the National Bank of Romania were:

Exposure on currencies		2010 % of own funds	2009 % of own funds
EUR	Average	0.93%	1.34%
	Maximum	3.03%	4.77%
USD	Average	0.07%	0.14%
	Maximum	0.18%	1.87%
Total	Average	1.01%	1.54%
	Maximum	3.04%	4.87%

In 2010, BCR maintained low total FX positions. Beginning with October 2009 the FX activity of BCR was moved to Vienna. However, some small limits on FX open positions were maintained for 2010 for exceptional situations (late bookings, errors etc)..

As a consequence, the value at risk ("VaR") of the total FX position was reduced accordingly for 2010, as presented below:

1 day, 99%, RON VaR		2010	2009
The VaR of the total FX position	Average	50,239	696,075
	Maximum	205,156	2,657,832

Currently BCR computes the VaR using the Historical simulation method. The parameters of the VaR computation are: holding period = 1 day, confidence level = 99%, lambda = 1, length of risk factors time series = 730 days. This is the standard across Erste Group.

Below one can see the structure of the internal market risk limits as of December 31st, 2009and December 31st, 2010:

➢ **Limits for the Trading Book**

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

- **Limits of Fixed Income Trading Book:**
  - Present value of a basis point ("PVBP") and
  - 1 Day, 99% - VaR

- **Limits on common stock position:**
  - Exposure (delta) limits (for three categories: i) Erste, ii) Other, iii) Total)
  - 1 Day, 99% - VaR

39. RISK MANAGEMENT (continued)

39.7 Market Risk (continued)

➢ **Limits for the Banking Book**

- **Limits for money market ("MM"):**
  - PVBP limits for MM (for RON, EUR, USD, other currencies and total):
  - 1 Day, 99% - VaR limit

- **Limits for fixed income**
  - PVBP limits for FI BB - AFS and HTM (for RON, EUR, USD, other currencies and total) :
  - 1 Day, 99% - VaR

During 2010 there were no market risk limit breaches.

The Bank developed specific norms for transactions with financial derivatives, used both as products offered to customers for risk mitigation and for hedging against the market risk exposure of its own portfolio.

In 2009, the market risk limits system were further improved by adding a structure of monthly and yearly Stop Loss ("S/L") limits for the TB activities. The S/L limits were observed.

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

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

39. RISK MANAGEMENT (continued)

39.7 Market Risk (continued)

39.7.1. Currency risk

Group 2010

RON Thousand	RON	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	4,807,056	4,624,462	58,536	55,341	9,545,395
Due from banks	735,366	607,141	255,283	173,948	1,771,738
Financial assets held for trading	966,944	-	-	-	966,944
Reverse repurchase agreements	-	-	-	-	-
Derivative financial instruments	30,670	12,471	146	-	43,287
Financial assets designated at fair value through profit or loss	41,963	-	-	-	41,963
Loans and advances to customers	17,351,304	28,704,031	931,299	407,053	47,393,687
Financial investments - available-for-sale	2,626,322	1,245,061	3,401	50,587	3,925,371
Financial investments - held-to-maturity	4,598,791	843,294	-	133	5,442,218
Property and equipment	1,684,893	38	-	9,007	1,693,938
Intangible assets	423,416	17	-	887	424,320
Current tax assets	190,596	2,365	-	-	192,961
Deferred tax assets	46,587	7,025	-	-	53,612
Other assets	1,431,952	580,906	41,084	33,680	2,087,622
Assets Held For Sale	29,429	-	-	-	29,429
Total assets	**34,965,289**	**36,626,811**	**1,289,749**	**730,636**	**73,612,485**
Liabilities					
Due to banks	12,337,121	9,277,197	157,547	51,667	21,823,532
Repurchase agreements	-	1,886	-	-	1,886
Derivative financial instruments	1,742,573	45,539	265	-	1,788,377
Due to customers	24,964,904	11,203,494	1,465,739	192,799	37,826,936
Debt issued and other borrowed funds	385,659	252,518	-	-	638,177
Current tax liabilities	21,630	-	-	96	21,726
Deferred tax liabilities	498,405	-	-	-	498,405
Other liabilities	978,680	603,123	65,747	40,965	1,688,515
Provisions	93,904	138,709	21,206	132	253,951
Subordinated Liabilities	1,351,073	616,244	-	-	1,967,317
Total liabilities	**42,373,949**	**22,138,710**	**1,710,504**	**285,659**	**66,508,822**
Net	(7,408,660)	14,488,101	(420,755)	444,977	7,103,663

39. RISK MANAGEMENT (continued)

39.7 Market Risk (continued)

39.7.1. Currency risk (continued

Group 2009

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

39. RISK MANAGEMENT (continued)

39.7 Market Risk (continued)

39.7.1. Currency risk (continued)

BANK 2010

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

39. RISK MANAGEMENT (continued)

39.7 Market Risk (continued)

39.7.1. Currency risk (continued)

Bank 2009

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

39. RISK MANAGEMENT (continued)

39.7 Market Risk (continued)

39.7.1. Currency risk (continued)

As a member of Erste Bank Group, BCR was included in 2009 in the program of trading activity centralization set up at Holding level and according to the business model BCR- Erste Bank Group, starting with October 2009, all trading operations were transferred on a centralized trading book on holding level. BCR foreign exchange position is closed and is transferred to holding and the result is returned to BCR on a pro-rated basis, depending on the contribution of the local trader and the volume of transactions.

