

NOTES TO THE FINANCIAL STATEMENTS

1. Introduction

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

At 30 June 2010, the Bank’s shareholders were the following:

	%
Erste Bank der Oesterreichischen Sparkassen	69.4060
„Banat-Crisana” Financial Investment Company	6.0000
„Moldova” Financial Investment Company	6.0000
„Transilvania” Financial Investment Company	6.0000
„Muntenia” Financial Investment Company	6.0000
„Oltenia” Financial Investment Company	6.1175
SC Actinvest SA	0.0019
SC Certinvest SA	0.0001
SC Carina Import Export SRL	0.0006
SC Milord Impex SRL	0.0002
Individuals	0.4737

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

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

- **Retail**, grouped into 8 geographical locations including 666 branches.
- **Corporate** including 48 units as corporate business centers grouped in 8 business regions

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Significant accounting policies

a) Basis of Preparation and Presentation of the financial statements

The financial statements have been prepared in accordance with:

1) Order of the National Bank of Romania Governor no. 13/19.12.2008 for approval of the Accounting Regulations harmonized with the European Directives applicable to credit institutions, as amended and supplemented through the NBR Governor's Order no.26/23.12.2009;

2) Accounting Law no.82/1991 republished on 18.06.2008;

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

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

Taking into consideration that these financial statements represent an interim financial reporting (i.e. at an interim date, not at the end of the year), for presentation were selected the most significant notes to the financial statements.

b) Basis of Accounting

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

c) Functional and presentation currency

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

3. Cash in hand, balances with central banks

	31 December 2010	30 June 2011
<i>(RON)</i>		
Cash	677,450,945	519,790,491
Current accounts with the Central Bank	8,484,985,643	8,533,485,116
Other values	83,988	64,834
Cash in ATMs and ASVs	306,002,921	251,921,346
Total	9,468,523,497	9,305,261,787

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Bank keeps in its current accounts with the National Bank of Romania the minimum mandatory reserve established according to Regulation no. 6/2002 issued by the National Bank of Romania, with its subsequent amendments and supplements. On 30 June 2011, the minimum mandatory reserve level was of 15% (31 December 2010: 15%) for the funds attracted in RON and of 20% for funds attracted in foreign currency (31 December 2010: 25%).

4. Treasury bills and other bills eligible for refinancing with central banks

	31 December 2010	30 June 2011
<i>(RON)</i>		
T-bills and similar securities, out of which :	3,895,519,740	5,095,355,921
accrued interest	81,000,338	124,948,964
Total	3,895,519,740	5,095,355,921

The balance of treasury bills and similar securities includes as at 30 June 2011 treasury certificates in RON and treasury certificates in EURO being classified as follows:

- trading securities	RON 936,691,277
- placement securities	RON 4,158,664,644

5. Loans and advances to credit institutions

	31 December 2010	30 June 2011
<i>(RON)</i>		
Current accounts	57,728,379	65,722,968
Demand deposits with other credit institutions	852,407,080	639,631,100
Term deposits with other credit institutions	501,220,910	243,898,500
Collateral deposits with other credit institutions	6,440	6,440
Collateral deposits with the Central Bank	416,411	1,362,514
Subordinated loans	17,139,200	16,936,400
Values to be recovered	17,897,371	24,878,984
Loans granted to credit institutions	1,654,962,234	1,624,065,645
Total	3,101,778,025	2,616,502,551

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

As at 30 June 2011 the Bank included in subordinated loans a term subordinated loan granted to BCR Chisinau (a subsidiary of the Bank) in amount of EUR 4,000,000 in equivalent RON 16,936,400 (31 December 2010: EUR 4,000,000 in equivalent RON 17,139,200)

Loans granted to credit institutions in balance as at 30 June 2011 include the following:

- A loan granted to the Ministry of Public Finance, amounting to EUR 379,981,565 in equivalent RON 1,608,879,945 to be fully reimbursed in a single installment due at 25,07,2011(31 December 2010: EUR 379,981,565 in equivalent RON 1,628,145,010);
- Two revolving loans granted to a financial institution, thereof:
 - a) EUR 1,272,009 in equivalent RON 5,385,813
 - b) USD 3,349 in equivalent RON 9,799,887

6. Loans and advances to customers

The lending activity is focused on companies and individuals domiciled in Romania.