39.7.2 Interest Rate Risk

Interest rate risk is the risk of adverse change in the fair value of financial instruments caused by movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities (including off-balance-sheet items) in respect of their maturities or of the timing of interest rate adjustments.
Beginning with September 2010, the Bank reports potential changes in the economic value of the bank due to changes in interest rates, according to the NBR's Regulation no. 18.

In order to identify interest rate risk, all financial instruments, including transactions not recognized in the balance sheet, are grouped into maturity bands based on their remaining term to maturity or term to an interest rate adjustment.

The following table lists the open fixed-income positions held by the Bank in the two currencies that carry significant interest rate risk: EUR and RON, as of:

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

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

39. RISK MANAGEMENT (continued)

39.8 Operational risk

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

The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

The Bank administers operational risks by approaching the main operational risk categories (e.g. internal fraud, external fraud, the requirements relating to personnel additions and the security of the working environment, erroneous practices related to the clientele, products and activities, etc,) and ensuring the appropriate framework for the identification, assessment, notification, monitoring and reporting of this significant risk.

The Bank remains committed to the objective of increasing shareholder value by developing and growing business that is consistent with risk appetite, and through building more effective risk management capabilities. Responsibility for risk management resides at all levels within the BCR, from the Executive down through the organization to each business manager and risk specialist. The Bank is seeking an appropriate balance in its business, and continuing to build the risk management capabilities that will help to deliver growth plans in a controlled environment.

In order to decrease the bank's exposure to operational risk, the BCR operational risk strategy for 2010 followed these main guidelines:

- the implementation of appropriate procedures/ norms/ work instructions with the purpose of preventing/ mitigating operational risk;
- the separation of responsibilities related to micro and SME clients and the centralization of the afferent back-office and support activities;
- continuing the internal control self assessment process begun in August 2009 by the functional entities from Central Administration (Risk and Control Self Assessment) in order to identify high and medium risk areas, put forth proper measures for the prevention/ mitigation of operational losses or undertake risks;
- the development of a local system of operational risk indicators;
- finalizing the revisal of user profiles in the core banking system/ critical applications;
- elaborating means/ criteria for the identification/ prevention of fraud (by the Antifraud Division);
- concluding insurance policies against operational risks;
- the constant revisal of the plans drawn up for the re-running of activity and for unforeseen situations, so that they may comply with the activity strategies and current operations unfolded by the bank.

In October 2010, National Bank of Romania and Financial Markets Authority in Austria approved the usage by BCR of the AMA method (advanced measurement approach for operational risk).

40. CAPITAL ADEQUACY

40.1 Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with the capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

40.2 Capital adequacy

The solvency ratio according to national regulations (Basel II requirements) as at 31 December 2010 was of 12.79% (31 December 2009: 12.39% based on final financial statements). We mention that the solvency ratio for December 2010 is computed based on the level of provisional own funds without including the 2010 net profit. If the 2010 net profit had been included in the own funds for December 2010, the estimated value of solvency ratio would be 13.04%.

In addition to the above ratio the Bank and the Group also monitor the adequacy of their capital using ratios established by the Bank for International Settlements ("BIS") in July 1988, based upon financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

Based upon financial information prepared in accordance with IFRS the Tier 1 and the Tier 1 plus Tier 2 capital adequacy ratios at 31 December 2010 were:

- 14.84% and 19.06%, respectively (31 December 2009: 13.06% and 17.16%, respectively) for the Bank
- 13.22% and 17.10%, respectively (31 December 2009: 12.11% and 15.81%, respectively) for the Group.

Under BIS guidelines, on-balance sheet exposures are allocated to standardized approach asset classes, a risk weighting being assigned according to these classes and the loan quality. The following categories of risk weights are applied: 0%, 10%, 20%, 35%, 50%, 75%, 100%, 150%, 200% and other risk weights according to national law; for example cash and exposures to central banks denominated and financed in local currency or EUR have a zero risk weighting which means that no capital is required to support the holding of these assets. Premises and equipment carries a 100% risk weighting, meaning that it must be supported by capital equal to 8% of the carrying amount. Other asset categories have intermediate weightings.

Off-balance-sheet credit related commitments, letters of guarantee and derivatives are taken into account by applying different categories of credit conversion factors, designed to convert these items into balance sheet equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for balance sheet assets.

The total credit risk capital requirement is calculated as 8% of the risk weighted assets.

Also, in order to calculate the capital adequacy ratio, the Bank computes a capital requirement for market and operational risks.

40. CAPITAL ADEQUACY (continued)

40.2 Capital adequacy (continued)

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

	Group		Bank	
RON Thousand	2010	2009	2010	2009
Tier 1 capital	6,670,090	6,202,943	6,889,901	6,060,224
Tier 1+ Tier 2 capital	8,628,162	8,099,810	8,848,119	7,957,237
Risk weighted assets (credit, market and operational risks)	50,450,268	51,238,248	46,416,934	46,384,166
BIS Capital ratios				
Tier 1 capital	13.22%	12.11%	14.84%	13.06%
Tier 1+ Tier 2 capital	17.10%	15.81%	19.06%	17.16%