	31 December 2010	30 June 2011
<i>(RON)</i>		
Portfolio value before provisioning	47,004,443,669	47,310,264,094
Specific provisions for credit risk	-5,704,699,335	-5,915,591,607
Loans and advances to customers (net of provision)	41,299,744,334	41,394,672,487
Subordinated loans granted to non-banking institutions	48,000,000	48,000,000
Values to be recovered	102,791,431	72,722,124
Total	41,450,535,765	41,515,394,611

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Bonds and other fixed income securities

	31 December 2010	30 June 2011
<i>(RON)</i>		
Bonds issued by public bodies	5,996,356,103	7,731,568,577
Accrued interest	216,193,292	165,099,506
Total	6,212,549,395	7,896,668,083

8. Amounts owed to credit institutions

	31 December 2010	30 June 2011
<i>(RON)</i>		
Current accounts and sight deposits	93,022,690	1,084,154,630
Term deposits taken (including collaterals)	16,940,219,635	17,536,192,780
Term loans received from banks and other financing institutions	1,869,985,974	1,938,316,312
Other amounts owed	407,277,556	289,477,872
Total	19,310,505,855	20,848,141,594

9. Amounts owed to customers

	31 December 2010	30 June 2011
<i>(RON)</i>		
Current accounts	6,928,203,677	7,016,185,526
Sight deposits	1,249,244,376	1,449,627,726
Term deposits	27,383,239,707	27,131,231,933
Collateral deposits	1,718,487,701	2,307,750,349
Certificates of deposit	210,142,727	225,803,484
Other amounts owed	167,375,375	44,832,090
Total	37,656,693,563	38,175,431,108

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Interest income and similar income

	30 June 2010	30 June 2011
<i>(RON)</i>		
Interest arising from:	3,092,710,909	2,819,211,565
Placement and investment securities	235,857,313	363,277,365
Loans to customers	2,725,477,336	2,348,755,553
Current accounts and deposits at banks	131,376,260	107,178,647
Income arising from:	38,069,803	28,697,380
Financing commitments	1,039,045	1,113,065
Guarantee commitments	37,030,758	27,584,315
Interest income related to derivatives	399,189,896	271,679,294
Total	<u>3,529,970,608</u>	<u>3,119,588,239</u>

11. Interest expense and similar charges

	30 June 2010	30 June 2011
<i>(RON)</i>		
Interest expense arising from:	1,360,409,784	1,263,928,448
Current accounts and deposits from other banks	528,438,120	453,487,645
Loans from other banks and financial customers	27,393,198	31,508,657
Customer operations	797,972,937	778,930,819
Repurchase agreements	6,605,529	1,327
Interest related to issued bonds	8,490,639	20,317,927
Expenses with guarantee commitments	133,526,111	72,247,015
Other expenses related to securities operations	13,674	3,113
Interest expenses related to derivatives	53,654,634	83,097,685
Expenses related to term subordinated loans	83,452,805	73,663,667
Expenses related to redemption premiums	1.966.082	4.848.663
Total	<u>1,641,513,729</u>	<u>1,518,106,518</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Commission income

	30 June 2010	30 June 2011
<i>(RON)</i>		
Commissions arising from:		
Services regarding payment transactions	174,944,295	171,564,607
Lending activity	53,878,420	51,666,456
Accounts opening	92,996,648	106,470,569
Values keeping in safe cases	1,840,263	1,973,432
Other customer operations*	892,664	1,277,442
Other banking operations **	71,848,283	86,214,499
Total	396,400,573	419,167,005

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

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

13. Commission expense

	30 June 2010	30 June 2011
<i>(RON)</i>		
Commissions arising from:		
Inter-banking operations	36,974,079	40,256,924
Other financial services*	12,024,758	47,581,939
Total	48,998,837	87,838,863

* include mainly commissions earned in connection with customers' transactions (e.g. co-brand cards), foreign exchange operations, arbitration proceedings and also from financial services (Reuters commissions, for accessing loans database, etc.)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. General administrative expenses

	30 June 2010	30 June 2011
<i>(RON)</i>		
Salaries	363,773,860	355,254,608
Collaborators' remuneration	315,723	295,160
Health insurance and social security charges	95,042,194	90,335,200
Other expenses related to employees	1,577,270	1,526,150
Materials	10,719,076	12,116,105
Protocol and advertising expenses	12,419,450	25,086,549
Third party services	178,325,006	222,451,979
Other administrative expenses (consumables)	1,841,041	489,653
Total	664,013,620	707,555,404